



# Medicare Advantage: What You Need to Know Before the 2018 Advance Notice

## What is Medicare Advantage?

**Brief History:** Since the 1970s, Medicare enrollees have had the option of choosing a managed care plan to receive their Medicare benefits. While the names have changed over the years – from Medicare Risk, to Medicare+Choice, and now Medicare Advantage (MA) – the program has consistently provided high rates of satisfaction for members who choose to receive their care from innovative private health insurance plans. The MA program has been a success despite major changes and requirements imposed by the Affordable Care Act (ACA) and the Centers for Medicare & Medicaid Services (CMS).

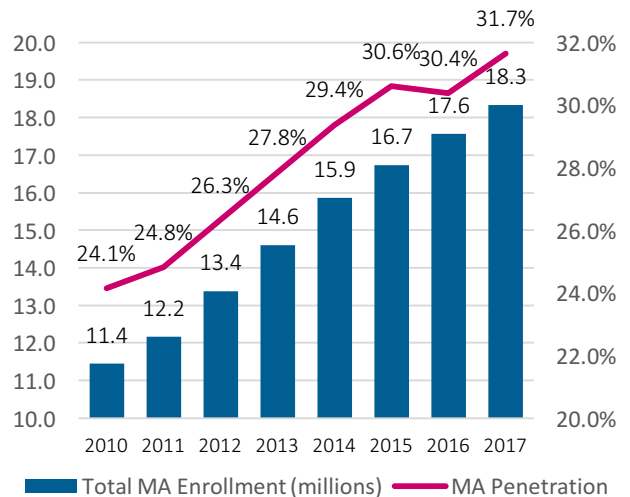
**The Current State of MA:** MA plans cover over 18.3 million Americans, or nearly 32 percent of all Medicare beneficiaries. Since 2010 enrollment has increased by 60 percent. The program enjoys strong bipartisan support in Congress. Enrollee satisfaction is high. Research shows MA plans achieve better health outcomes than the government-run fee-for-service (FFS) program, and providers are adopting plan practices that “spill over” and reduce costs in FFS. In addition, the Medicare Payment Advisory Commission (MedPAC) has found that payments to MA plans are now equivalent to traditional Medicare costs. As such, the ACA’s and MedPAC’s goal of achieving payment equity between MA and FFS has been achieved.

## What is the Advance Notice?

CMS will release the 2018 Advance Notice on February 2, 2017, which will lay out the policies governing plan payment for 2018. The agency has large discretion over certain payment policies and are likely to address several issues of critical importance to MA plans. Stakeholders will have 30 days to comment on the Advance Notice prior to CMS issuing a Final Rate Notice on April 3.

Sources: Giese, Glenn, Sober, Josh, Fitzpatrick, Randall. “2017 Advance Notice: Changes to Medicare Advantage Payment Methodology and the Potential Effect on Medicare Advantage Organizations.” Oliver Wyman. March 3, 2016.

MA Enrollment and Penetration, 2010-2017



## What CMS Did Last Year: By the Numbers

Policy changes made by CMS last year include:

-1.5%

Oliver Wyman estimated that CMS’s policy to increase the use of encounter data for calculating plan risk scores in 2017 could reduce overall funding to the MA program by up to 1.5%.

-1.25%

Beginning in 2017, CMS changed how Employer Group Waiver Plans (EGWPs) will be paid, resulting in a 1.25% reduction to these plans. CMS also announced its intention last year to implement a similar reduction for 2018.

-5.66%

For 2017, CMS implemented the mandatory minimum coding intensity adjustment, which accounts for differences in coding practices between MA and FFS, of -5.66%.

## What Did CMS Do Last Year?

In last year's Final Rate Notice, CMS implemented a series of changes in payment to MA plans, including increasing reliance on "encounter data" for determining beneficiary health status, reducing payments for employer plans (or "EGWPs"), and implementing a new risk adjustment model.

## What CMS Should Do This Year

In 2018, all county rates will be based on traditional Medicare costs. Under the ACA, county rates cannot exceed what would have been paid under the pre-ACA payment methodology. This payment cap results in lower payments for plans with at least four stars that would otherwise receive quality bonus payments. **CMS should explore alternatives to address the rate cap in the Advance Notice.**

In the final rate notice for 2017, CMS announced their schedule for increasing the use of encounter data for payment to 100 percent by 2020. Under their proposal, 50 percent of the payment in 2018 and 75 percent of the payment in 2019 would be based on encounter data. CMS began to adjust risk scores in 2016 based on these encounter data diagnoses. There are serious problems with the accuracy and reliability of the new system, and plans will effectively receive a rate cut if the data are used for payment. As the [Government Accountability Office](#) recently found, the agency has "yet to fully address data accuracy". In addition, two recent independent studies – one from [Milliman](#) and the other from [Avalere](#) – show a potential reduction of 0.4 to 1.6 percent for 2016. Impacts would increase as the blend

increases. **As such, CMS should ensure plan risk scores are not reduced through the use of encounter data.**

CMS considers audit and compliance findings an important part of the Star Ratings System. However, the current CMS practice of using audit findings and compliance actions to adjust quality measures effectively creates double penalties for plans. **Removing the audit and compliance findings would provide a more equal competitive environment, ensure the system accurately reflects the care beneficiaries actually receive, and avoid duplicative penalties.**

In addition, CMS proposed last year to fully phase-in changes to the methodology for determining payments made to EGWPs in 2018. EGWPs provide individuals with a seamless transition to retiree coverage that often is consistent with benefits they received as active workers. The CMS policy has the potential to disrupt care for the more than 3.6 million beneficiaries enrolled in these plans, and increase costs for employers and unions supporting coverage options for retirees. **CMS should not make any additional changes to EGWP funding until the impacts are more fully understood and alternative policy proposals have been considered.**

## Conclusion

The MA program is very popular and has seen large scale growth throughout the United States. We urge CMS to adopt policies in the forthcoming Advance Notice that preserve MA funding levels. We will support changes for 2018 that promote plan innovations that are vital to beneficiaries.

