

HEALTH MANAGEMENT ASSOCIATES

To: Anthem Public Policy Institute
From: Health Management Associates
Date: November 18, 2020

On September 3, 2020, the Medicare Payment Advisory Commission (MedPAC) [presented](#) a comparison of trends in Medicare Advantage (MA) and Original Medicare (OM) spending per beneficiary.¹ At the request of the Anthem Public Policy Institute, HMA reviewed MedPAC's analysis.

Highlights

- In calculating Part B spending per enrollee in OM, it appears that MedPAC used the wrong denominator, by using OM enrollees in Part A and/or Part B, rather than only enrollees with Part B coverage.
- In calculating Part A spending per enrollee in OM, spending and enrollment for beneficiaries with Part A only coverage should be excluded, to provide an accurate comparison between OM and MA by using equivalent populations. This change would be consistent with other MedPAC [recommendations](#).²
- These adjustments would make OM spending per beneficiary 6.4 percent higher than MA spending per enrollee, instead of 8.5 percent lower as originally published by MedPAC.

Analysis

MedPAC's September 2020 presentation suggested that MA spending per beneficiary has been both higher and increasing at a faster rate than OM spending per beneficiary between 2010 and 2019. The MedPAC analysis used data from the 2020 Medicare Trustees Report. To construct spending per beneficiary, MedPAC states they combined "total spending for each category ... [and] the appropriate enrollment number."

Total spending and enrollment amounts are presented in the Trustees Report in multiple tables, with different groups of spending and enrollment presented differently. In our effort to replicate the MedPAC approach, we identified four separate tables that had the various elements necessary to calculate OM and MA spending per beneficiary.

Findings

In comparing the MedPAC results to HMA's analysis of the Trustees Report data, we identified two potential issues, both related to OM beneficiaries who are enrolled in Part A but not Part B. MA enrollees must be enrolled in both Parts A and B.

An HMA analysis of the 2018 Medicare Beneficiary Summary File as well as evidence from the Medicare Trustees Report show that roughly 14 percent of OM beneficiaries are only enrolled in Part A, and that this rate has been increasing over the last decade. Part A only enrollees typically have coverage through

¹ MedPAC "Context for Medicare payment policy", September 3, 2020.

² MedPAC "Report to the Congress: Medicare Payment Policy," March 2017.

an employer or spouse's employer, with Medicare Part A as a secondary payer. As a result, their Part A spending is a fraction of the Part A spending for OM enrollees with Parts A and B.

The two issues that we identified are:

1. **Part A-only enrollment used to calculate Part B spending:** It appears that MedPAC calculated the Part B spending per beneficiary for OM by dividing total Part B spending by the number of enrollees eligible for Part A and/or Part B. Since nearly 14 percent of these enrollees do not have Part B coverage, there is zero Part B spending for them. Including them in the calculation mistakenly lowers the average OM spending per beneficiary.
 - a. Adjusting MedPAC's analysis to only include individuals with Part B enrollment when calculating per enrollee Part B spending would increase the average OM spending per beneficiary by 8.3 percent.
2. **Part A-only spending and enrollment used to calculate Part A spending:** MA enrollment and spending generally reflect beneficiaries who have both Part A and Part B enrollment.³ MedPAC has noted in other reports⁴ that the Centers for Medicare & Medicaid Services (CMS) should adjust the MA benchmarks to exclude Part A-only spending and enrollment, in order to ensure an accurate comparison between the two payment systems.
 - a. We analyzed the 2018 Medicare claims data and determined that the 14 percent of OM beneficiaries enrolled in Part A only accounted for two percent of total Part A spending.
 - b. Adjusting MedPAC's analysis to exclude spending and enrollment related to OM beneficiaries with Part A-only when calculating per enrollee Part A spending would increase the average OM spending per beneficiary by an additional 8.0 percent.

Figure 1 compares MedPAC's estimates of OM and MA per enrollee spending with two revisions to OM spending based on HMA analyses—adjustment 1 only and adjustment 1 and 2 combined.

After making both adjustments (1 & 2) discussed above:

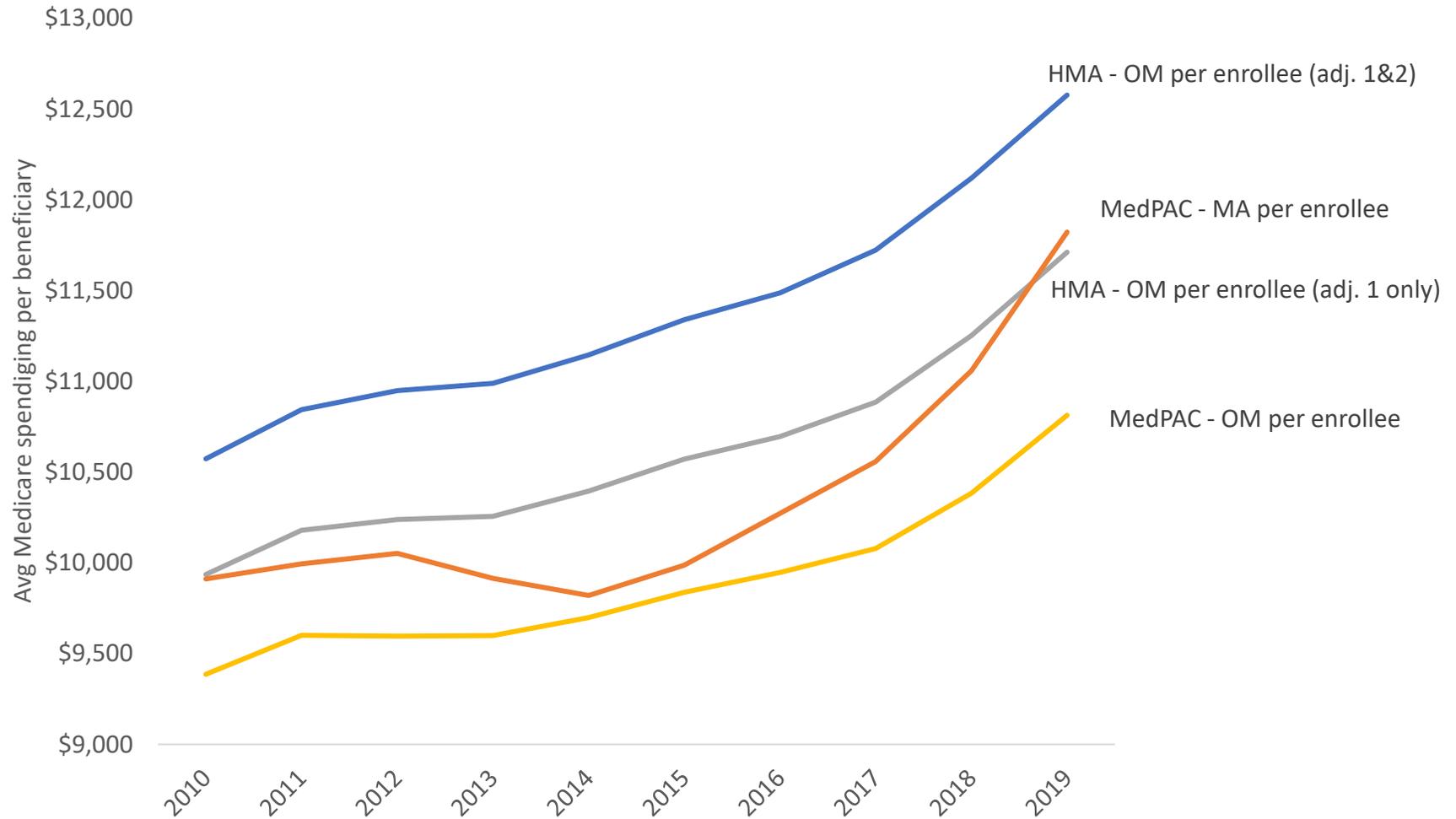
- We estimate OM spending per beneficiary in 2019 is approximately 16.3 percent higher than the value published by MedPAC.
- We also estimate that OM spending per beneficiary is 6.4 percent higher than MA spending per beneficiary, instead of 8.5 percent lower as originally published by MedPAC.

³ A small share of MA plans only cover Part B services, but are excluded from this discussion.

⁴ For example, see "Balancing financial pressure and equity in Medicare Advantage benchmark policy." MedPAC, October 1 2020.

HEALTH MANAGEMENT ASSOCIATES

Figure 1: Comparison of MedPAC and HMA Spending per Beneficiary Estimates



Source: MedPAC estimates using 2020 Medicare Trustees Report, and HMA estimates using Medicare 2018 Claims Data and Trustees Report.