October 29, 2021

Increasing the Coding Intensity Factor Could Raise Premiums for Medicare Advantage Enrollees

Policymakers may consider options to adjust payments to Medicare Advantage (MA) plans to offset potential changes to original Medicare (also known as fee-for-service (FFS) Medicare). Avalere conducted sensitivity analyses in order to assess the potential impact of coding intensity increases on MA premiums.

Risk adjustment is used to ensure that MA plans are appropriately compensated based on the expected health care costs of their enrollees. One concern raised by policymakers related to risk adjustment is that the risk model uses diagnoses from Medicare FFS, yet payments are based on diagnoses from MA plans. In recognition of this difference, the Deficit Reduction Act of 2005 required the Centers for Medicare & Medicaid Services (CMS) to make an adjustment to risk scores to account for differences in 'coding intensity' between MA and FFS. Congress has subsequently increased the size of this adjustment in recent years and could consider increasing the coding intensity factor again to generate savings by reducing payments to MA plans.

Risk scores are a key component of how plan payments and, in turn, supplemental benefits and premiums are calculated. More specifically, the risk score for the plan is used to adjust the benchmark used for the payment calculation. If the benchmark declines and the plan's bid remains constant, then the difference between the plan's bid and the benchmark would decrease and fewer funds would be available that could be applied toward lowering premiums or providing supplemental benefits. As a result, an increase to the coding intensity factor could lead to higher premiums for enrollees if plans choose to maintain their same level of benefits.

America's Health Insurance Plans (AHIP) contracted with Avalere to assess the potential impacts from increasing coding intensity to 7%, 8%, or 9% compared to the current 5.9% adjustment. These increases were identified as within the range of possible alternatives Congress could consider. As shown below, if plans chose to maintain the same level of supplemental benefits (e.g., reduced cost sharing, transportation, nutrition support, in-home services, etc.), enrollee premiums could increase by $9 to $25 per month or 43% to 115% (Table 1), on average. Avalere also assessed impacts by state to determine the percent of enrollees who could lose access to a $0 plan (Table A.2 and Figure A.1).

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MA Premium Impact Analysis

In response to a coding intensity increase, plans could choose to maintain the same level of benefits while increasing premiums to reflect the lower payments. As shown in Table 1, monthly premiums could have a notable increase were coding intensity to increase to 7%, 8%, or 9%. This analysis finds that if plans maintain current supplemental benefits when faced with a coding intensity increase, no plans with a $0 premium would be available.

Table 1: Average Estimated Change in Monthly Premium for MA-PD Enrollees Due to Increases in Coding Intensity (in USD)*

MA Plan	Enrollees Nationally** (in millions)	Avg. Monthly Premium at Baseline (5.9%)	Premium Change at Coding Intensity of:		
			7%	8%	9%
All Plans	21.0	$21.64	+$9.31	+$17.15	+$24.95
C-SNP	0.4	$8.87	+$11.47	+$21.74	+$31.89
D-SNP	3.5	$27.60	+$12.11	+$23.08	+$34.02
I-SNP	0.1	$30.29	+$12.25	+$23.18	+$33.92
Non-SNP	17.0	$20.67	+$8.67	+$15.80	+$22.89

*Assumes plans maintain the same benefits and bids

Acronyms: C-SCNP - Chronic Condition Special Needs Plans; D-SNP - Dual Eligible Special Needs Plans; I-SNP - Institutional Special Needs Plans

**Individual (Non-Emplover) Enrollees Only

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Key Findings:

- **Under an increase to the highest coding intensity factor analyzed by Avalere (9%), MA premiums could double** (Table 1).
- **The increase in MA premiums could vary widely by plan type.** Depending on the percent increase in coding intensity, the average increase in premiums could vary from $8.67 (Non-SNP at 7% coding intensity) to $34.02 (D-SNP at 9% coding intensity) (Table 1). The higher increases for SNPs than non-SNPs is due to the fact that SNPs have a sicker population, with a higher risk score, than non-SNPs.
- **Availability of low dollar premium plans may decline**. Currently, over half of MA enrollees are in plans with $0 premium that include both medical and drug coverage. However, if coding intensity increased to 9%, nearly two-thirds of enrollees could have a monthly premium of more than $25. Conversely, the percent of enrollees with a monthly premium between $50 and $100 could increase from 8% to 26% (Figure 1).
- **The percent of enrollees who could be impacted by the loss of their $0 premium plan varies considerably by state – ranging from 0% of MA enrollees in Wyoming and 99% of MA enrollees in Puerto Rico.** As shown in Table A.2 and Figure A.1, in 6 states (Idaho, Maryland, Minnesota, Montana, West Virginia, and Wyoming), and the District of Columbia, less than 25% of enrollees are in a $0 plan. However, in 28 States and Puerto Rico, more

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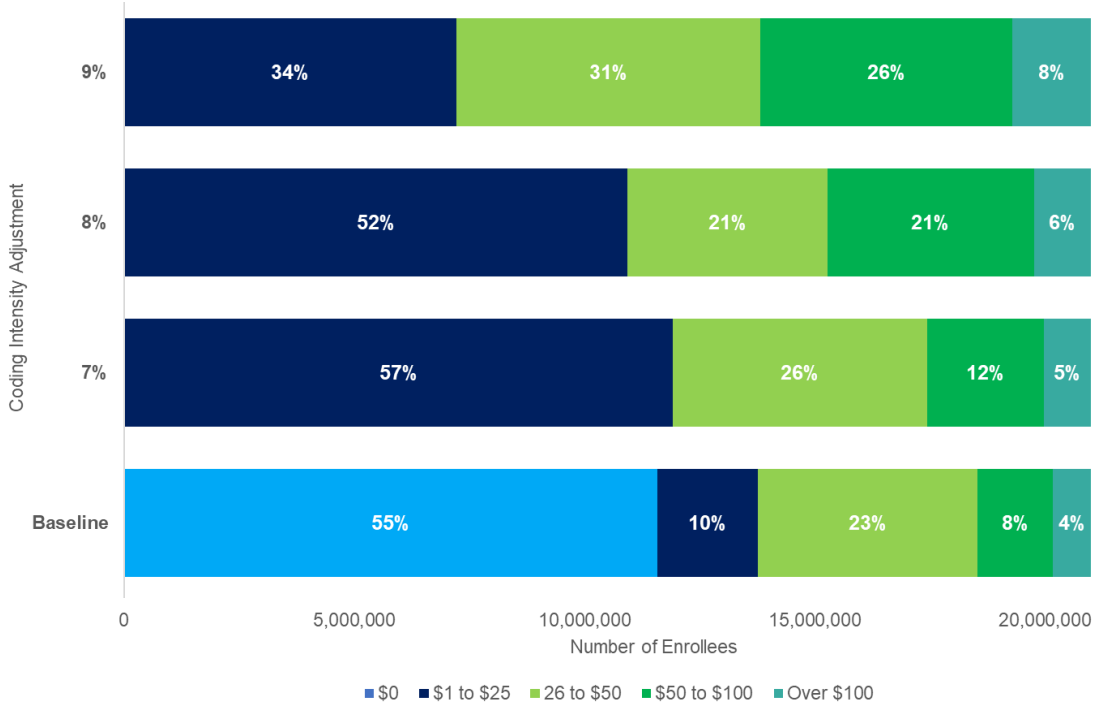
than half of enrollees are in a $0 plan. In the two states with the highest number of enrollees, Florida and California, the percent of enrollees in a $0 plan is 74% and 61%, respectively.

Figure 1: Estimated Distribution of Monthly Premiums Paid by All MA Enrollees from Coding Intensity Increases



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Conclusion

If MA plan bids remain the same, increases in coding intensity could result in higher premiums. While plans have flexibility in how they could adjust their bidding behavior in response to a coding intensity increase, there are limits to how much plans can adjust their bids. That is, their ability to change their bids is dependent on a host of factors, including, but not limited to, the competitiveness of the local MA market, negotiations with providers and other vendors, and final sign off from CMS during the annual bid process. These lower payments can, in turn, lead to higher premiums for enrollees. Avalere's analysis shows that increases to the coding intensity factor from the current 5.91% to a factor between 7% and 9% could result in premium increases between $9.31 and $24.95, on average, across all individual MA plans.

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Methodology

Avalere used its proprietary MA bid model to calculate changes in risk scores and the corresponding changes in the risk adjusted bids and rebates for each increase in coding intensity adjustment. The model is built from data published by CMS with Medicare plan payments through 2017. CMS publishes, for each plan, the average risk score and rebate amount. Avalere uses these data to project bids, risk scores, and payments for 2021, based on the 2021 published MA county benchmarks. The model uses published Medicare enrollment data at the plan/county level for 2021. Avalere used the published premium data for each plan for 2021.

Appendix: State Level Impacts from Coding Intensity Increases

The differences in impact of any change to the coding intensity adjustment will vary between states due to a number of factors. These include differences in benchmark levels, risk scores, number of plans in an individual market, the quality rating of plans, and various other state-specific factors, all of which influence the calculation of payments to MA plans.

Table A1: Estimated Change in Premium from Coding Intensity Increases, by State*

State	Number of Enrollees (in millions)	Average Premium at Baseline	Increase in Premium		
			7%	8%	9%
All States	21.005	$21.64	$9.31	$17.15	$24.95
AL	0.394	$11.36	$7.33	$14.00	$20.67
AR	0.196	$13.83	$7.38	$14.06	$20.74
AZ	0.532	$11.92	$8.99	$17.11	$25.20
CA	2.240	$19.87	$9.65	$18.43	$27.20
CO	0.334	$15.87	$7.86	$14.93	$22.00
CT	0.245	$20.47	$8.08	$15.43	$22.77
DC	0.019	$35.96	$12.22	$23.22	$34.21
DE	0.036	$15.32	$8.49	$16.09	$23.68
FL	2.194	$8.38	$14.01	$22.33	$30.49
GA	0.638	$14.54	$8.47	$16.11	$23.74
HI	0.110	$57.37	$6.87	$12.95	$19.03
IA	0.139	$9.60	$9.91	$16.76	$23.62
ID	0.127	$35.86	$7.37	$13.64	$19.81
IL	0.459	$14.09	$8.12	$15.49	$22.78
IN	0.407	$16.60	$9.66	$18.44	$27.17
KS	0.116	$9.65	$9.92	$16.55	$23.07
KY	0.270	$17.34	$8.73	$16.62	$24.40

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State	Number of Enrollees (in millions)	Average Premium at Baseline	Increase in Premium		
			7%	8%	9%
LA	0.363	$14.39	$10.70	$19.71	$28.73
MA	0.311	$57.12	$10.94	$19.57	$27.98
MD	0.102	$47.90	$9.10	$17.37	$25.64
ME	0.134	$19.72	$8.34	$15.91	$23.49
MI	0.567	$36.34	$6.14	$11.65	$17.15
MN	0.410	$85.54	$6.86	$13.10	$19.33
MO	0.459	$8.98	$9.26	$16.81	$24.33
MS	0.160	$23.77	$8.87	$16.94	$25.00
MT	0.047	$40.20	$8.52	$16.27	$23.57
NC	0.683	$17.19	$9.27	$17.70	$26.13
ND	0.006	$51.44	$6.60	$12.60	$18.60
NE	0.070	$13.07	$8.61	$16.43	$24.25
NH	0.059	$23.98	$9.60	$16.08	$22.07
NJ	0.356	$20.66	$8.29	$15.83	$23.37
NM	0.147	$14.02	$7.49	$13.32	$19.04
NV	0.222	$3.25	$8.31	$15.41	$22.20
NY	1.380	$32.74	$9.34	$17.75	$26.16
OH	0.821	$20.32	$8.34	$15.89	$23.43
OK	0.187	$14.36	$8.11	$15.20	$22.17
OR	0.366	$45.21	$7.63	$14.33	$20.98
PA	1.030	$39.70	$8.06	$15.17	$22.26
PR	0.505	$0.69	$8.06	$15.38	$22.71
RI	0.093	$26.89	$10.40	$19.85	$29.30
SC	0.352	$12.46	$7.83	$14.85	$21.87
SD	0.014	$35.52	$7.40	$14.13	$20.86
TN	0.572	$20.66	$9.16	$17.48	$25.68
TX	1.558	$11.24	$10.24	$19.54	$28.83
UT	0.169	$20.02	$7.39	$13.74	$20.09
VA	0.370	$17.81	$9.01	$16.17	$23.32
VT	0.024	$23.82	$6.22	$11.86	$17.50
WA	0.481	$38.02	$7.53	$14.37	$21.20
WI	0.428	$33.49	$7.77	$14.65	$21.44
WV	0.100	$32.31	$9.65	$18.43	$27.16
WY	0.002	$61.88	$7.64	$14.58	$21.52

*Assumes plans maintain the same supplemental benefits and bids

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Table A2: Percent of Enrollees Who Could Be Impacted by Loss of $0 Premium Plans Due to Coding Intensity Increases, by State

State	Percent of Enrollees	State	Percent of Enrollees	State	Percent of Enrollees
AL	66%	LA	62%	OH	54%
AR	56%	MA	36%	OK	53%
AZ	67%	MD	10%	OR	34%
CA	61%	ME	54%	PA	36%
CO	65%	MI	44%	PR	99%
CT	51%	MN	9%	RI	56%
DC	10%	MO	71%	SC	57%
DE	71%	MS	34%	SD	45%
FL	74%	MT	13%	TN	57%
GA	55%	NC	55%	TX	63%
HI	34%	ND	25%	UT	51%
IA	75%	NE	57%	VA	58%
ID	24%	NH	43%	VT	42%
IL	71%	NJ	54%	WA	37%
IN	47%	NM	57%	WI	35%
KS	72%	NV	92%	WV	22%
KY	47%	NY	34%	WY	0%

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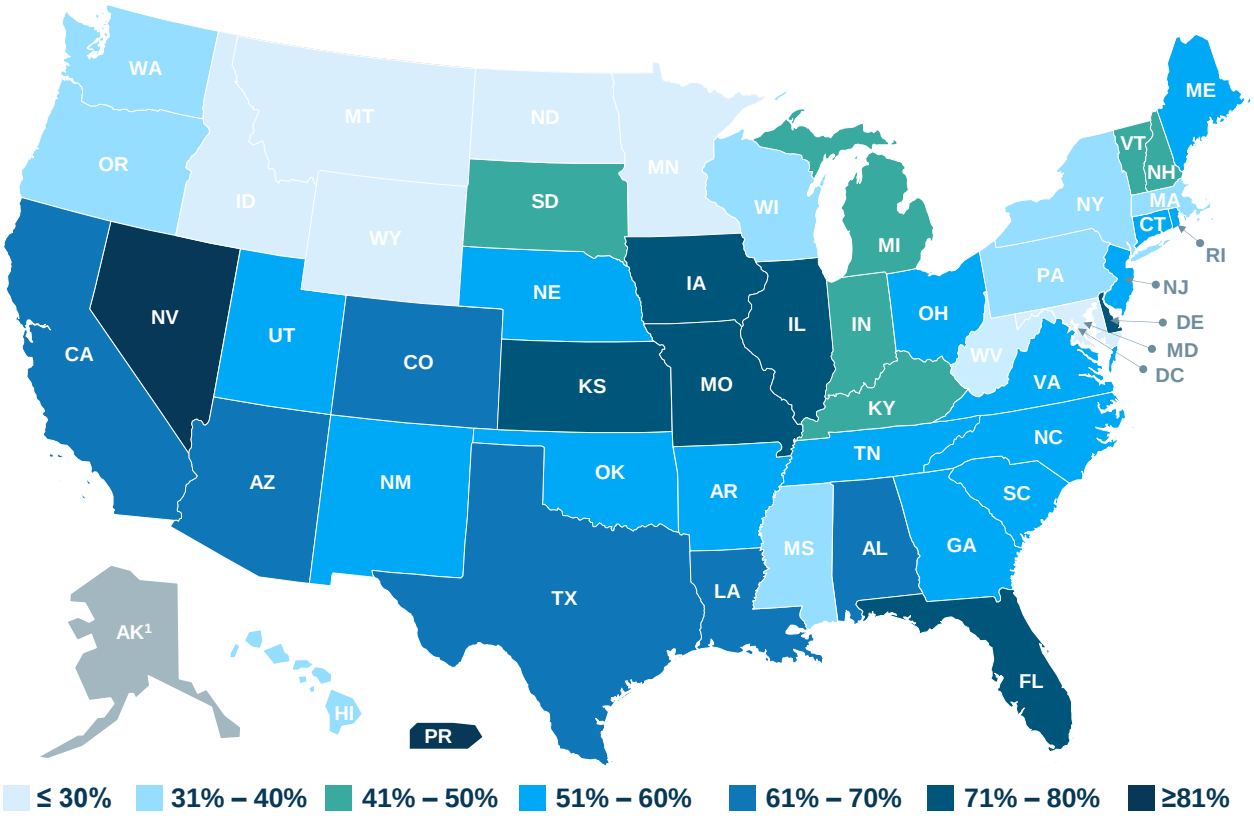
Figure A-1: Percent of Enrollees Who Could Be Impacted by Loss of $0 Premium Plans Due to Coding Intensity Increases, by State



[1]Individual MA plans are not available in Alaska

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