Published on *The National Law Review* https://natlawreview.com

Medicare Advantage Insurers May See Positive Growth in 2016

Article By:

Florence T. Wang

Vinay Bhupathy

The ***Centers for Medicare and Medicaid Services (CMS)*** proposed a 0.95 percent decrease in Medicare Advantage payment rates for 2016 in its Advance Notice and Draft Call Letter released on February 20, 2015. Medicare ***Advantage Plans,*** sometimes called “Part C” or “MA Plans,” are offered by private companies approved by Medicare. Unlike “original Medicare,” in which the government pays for Medicare benefits when a beneficiary receives them, Medicare pays these private companies to cover beneficiaries’ Medicare benefits based on a risk-adjusted, per-patient payment formula that varies annually.

CMS’ proposed payment rate cut for 2016 was a stark contrast to the estimated 2 percent rate increase previewed in December 2014 by CMS. This is likely due to updated figures relating to actual Medicare costs and the rate of fee-for-service (FFS) Medicare spending growth. MA payments are calculated based on several factors, including a plan’s quality ratings, particular mix of sick and healthy patients or level of risk, Medicare’s cost growth, and spending growth of traditional FFS Medicare. Since December, CMS found that Medicare costs actually increased by 2.68%, compared with its December projection of 2.45%, while FFS Medicare spending growth did not increase as projected, down from a projected 2.02% in December to 1.47%. Because the Affordable Care Act mandated rate changes to Medicare Advantage payments to bring them on par with FFS payments, the actual increase in Medicare costs combined with the lower-than-projected FFS Medicare spending rate resulted in the proposed payment rate cut.

In spite of the proposed 0.95 percent rate cut, CMS estimated that insurers would likely see overall revenue increase by about 1.05 percent due to an expected, continued growth in the delivery of more intense services and consequent growth in plan risk scores due to coding.

CMS Principal Deputy Administrator Andy Slavitt reasoned that the modest, proposed rate cuts would “enhance the stability of [the] MA program and minimize disruption to seniors and care providers.”

In addition to the proposed payment rates, other significant aspects of CMS’ proposal include:

- Transitioning entirely to using risk scores calculated from the community, institutional, new enrollee, and Special Needs Plans (SNP) new enrollee segments of the clinically-revised hierarchical condition categories (HCC) model in Part C payment for aged/disabled beneficiaries;

- Not precluding the use of in-home visits for risk assessments, which was under increased scrutiny out of concerns of inflated risk scores;
- Altering the MA star quality rating system to help beneficiaries determine which MA plans are performing well in terms of both quality and beneficiary satisfaction; and
- Requiring MA Plans to maintain accurate provider directories and to make those directories widely available.

CMS' press announcement noted that the rate proposal and other proposed changes will continue the popularity of Medicare Advantage programs "by providing fair payments to plans, rewarding high-quality care, and spending our health care dollars wisely." The proposed rates and expected revenue growth mean that MA plans would on average, receive payment rates slightly higher than FFS equivalent payments, depending on other region- and plan-specific factors. This is expected to translate into more stable premiums for 2016 MA Plan beneficiaries from 2015.

While CMS sees its proposal as a step towards Department of Health and Human Services Secretary Sylvia M. Burwell's vision of building a "better, smarter health care system and moving the Medicare program…toward paying providers based on the quality, rather than the quantity of care they give patients," not all in Congress or in the healthcare insurance industry agree.

A bipartisan group of more than 50 senators, led by Democratic Senator Chuck Schumer (NY) and Republican Mike Crapo (ID) sent a letter to CMS this past week urging the agency to protect the more than 16 million seniors enrolled in Medicare Advantage by maintaining the current payment levels in 2016. Intense lobbying by insurance industry heavyweights and those opposing any MA Plan payment rate cuts is expected prior to CMS' release of final payment rates on April 6, 2015.

Karen Ignagni, CEO of America's Health Insurance Plans, the national trade association representing the health insurance industry, responded to CMS' proposed rate cut saying that CMS is "now proposing additional cuts to [MA] at a time when health care costs are projected to increase…Protecting the millions who rely on this program should mean no further cuts."

The proposed changes to payment rates and the impact they will have on MA organizations are certain to be contentious, as the early comments above indicate. For MA organizations, a key consideration will be how to adjust their financial projections if the rates go into effect and what will be the impact on their bottom line if further cutbacks are made due to political pressures. These changes will also trickle down to providers. Consumers and advocacy groups on the other hand, should monitor whether the beneficiary protection provisions are instituted in a final rule. The deadline for public comments on the proposal is March 6, 2015.

National Law Review, Volume V, Number 64