MEDPAC

Advising the Congress on Medicare issues

Standardized benefits in Medicare Advantage plans

Eric Rollins

September 7, 2023

Introduction

- More than half of beneficiaries with Part A & B coverage are enrolled in Medicare Advantage (MA) plans
- Average beneficiary has 41 MA plans available in their area
- Researchers have found that individuals have more difficulty comparing health plans and selecting the one that best meets their needs when faced with many choices

Insurers have flexibility in designing MA plans

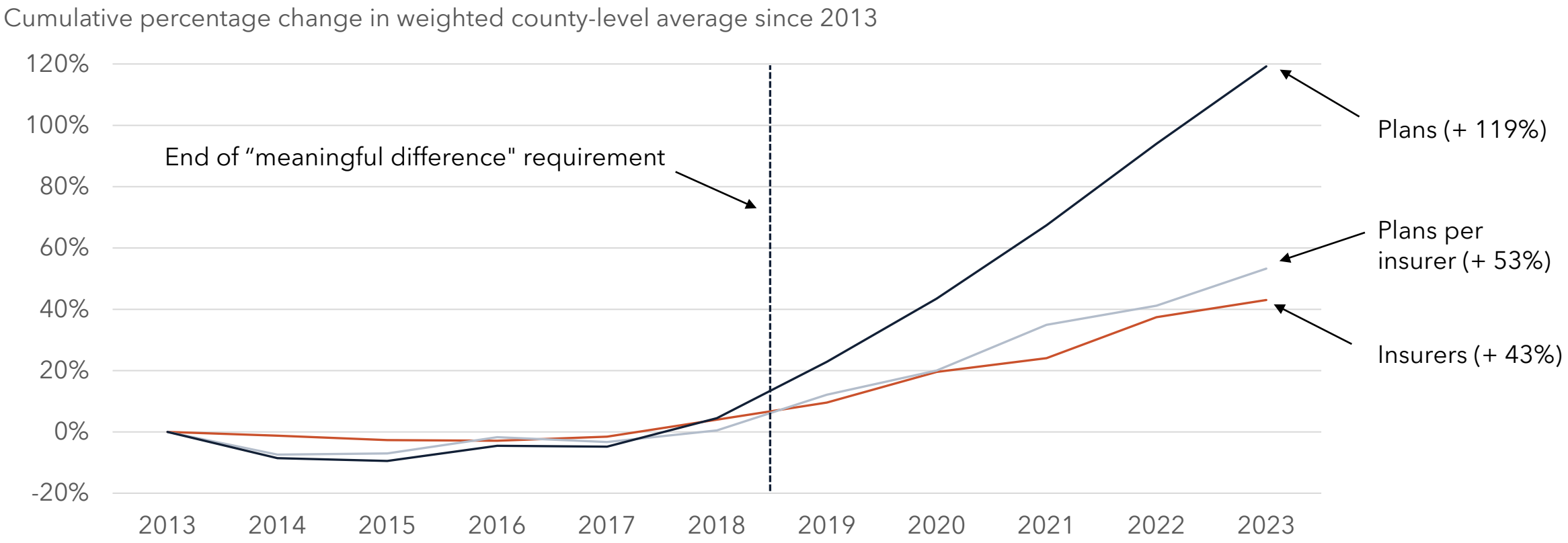
- We have found substantial variation across plans in:
  - Cost sharing for Part A & B services (plans can develop their own cost-sharing rules and charge lower amounts than traditional Medicare)
  - Supplemental benefits (plans can cover a wide variety of benefits that traditional Medicare does not cover)
- These features play a key role in attracting enrollment and are largely financed by MA plan rebates

The use of standardized benefits would make it easier to compare plans

- Standardization would give beneficiaries more clearly defined choices and could promote plan competition
- Standardization has been used for both Medigap and ACA plans
- The Commission has focused on standardizing Part A & B cost sharing and supplemental benefits
- Even with standardized benefits, plans would still vary in important ways, such as provider networks and drug formularies

Note: ACA (Affordable Care Act of 2010).

MA plan availability has grown because there are more insurers and insurers now offer more plans



Note: Does not include employer-sponsored plans, special needs plans or Medicare medical savings account plans.
Source: MedPAC analysis of MA landscape files, MA enrollment data, and Medicare enrollment data.

Factors contributing to the growth in MA plan availability

- Growth in insurers likely reflects generous plan payment rates and overall profitability of the MA program
- All major for-profit insurers have expanded into new markets
- Growth in number of plans offered by each insurer is likely due to repeal of "meaningful differences" requirement starting in 2019
- Particularly rapid growth in availability of PPO-style plans

Note: PPO (preferred provider organization).

Variation in MA benefits persists when looking at plans in specific markets

- Our earlier work on MA benefits found substantial variation across plans at the national level
- Using county-level data, we found evidence that plan benefits also vary within local markets
  - Examples include the maximum out-of-pocket limit, cost sharing for an inpatient stay, and dental benefits
  - Less variation in other features such as cost sharing for primary care visits
- Variation in benefits within local markets suggests standardization could make it easier for beneficiaries throughout the country to compare plans

Highlights from last year's commissioner discussions

- Broad agreement that efforts to standardize MA benefits should differentiate between:
  - Cost sharing for Part A & B services
  - Dental, hearing, and vision benefits
  - All other supplemental benefits
- Interest in balancing goals of:
  - Making it easier for beneficiaries to compare plans
  - Giving plans flexibility to develop different benefit designs

Standardization of Part A & B cost sharing

- Commissioners focused on requiring plans to use a limited number of benefit packages
- Each package would specify the plan's maximum out-of-pocket limit and cost-sharing amounts for all major services
- Using multiple benefit packages would preserve some degree of choice for beneficiaries and provide a way to accommodate the regional variation that exists in MA rebates and benefits

Illustrative packages with standardized MA cost sharing for Part A & B services

Service category	Package 1 (Lower generosity)	Package 2 (Medium generosity)	Package 3 (Higher generosity)
Maximum out-of-pocket limit	$6,200	$4,900	$3,400
Deductible	$0	$0	$0
Inpatient acute care (days 1-5 of stay)	$335 per day	$300 per day	$225 per day
Skilled nursing care (days 21-100 of stay)	$196 per day	$196 per day	$178 per day
Primary care visit	$0	$0	$0
Specialist visit	$40	$35	$20
Outpatient hospital service	$300	$295	$200
Emergency care	$90	$90	$90
Urgent care	$40	$40	$30
Dialysis	20%	20%	20%

Note: These packages are for illustrative purposes only and do not represent MedPAC policy proposals.

Standardization of supplemental benefits

- Commissioners viewed dental, hearing, and vision benefits as good candidates for standardization
  - Require plans to use benefit packages that specify coverage limits, cost-sharing rules, and per-enrollee spending limits
  - Coverage of these benefits would remain optional
- Other MA supplemental benefits would not be standardized to preserve plan flexibility

Illustrative packages with standardized MA dental benefits

			Beneficiary coinsurance		
	Annual benefit limit	**Deductible**	**Class A: Preventive services**	**Class B: Intermediate services**	**Class C: Major services**
Options for conventional MA plans:					
Standard	$1,500	$0	0%	30%	50%
High	No limit	0	0	20	35
Options for special needs plans:					
Standard	$2,500	0	0	0	0
High	No limit	0	0	0	0

Note: These options are for illustrative purposes only and do not represent MedPAC policy proposals.

Other important issues to consider

- Last year we identified three other important issues to consider for standardization:
  - Which types of MA plans would be standardized?
  - Would insurers still be able to offer nonstandardized plans?
  - How many standardized plans could each insurer offer?
- Commissioner discussions of these issues was preliminary since our work was at an early stage

Which types of MA plans would be standardized?

- Conventional plans (64 percent of enrollment) would be the most logical candidates because they are available to all beneficiaries
- Less rationale for standardizing Part A & B cost sharing for special needs plans (19 percent of enrollment), but policymakers could consider standardizing their dental, hearing, and vision benefits
- Employer plans (17 percent of enrollment) could be excluded from standardization

Would insurers still be able to offer nonstandardized plans?

- Allowing insurers to offer both standardized and nonstandardized plans could make the plan selection process more difficult for beneficiaries
- Requiring insurers to use standardized benefits in all plans would initially cause some disruption for MA enrollees
  - Extent depends on how closely standardized plans resemble current plans
  - Current program already generates some disruption for enrollees due to annual changes in plan designs
- Transition to standardized benefits could be implemented in several ways

How many standardized plans could each insurer offer?

- Total number of plans per insurer would depend on several factors
  - Number of benefit packages
  - Interaction of benefit packages for Part A & B cost sharing with benefit packages for dental, hearing, and vision benefits
  - Whether insurers could offer plans with same benefit package but different types of provider networks (such as HMO and PPO versions)
- Small changes to these parameters could have large effects on the overall number of plans

Discussion

- Should the Commission pursue a recommendation on the use of standardized benefits in MA plans?
  - If yes, we will present policy options at our January meeting
- If you are interested in pursuing a recommendation:
  - Which types of MA plans should be standardized?
  - Could insurers still offer nonstandardized plans?
  - How many standardized plans could each insurer offer?

MEDPAC

Advising the Congress on Medicare issues

Medicare Payment Advisory Commission

www.medpac.gov

@medicarepayment