

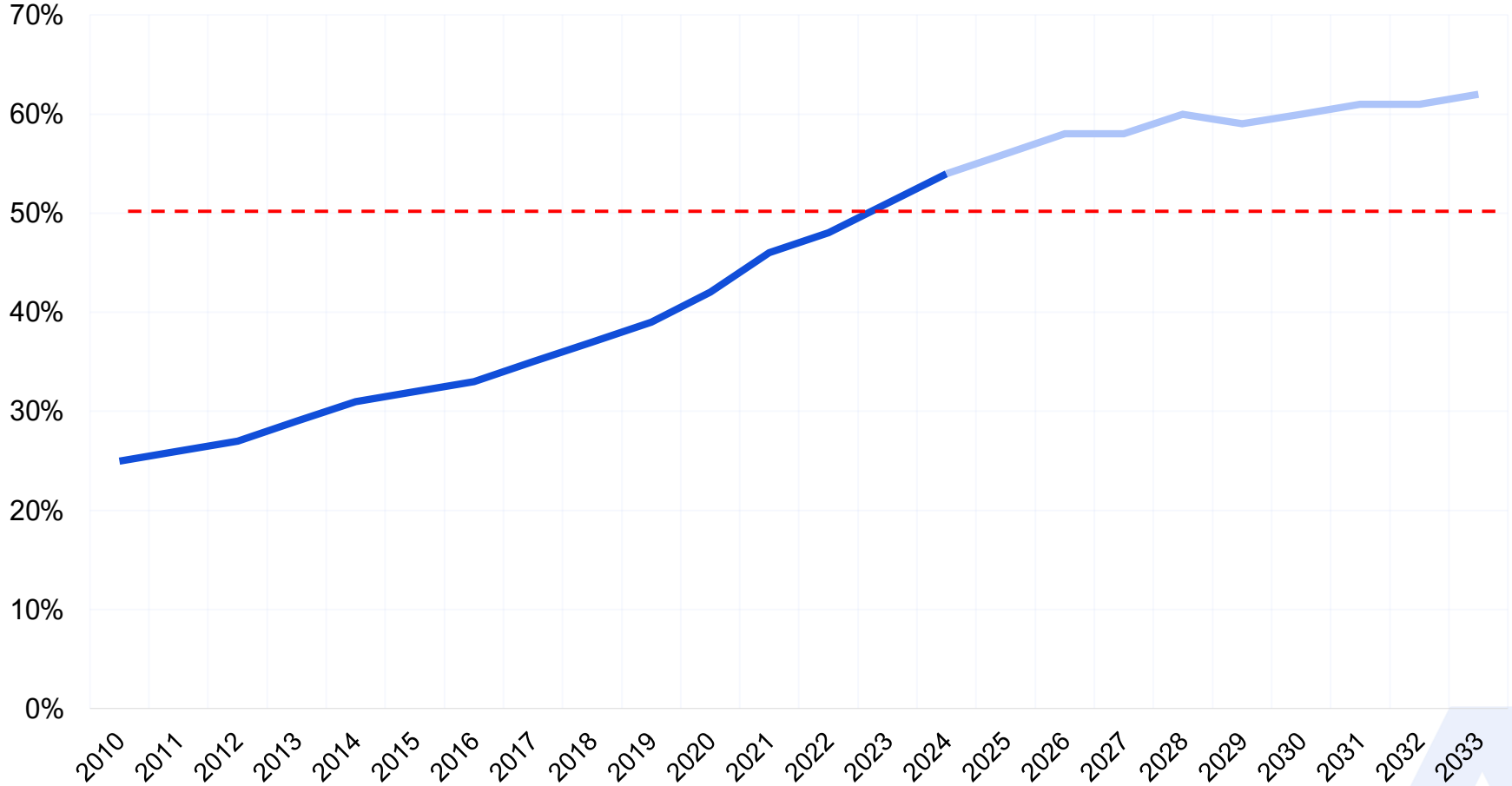
Medicare Updates

What the growth of Medicare Advantage means for Medicare

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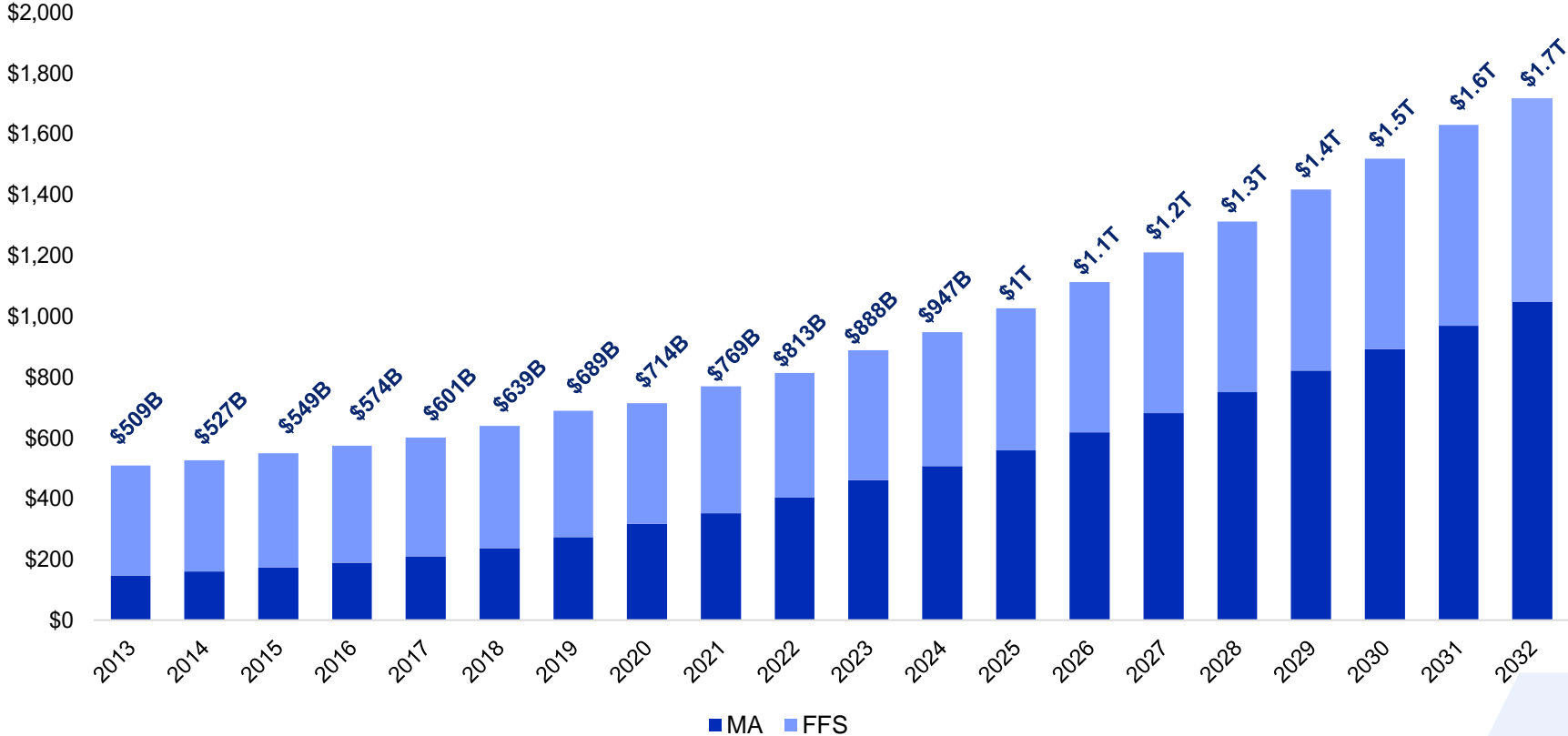
More than 50% of Medicare Beneficiaries are Now Enrolled in Medicare Advantage



Source: KFF Analysis of Medicare Advantage Enrollment (2023). Projections for 2024 to 2033 are from the May Congressional Budget Office (CBO) Medicare Baseline for 2023.

Medicare Advantage Accounts for an Increasingly Large Share of Medicare Spending

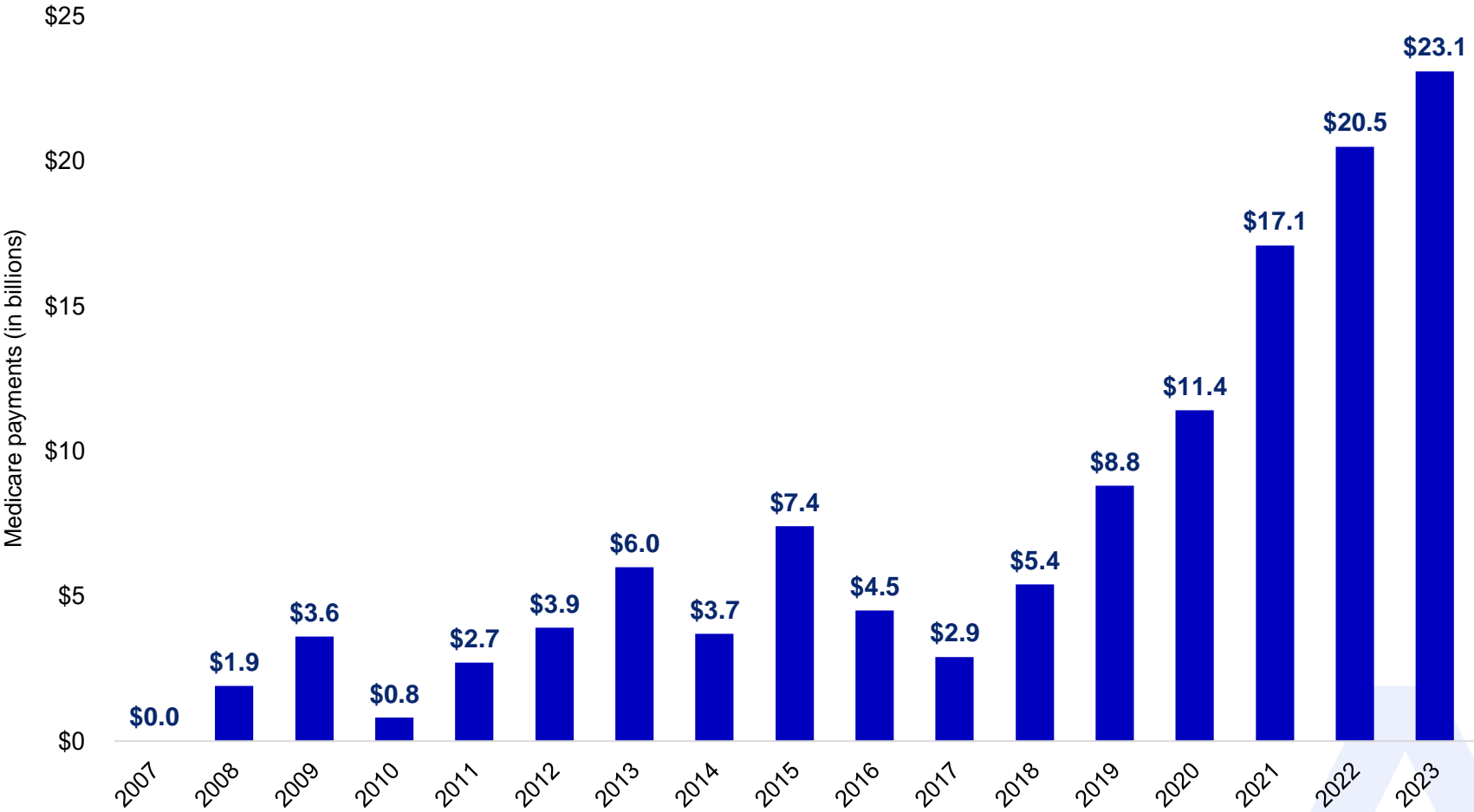
Total Medicare Payments for Part A + Part B Benefits



Source: 2023 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

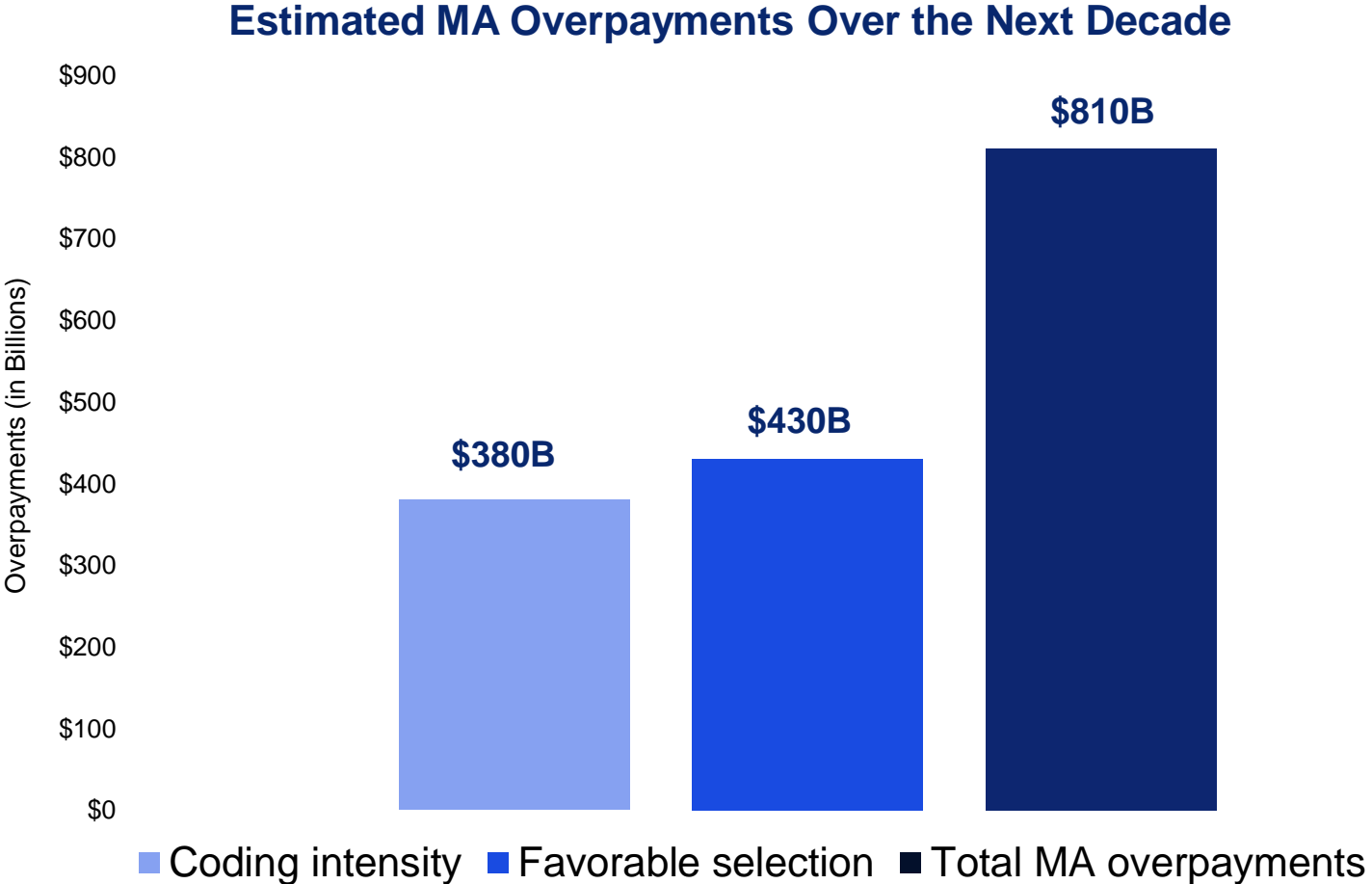
Overpayments to MA Plans are Estimated to be \$27B in 2023

Overpayments Due to Uncorrected Coding Intensity



Source: MedPAC March 2023 Report to the Congress: Medicare Payment Policy.

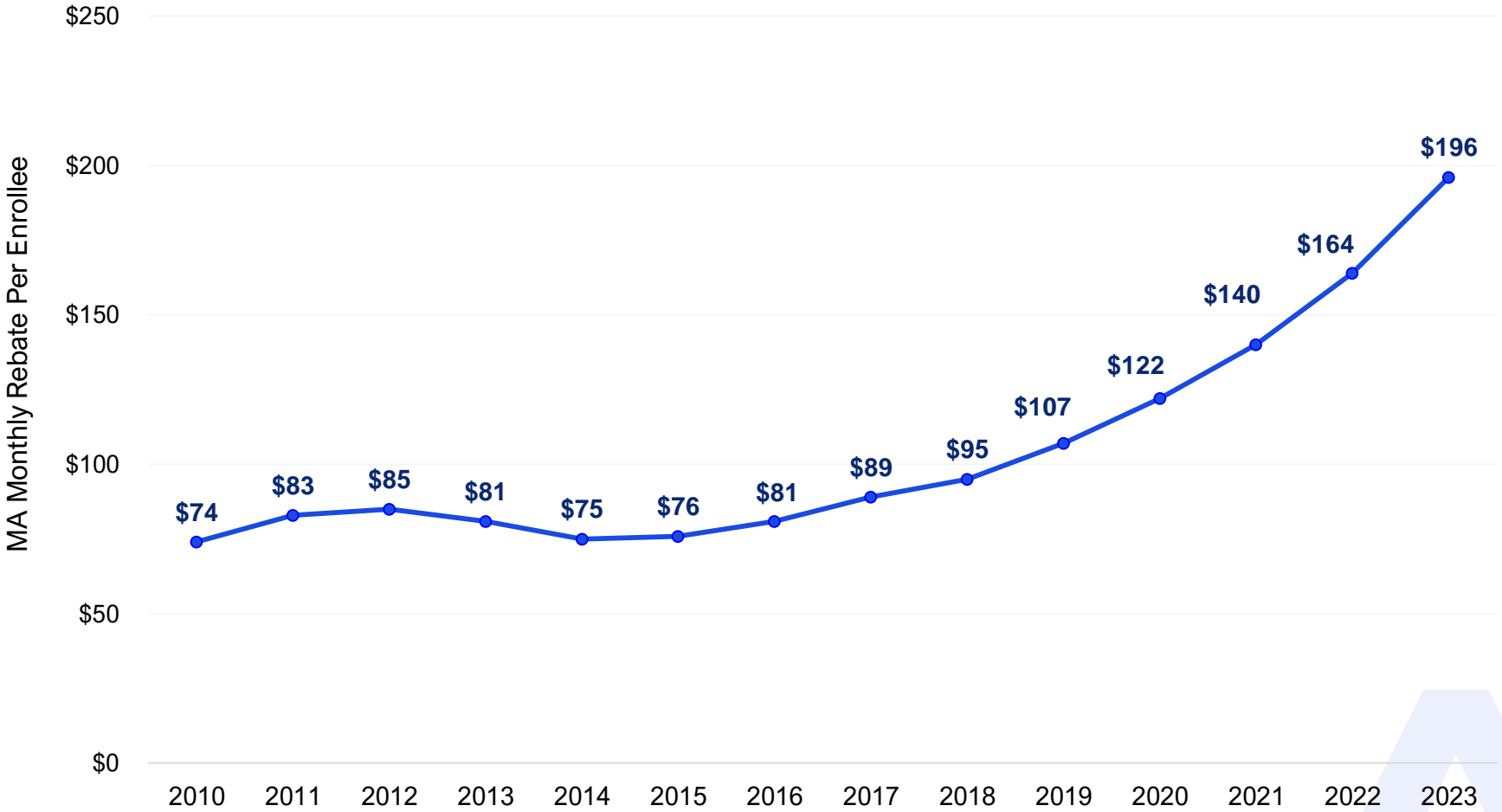
Recent Evidence on Favorable Selection Suggests MA Overpayments are Even Larger



Source: CRFB analysis (2023) using estimates from MedPAC.



Rebates Used to Provide Extra Benefits are at a Record High, Exceeding \$2,350 Per Enrollee in 2023



Source: MedPAC March 2023 Report to the Congress: Medicare Payment Policy.

Evidence on whether MA Delivers More Value is Mixed

- Tighter constraints on utilization and potential for more efficient care delivery.
- Virtually all MA enrollees have access to extra benefits such as vision, hearing, and dental and many have access to benefits like meals and transportation...but we don't know much about how many beneficiaries use extra benefits or how they affect outcomes.
- MA performs better than TM on certain measures (e.g., preventive services), TM performs better on others (e.g., receiving care in highest-rated hospitals for cancer care), and for some there's no difference or it varies.
- Minority and high-need beneficiaries are more likely to disenroll from MA plans.



Implications of the Growth of Medicare Advantage

- On Medicare's fiscal challenges, solvency, and beneficiary spending
- On the way MA payment benchmarks are determined
- On traditional Medicare's ability to serve as an effective competitor and check on Medicare Advantage



Policy Options

- Reduce overpayments to MA, for example by:
 - Increasing coding intensity adjustment
 - Reforming the quality bonus program

- Change the way MA benchmarks are determined, for example by:
 - Basing benchmarks on MA and TM spending

- Strengthen traditional Medicare
 - Redesigning and/or expanding benefits



Growth in MA is Likely to Continue Even with Reforms

- Modest payment reductions to MA are likely to have minimal effects on beneficiaries.
- MA enrollment continued to grow after the ACA substantially reduced payments to MA plans.
- Evidence suggests plans can respond by lowering costs and reducing what they retain as profit/passing more through to enrollees to maintain benefits that hold the most value for enrollees.



Thank you

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