SNP Alliance Position Statement

Removing Financial Barriers to Serving Duals

September 24, 2014

Background

In 2003, Congress established Special Needs Plans (SNPs) to improve quality and cost performance in serving special needs beneficiaries, including people who are dually eligible for Medicare and Medicaid (i.e., duals). Today, SNPs serve nearly 2 million Medicare beneficiaries, with approximately 85% of all SNP enrollees being duals. This includes I-SNPs and C-SNPs, which MedPAC's 2013 June Report notes are "made up of a large proportion of dual eligibles."

Milliman finds CMS-HCC model will underpay MA plans for duals relative to non-duals

In August 2013, Milliman conducted an analysis of the impact of the CMS-HCC model on risk adjusted MA benchmarks for populations served by SNPs. The findings found that in 2014, the CMS-HCC risk model will underpay MA plans for duals relative to what the model will pay for non-duals. The Milliman analysis estimated that for 2014, risk-adjusted benchmarks are 106.5% of Medicare fee-for-service (FFS) costs for the total population. For comparison, the findings go on to state that 2014 risk-adjusted benchmarks are only 100.9% of 2014 FFS costs for duals, but are 108.6% of 2014 FFS costs for non-duals.

Implications

Because 85% of all SNP enrollees are duals, SNPs are disproportionately impacted by the shortcomings of the CMS-HCC risk model with regards to payments for duals. With continued reductions in MA payment to achieve parity in payment with FFS, the current relative underpayment of MA plans specializing in care of duals is jeopardizing the nation's ability to control the escalation of Medicare and Medicaid costs through specialized managed care programs.

Risk models using regression techniques are designed to accurately predict costs for an overall population (e.g., a nationwide population) in aggregate. As is the case with all regression-based risk models, actual costs for two mutually exclusive subsets of the overall population will usually be under-predicted for one subset and over-predicted for the other. To ensure the risk model handles fairly each of the mutually exclusive subsets in aggregate, a predictive bias adjustment can be made to the model.

This can be illustrated using the data from the Milliman analysis with regards to the CMS-HCC model. While the risk-adjusted benchmarks are 106.5% of FFS costs for the total population, they are only 100.9% for duals but are 108.6% for non-duals. In this case, the initial predictive bias adjustment factor (PBAF) would be 106.5% / 100.9% = 1.0555 for duals and 106.5% / 108.6% = 0.9807 for non-duals. After normalizing for the differences in county mix between duals and non-duals, the final PBAFs would be 1.060 for duals and 0.985 for non-duals.

Recommendations

The SNP Alliance recommends that CMS develop PBAFs for the CMS-HCC risk model for the mutually exclusive subsets of duals and non-duals such that FFS costs are predicted accurately for these two subsets in aggregate (i.e., both subsets have a 106.5% benchmark-to-cost ratio for 2014). To implement the PBAFs within the MA program, CMS can simply apply PBAFs as an additional factor (either the dual factor or the non-dual factor, depending on the individual's dual status), along with the FFS normalization factors and the MA coding intensity factor, to the raw risk scores from the CMS-HCC risk model.

Impact

Overall, the impact of implementing the PBAFs would be budget neutral, assuming there is not a difference in the percentage of the total population represented by duals in MA versus FFS. To account for any difference, an adjustment could be made to the PBAFs to ensure implementation is budget neutral for MA. For any given plan or company, the impact of implementing the PBAFs would vary. Assuming the CMS-calculated dual PBAF would be greater than 1.00, the impact of implementing the PBAFs would increase (decrease) risk scores if the percentage of duals served in a given plan or company are greater (less) than the percentage of duals in the FFS population on which the CMS-HCC model is calibrated. Using the 1.060 and 0.985 PBAFs for duals and non-duals developed using the results from the Milliman analysis, the percentage risk score impact for a given plan would be:

$$[(\%\ \text{duals} \times 1.060) + (\%\ \text{non-duals} \times 0.985)] - 1$$

The impact on plans that exclusively or disproportionally serve dually eligible beneficiaries would be to ensure payment equity with FFS providers and to enhance their capacity to address beneficiaries' special needs.

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