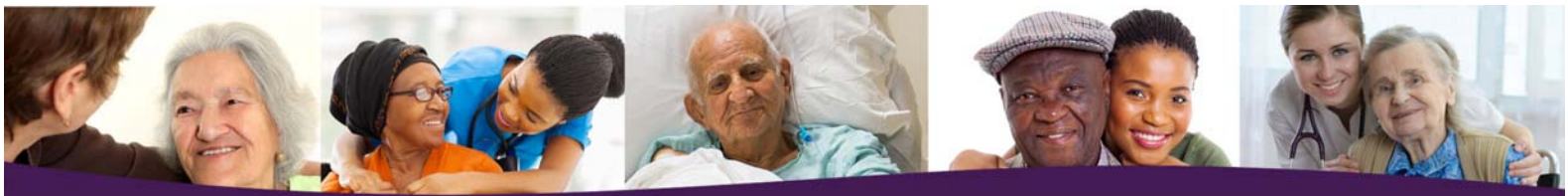

SNP Alliance Position Statement

MAY 2016

New, Improved MA Risk Adjustment Model will Better Predict Costs of Dual Eligible Beneficiaries in 2017

Background

Special Needs Plans (SNPs) serve over 2.1 million Medicare beneficiaries, 85% of which are dually eligible for Medicare and Medicaid. Dual eligible beneficiaries are more costly to treat because they have higher rates of chronic illness, including mental illness, COPD, diabetes, and heart failure. They also have socioeconomic challenges that complicate their health and how plans deliver their care. Dual SNPs (D-SNPs) serve only dual eligible beneficiaries, and Institutional SNPs (I-SNPs) and Chronic SNPs (C-SNPs) serve mostly duals. Without risk adjustment, SNPs simply could not both serve duals and survive financially.

CMS recently found that current MA risk adjustment under-predicts the cost of dual eligible enrollees living in the community by 4.3% and under-predicts the costs of full dual eligible enrollees living in the community by 8.6%.

CMS also found that current risk adjustment over-predicts costs for serving "non-duals" and "partial benefit duals" living in the community by 1.5% and 9.2%, respectively.[1] Relative to Medicare fee-for-services, this means that with regards to individuals living in the community, the current HCC payment model underpays plans serving only duals (D-SNPs) and overpays plans serving no duals. These findings are similar to Milliman's findings in a 2014 analysis of the CMS-HCC methodology conducted under contract with the SNP Alliance.

CMS' final payment model corrects this disparity in 2017.

In the 2017 Rate Announcement and Call Letter issued in April 2016, CMS finalized a new risk adjustment model with a separate community model segment for six subgroups of beneficiaries. The SNP Alliance strongly supports this new model because it would pay plans more accurately for beneficiaries in each segment. It would correct the payment disparity that has plagued the risk adjustment model for years. The new model will also encourage more MA plans to serve duals and strengthen the MA program as a whole. More importantly, it will improve the quality of care for dual eligible beneficiaries.

Why does this proposal matter to plans serving duals?

The SNP Alliance has long advocated adjusting payment based on a beneficiary's overall health conditions. However, studies show that plans specializing in high-cost populations like duals are financially disadvantaged by the current risk model's inability to fully account for the high medical costs involved in serving them. The current risk model under-predicts costs for some high-risk conditions and for dual eligible beneficiaries as a group. Payment accuracy for every chronic condition is not always possible under the MA risk model, as most under- or over-payment for conditions within the model are generally averaged out for plans serving a relative normal distribution of Medicare beneficiaries. However, the lack of payment accuracy becomes problematic when a plan exclusively serves a high-cost population like duals, where an underpayment cannot be offset by an overpayment for a healthier population, like "non-duals." In fact, the current risk model creates perverse financial incentives to avoid enrolling high-cost beneficiaries.

The final CMS proposal will encourage plans to invest in specialized care and work with States in designing models that will improve beneficiaries' quality of care. Plans serving a population whose mix of beneficiaries is comparable to Medicare FFS will see little or no financial impact as the projected over and under adjustment to community risk scores will balance.

Recommendation

The SNP Alliance applauds CMS for finalizing this long awaited payment policy. As a next step in seeking to eliminate barriers to specialized care for important high-risk/high-need beneficiaries, the SNP Alliance recommends requiring CMS to study and improve the accuracy of the risk model for beneficiaries with Chronic Kidney Disease, diabetic neuropathy, Alzheimer's disease and related dementias, severe and persistent mental illness, ESRD, frailty, and beneficiaries receiving end-of-life care. There is evidence of adverse impact on plans that serve a disproportionate share of beneficiaries with these complex care conditions..

[1] Full benefit dual eligibles are those who are eligible for full Medicaid benefits under title XIX of the Social Security Act. Full benefit dual eligibles include those who are eligible as Qualified Medicare Beneficiaries (QMBs) or Specified Low Income Medicare Beneficiaries (SLMBs) in addition to full Medicaid benefits (i.e., QMB Plus and SLMB Plus). Partial benefit dual eligibles include those who are eligible only as a Qualified Medicare Beneficiaries (QMBs), a Specified Low Income Medicare Beneficiaries (SLMBs), and under other categories of beneficiaries who are not eligible for full Medicaid benefits under title XIX.