

SNP Alliance Position Statement

Remove Under Payment for Dual Eligibles in MA Risk Adjustment

April 2015



Background

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

2014 CMS-HCC risk model underpays MA plans for dual eligibles

In August 2013, Milliman conducted an analysis of the impact of the 2014 CMS-HCC model on risk adjusted MA benchmarks for populations served by SNPs. The findings found that in 2014 the 2014 CMS-HCC model underpays MA plans for dual eligibles relative to what it pays for non-dual eligibles. The Milliman analysis estimated that 2014 MA risk-adjusted benchmarks are 106.5% of Medicare fee-for-service (FFS) costs for the total population. In comparison, risk-adjusted benchmarks are only 100.9% of 2014 FFS costs for dual eligibles and 108.6% of 2014 FFS costs for non-dual eligibles.

Implications

With continued reductions in MA payment to achieve parity in payment with FFS, the current underpayment for dual eligibles jeopardizes the nation's ability to improve quality and cost outcomes for this population through specialized managed care. Because 85% of all SNP enrollees are dual eligibles, SNPs are disproportionately affected by the shortcomings of the 2014 CMS-HCC model with regard to payments for dual eligibles.

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 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 dual and non-dual eligibles, the final PBAFs would be 1.060 for dual eligibles and 0.985 for non-dual eligibles.

Recommendations

The SNP Alliance recommends that CMS develop Predictive Bias Adjustment Factors (PBAFs) for the CMS-HCC risk adjustment model for the mutually exclusive subsets of dual and non-dual eligibles such that FFS costs are predicted accurately for these two groups 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 (a dual factor or non-dual factor, depending on the beneficiary's dual status) to the raw risk scores from the CMS-HCC risk model, along with the FFS normalization factors and the MA coding intensity factor.

Impact

Overall, the impact of implementing the PBAFs would be budget neutral, assuming there is no 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 dual and non-dual eligibles 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 disproportionately serve dually eligible beneficiaries would be to ensure payment equity with FFS and enhance their capacity to address these beneficiaries' special needs.