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Healthcare Systems and Services Practice

Supplemental benefit changes in Medicare Advantage increase options for those with chronic conditions

A new wave of product innovation could support Medicare Advantage beneficiaries with at least one chronic condition.

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Two out of three Medicare beneficiaries have two or more chronic conditions, making managing chronic conditions outcomes and costs a challenging priority for Medicare fee-for-service (FFS) and Medicare Advantage (MA) plans. Over the past several years, the Centers for Medicare & Medicaid Services (CMS) has been taking actions to increase MA plan design options and spur enrollment growth (MA enrollment grew 37 percent from 2016 to 2020). Their most recent changes increase flexibilities for supplementary benefits for individuals with chronic conditions (SSBCI, also known as special supplemental benefits for the chronically ill). These new flexibilities can help to address unmet social needs for beneficiaries with chronic conditions, including access to food and produce, transportation, and structural home modifications.

CMS has made management of these chronic diseases a priority in both the Medicare FFS and MA populations. In Medicare FFS, CMS has invested in growing alternative payment models, such as the Primary Care First model, to improve disease management. It has continued to receive high approval ratings from seniors along the way.[1,2] The new benefit flexibilities for MA plans signal a similar commitment, with the hope of improving both the outcomes of patients with chronic conditions and the management of their costs.

For the 2020 plan year, CMS allowed MA carriers to offer products with supplemental benefits, designed just for chronically ill enrollees, that are not necessarily health-related but have a reasonable expectation of improving or maintaining the health or overall function of the enrollees.[3] This action builds upon new 2019 policy that expanded the definition of health-related supplemental benefits that Medicare Advantage plans could offer to all enrollees.[4]

CMS announced in May that in calendar year 2021, MA carriers may count supplemental benefit spending in the numerator of the Medical Loss Ratio (MLR) and that eligibility for supplemental benefits goes beyond the set of specific conditions outlined in the Medicare Managed Care Manual (Chapter 16b).[5] These changes could continue the growth in supplemental benefits, as payers seek to prevent remitting portions of their revenue to CMS (which occurs if 85 percent of revenue is not spent on claims and activities to improve care quality).

CMS' publicly available data sets[6] can provide insight into the current state of chronic conditions[7] in Medicare: beneficiaries with two or more chronic conditions represent 94 percent of Medicare expenditures, despite only being 68 percent of members (Exhibit 1). Additionally, the data highlight that polychronic beneficiaries with six or more conditions (17 percent of beneficiaries) account for more than 50 percent of Medicare expenditures. Seniors who have more than two chronic conditions consume around $11,000 more annually in health services than those who do not.

Based on 2018 data, seniors with one chronic condition are 55 percent more likely to choose MA than those with none, and those with five or more chronic conditions are 70 percent more likely to choose MA

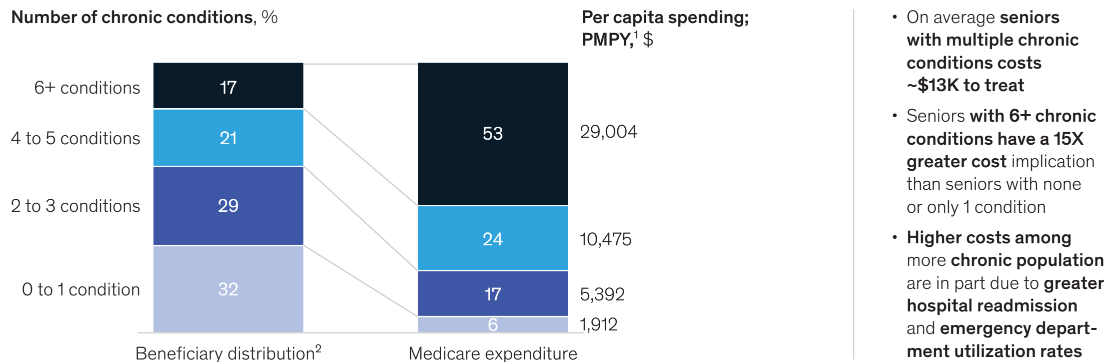
1 "Direct contracting model options," Centers for Medicare & Medicaid Services, updated July 14, 2020, innovation.cms.gov.
2 "Medicare Costs and Satisfaction Survey—February 2020," eHealth, 2020, news.ehealthinsurance.com.
3 "2020 Medicare Advantage and Part D rate announcement and final call letter fact sheet," Centers for Medicare & Medicaid Services, April 1, 2019, cms.gov.
4 "CMS finalizes Medicare Advantage and Part D payment and policy updates to maximize competition and coverage," Centers for Medicare & Medicaid Services, April 1, 2019, cms.gov.
5 "Contract year 2021 Medicare Advantage and Part D final rule (CMS-4190-F1) fact sheet," Centers for Medicare & Medicaid Services, May 22, 2020, cms.gov.
6 Based on 2017 Medicare FFS demographics generalized to the broader Medicare population.
7 Examples of these chronic conditions include alcohol or other drug dependence, certain autoimmune disorders, certain cardiovascular disorders, chronic heart failure, dementia, diabetes, end-stage liver disease, end-stage renal disease requiring dialysis, certain hematological disorders, HIV/AIDS, certain chronic lung disorders, certain mental health conditions, certain neurological disorders, and stroke.

Exhibit 1

Polychronic beneficiaries account for a disproportionate share of expenditures.

Distribution of spend by number of chronic conditions[1]

[PRELMINARY]



PMPY, per member per year.
[1] Representative of 2017 65+ Medicare FFS population.
[2] Figures may not sum to 100%, because of rounding.
Source: CMS

than those with none.[8] The new design flexibilities for products offered for 2020 could make MA even more attractive to qualifying chronically ill patients.[9]

In spring 2020, CMS released data for the first time providing several insights into the emerging adoption of supplemental benefits for the chronically ill, including:

— **Types of benefits that have been offered.** The most common benefits offered were access to food and produce, as well as pest control (Exhibit 2). However, in the first year, only around 6 percent of the MA population[10] was enrolled in a product with any newly allowed supplemental benefits.

  • According to a 2017 report, about half of MA enrollees live below 200 percent of the federal poverty level (compared with about 40 percent in Medicare FFS).[11] Additionally, about 40 percent of Medicare consumers reported having at least one unmet social need.[12] Offering benefits like food and produce, transportation, and structural home modifications creates a unique opportunity for MA plans to address social determinants of health (for example, food security, transportation, and housing/safety) for at-risk seniors. In the general population, individuals with multiple unmet social needs are 2.6 times more likely to report poor physical health, 5.9 times more likely to report poor mental health, and more than twice as likely to report high healthcare utilization compared with those who have no unmet social needs.[13] Addressing these social

[8] Thorpe KE, “Beneficiaries with chronic conditions more likely to actively choose Medicare Advantage,” Better Medicare Alliance, September 2018, bettermedicarealliance.org.
[9] To qualify for benefits, patients must be diagnosed with one or more chronic conditions, have a high risk of hospitalization or adverse health outcomes, and require intensive care coordination. The process for determining eligibility does not need to be outlined by MA plans for CMS. See Coleman K, “Implementing supplemental benefits for chronically ill enrollees,” Medicare Drug & Health Plan Contract Administration Group, April 24, 2019, cms.gov.
[10] Not counting members of group plans.
[11] ATI Advisory, “Medicare Advantage outperforms traditional Medicare on cost protections for low- and modest-income populations,” Better Medicare Alliance, March 2020, bettermedicarealliance.org.
[12] Coe E, Cordina J, Feffer D, and Parmar S, “Understanding the impact of unmet social needs on consumer health and healthcare,” February 20, 2020, mckinsey.com.
[13] Coe E, Cordina J, and Parmar S, “Insights from McKinsey’s Consumer Social Determinants of Health Survey,” April 30, 2019, mckinsey.com.

needs not only makes these plans more attractive to enrollees, but also could potentially improve enrollee physical health, mental health, and utilization.

— **Locations where SSBCI has been offered.** Though adoption of supplemental benefits in the first year was relatively low (around 6 percent of the MA population), offerings were often concentrated in highly competitive markets, including Ohio and Southern California (Exhibit 3). However, some markets considered competitive due to their high population of Medicare beneficiaries, such as Florida, saw fairly limited offerings. This finding may suggest a potential opportunity for new entrants in those markets (though managing up front administrative investments through MLR will be important).

— **Plan types where SSBCI has been offered.** Ninety-four percent of enrollment in plans offering supplemental benefits for the chronically ill was concentrated in Health Maintenance Organizations (HMOs) (65 percent) and Special Needs Plan (SNPs) (29 percent), which often focus on care management (Exhibit 4). This 94 percent concentration in HMOs and SNPs is much greater than the 72 percent of total enrollment in these plans across the entire MA market, implying an over indexing of supplemental benefits within these plans. Highly rated plans (4+ Stars) were also more

Exhibit 2

For 2020, 6% of the MA population (1.2M seniors) selected products with supplemental benefits.

[PRELMINARY]

	Plans offering benefit Number of MA plans[1]	Lives with access to benefit Number of lives, thousands
Food and produce	101	727
Pest control	118	655
Service dog support	51	466
Transportation for non-medical needs	88	377
Transitional/ temporary supports	67	293
Meals (beyond limited basis)	71	280
Indoor air quality equipment and services	52	252
Social needs benefit	34	154
Services supporting self-direction	20	116
Structural home modifications	44	90
Complementary therapies	1	37
Any new specialized benefit	206	1,215

- **~5%** of plans offered **specialized supplemental benefits to the chronically ill**
- Approximately **1.2M lives** (~6% of MA population, excluding Employer Group Waiver Plans) enrolled in products with newly allowed supplemental benefits for chronically ill
- **Food/produce** and **pest control** were the most highly offered supplemental benefits

MA, Medicare Advantage.
[1] Figures are representative number of MA plans rolled up at the plan level. At the segment level, 245 plans offered new benefits.
Note: Figures are illustrative as enrollment is defined at the plan level and benefit design is specified at the segment level.
Source: CMS CPSC March 2020, CMS PBP

Exhibit 3

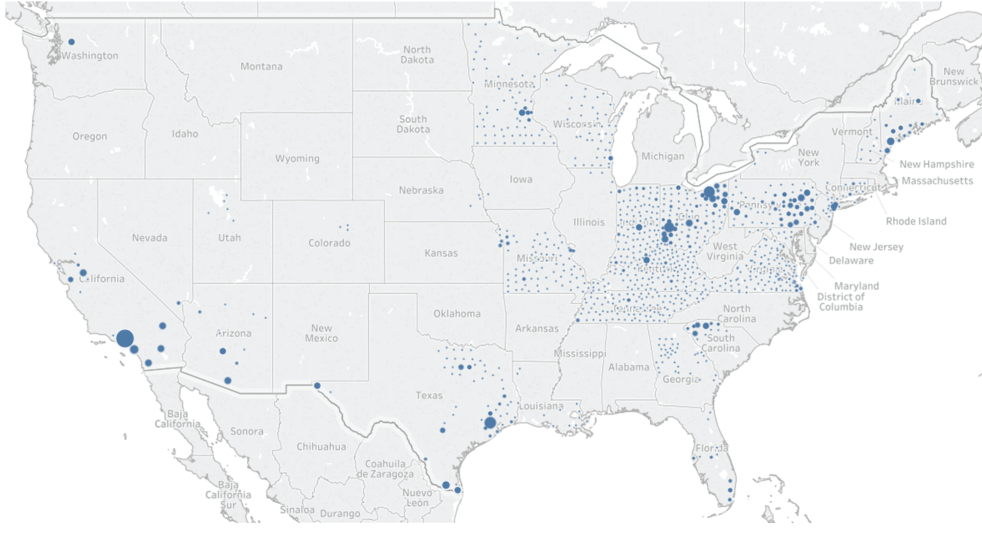
In 2020, these new product offerings were offered in highly competitive markets like Southern California.

[PRELMINARY]

Distribution of MA lives with access to newly adopted chronic benefit

Number of lives

Enrollment scale, 40,000 lives



Number of lives by state

Number of lives, thousands

State	Lives (thousands)
OH	218
CA	145
PA	137
TX	117
ME	53
KY	53
IN	52
SC	37
MN	36
Other	366

MA, Medicare Advantage.

Note: Figures are illustrative as enrollment is defined at the plan level and benefit design is specified at the segment level.

Source: CMS CPSC March 2020, CMS PBP

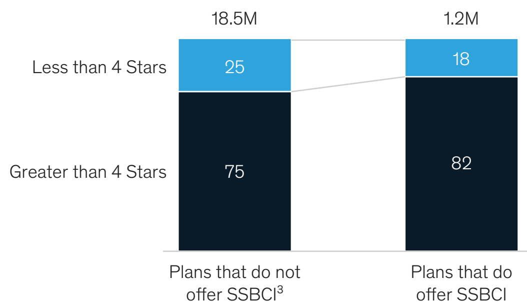
Exhibit 4

4+ Star and HMO/SNP plan types more commonly offered tailored supplemental benefits for the chronically ill.

SSBCI plans are significantly over indexed in the HMO/HMO-POS and SNP plan types

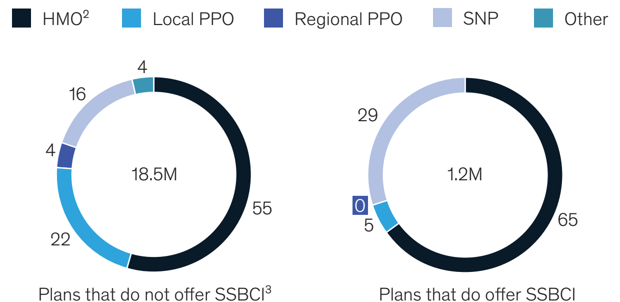
Distribution of members by Stars rating

Number of members; % of members



Distribution of members by plan type[1]

Number of members; % of members



HMO, Health Maintenance Organization; PPO, Preferred Provider Organization; SNP, Special Needs Plan; SSBCI, supplemental benefits for the chronically ill.

1 Figures may not sum to 100%, because of rounding.

2 Includes Health Maintenance Organization-Point of Service (HMO-POS) plans as well.

3 Excludes Employer Group Health Plans (EGHP) and Programs of All-Inclusive Care for the Elderly (PACE) MA plans.

Note: Figures are illustrative as enrollment is defined at the plan level and benefit design is specified at the segment level. Enrollment figures do not roll up as plans may offer numerous benefits. Excluded plans without enrollment.

Source: CMS CPSC March 2020, CMS PBP, CMS Stars Data

Exhibit 5

More than 70% of seniors have at least one chronic health condition.

	Chronic condition prevalence among 65+ population,[1] %	Per capita spending; PMPY,[1,2] $
Hypertension	60	14,108
Hyperlipidemia	43	14,650
Arthritis	34	15,569
Ischemic heart disease	29	19,036
Diabetes	27	15,616
Chronic kidney disease	24	21,752
Depression	15	20,151
Heart failure	15	27,868
Alzheimer's/dementia	12	24,353
COPD	12	24,711

Specialized benefits for seniors with chronic conditions represents a unique opportunity to differentiate offerings

- 73% of the MA population have at least one or more chronic conditions
- Hypertension and hyperlipidemia are the most common chronic conditions among seniors[1]
- Stroke, heart failure, and COPD conditions result in the highest per capita medical cost for Medicare benefiaires[1]

Beginning in 2021, plans can offer SSBCI to individuals with other conditions who might benefit

COPD, chronic obstructive pulmonary disease; MA, Medicare Advantage; PMPY, per member per year; SSBCI, supplemental benefits for the chronically ill.

[1] Representative of 2017 Medicare FFS population.

[2] Values should not be used to attribute payments strictly to the specific condition as beneficiaries may have other health conditions that contribute to their total Medicare payment.

Source: CMS Chronic Conditions Fee-for-Service Beneficiaries 65 Years and Over, CMS 2020 Announcement, National Council on Aging (NCOA)

likely to offer supplemental benefits, with 82 percent of enrollees in plans with supplemental benefits receiving those benefits from 4+ Star plans even though 4+ Star plans make up around 75 percent of total MA enrollment.

Given the high prevalence of chronic conditions in the MA population (for example, 60 percent with hypertension) and relatively low adoption of supplementary benefits for the chronically ill in the first year, MA plans, particularly those in underpenetrated markets, may look to leverage these supplemental benefit offerings as a unique differentiator in 2021 and beyond (Exhibit 5).

As these plans increasingly support chronically ill beneficiaries, accurate risk coding may become even more important.

Moving forward, MA plans can offer supplementary benefits for the chronically ill to spur enrollment growth and complement care management efforts (particularly for at-risk populations with unmet social needs), creating a chance to drive performance on cost management and improved health outcomes. Careful and evidence-based management of individuals with chronic conditions—in a rapidly growing MA market—presents an opportunity for breakthrough innovation for the Medicare population.

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