

New Analysis Rebuts MedPAC's Claims about Medicare Advantage

Insurance Forums Staff



A comprehensive new analysis by the data analytic company Inovalon demonstrates that individuals who enroll directly into Medicare Advantage (MA) when first eligible for Medicare are less healthy than those who enroll into fee-for-service (FFS) Medicare based on their pre-enrollment characteristics.

The new analysis—shared via an April 9 news release from AHIP and Blue Cross Blue Shield Association—highlights the limitations of the Medicare Payment Advisory Commission's (MedPAC) approach and data, calling into question MedPAC's findings both of so-called "favorable selection" into MA and of projected savings from moving people from MA to FFS.

The new Inovalon research also uses a detailed claims analysis comparing people with similar demographic, clinical, and social risk factors to show that MA plans significantly reduce costs for the Medicare program for enrollees with similar risks.

Key methodological flaws in MedPAC's analysis were detailed in a recent report. They include considering data only for people who switch from FFS to MA and then extrapolating those results to all beneficiaries enrolled in MA. Additionally, the report noted MedPAC's artificial reliance on FFS spending patterns to simulate spending in MA rather than a more comprehensive data analysis that uses real-world MA data.

These and other methodological flaws have raised meaningful substantive questions about MedPAC's approach to evaluating both the differences between MA and FFS populations and the implications for comparing MA and FFS's relative efficiencies.

Costlier population, lower cost care

Inovalon's research addressed these key analytic shortcomings. Specifically, Inovalon looked at a large population of Medicare beneficiaries that MedPAC did not—those enrolling directly into MA. The Inovalon analysis used beneficiary characteristics before MA or FFS enrollment to more accurately evaluate differences in who enrolls into each program, rather than rely on assumptions and extrapolations regarding purported health status as MedPAC did.

It included diagnoses and risk scores, other widely accepted indicators of health status, and social risk factors known to impact health outcomes and costs. This approach accurately controls for differential selection into the two programs and removes potential biases resulting from coding differences between MA and FFS. Inovalon also matched similar MA and FFS enrollees to enable “apples to apples” comparisons of actual experience after people enroll into MA and FFS to evaluate the relative healthcare use, costs, and quality.

Inovalon's findings paint a picture very different than what MedPAC has reported:

New Medicare Beneficiaries Choosing MA are Sicker than Those Choosing FFS

- *Incoming MA enrollees have higher risk scores.* Before they enroll into Medicare, MA enrollees have risk scores about 11% higher than those who enroll in FFS.

- *Incoming MA enrollees have more chronic conditions.* People who enroll into MA are at least 1.5 times more likely than those enrolling in FFS to have costly and prevalent chronic conditions. For example, 13.4% of new MA enrollees vs. 8.6% of new FFS enrollees have diagnoses of diabetes with chronic complications;

76% more new MA enrollees have 5 or more chronic conditions. Those coming into MA also have a 30% higher risk of mortality than their FFS counterparts.

- *People who enroll into MA face greater social challenges.* MA enrollees are twice as likely to have been on Medicaid before enrolling in Medicare, 1.6 times more likely to have incomes under \$50,000, and 1.7 times more likely to be member of racial/ethnic minority groups, compared to those enrolling into FFS.

MA Plans Reduce Program Costs and Achieve Better Outcomes

To better understand the effectiveness of MA and FFS programs in managing costs, Inovalon's researchers followed the experience of people for two years after they enrolled in either MA or FFS using actual encounter data from each program.

They compared MA and FFS enrollees with similar clinical and social risk factors using pre-enrollment characteristics. This ensures cost differences are attributable to actual program performance rather than favorable selection or possible coding differences. Inovalon found:

- Compared to people in MA with similar demographic, clinical, and social risk factors, FFS enrollees had 53% higher inpatient costs; 52% more emergency department visits; 126% higher hospital readmission rates; and 71% higher preventable hospitalizations.
- Due to the cost savings achieved by MA plans, moving similarly situated FFS beneficiaries into MA would reduce program costs by 11%.

Importantly, while MA plans achieve material cost savings, the Inovalon research and other studies show MA plans also measurably improve the quality of care beneficiaries receive.

Implications for policy

More than 34 million seniors and people with disabilities actively choose MA for their Medicare coverage because it provides them with better care for lower costs, the news release said, adding that more consumers than ever are selecting MA over FFS because they recognize the benefits to them personally. This new analysis adds to the growing literature documenting that MA also benefits taxpayers by supporting Medicare's quality improvement and cost containment goals.

For example, a prior Avalere analysis showed that the Medicare Trust Fund could be extended up to 17 years if FFS adopted similar practices as MA. More recently, a study by the Elevance Health Public Policy Institute shows that higher MA penetration is associated with lower total per capital Medicare spending—potentially saving billions in program costs.

The new Inovalon analysis concludes that MA is reducing costs for a population with greater clinical complexity and social risk factors than in FFS. Collectively, this body of work validates that MA serves a critical role in supporting Medicare Trust Fund solvency and, ultimately, long-term sustainability of the program.