

Summary of Legislation on Minimum MA Benchmarks for Territories

Background

This legislation ensures that Medicare Advantage (MA) plans in Puerto Rico receive more adequate per-member, per-month payments from the federal government by establishing a floor on such payments. There are approximately 745,000 Medicare beneficiaries in Puerto Rico and 567,000—75 percent—are enrolled in an MA plan, the highest penetration in the United States by far.

A plan's per-member, per-month payment from the federal government is determined by comparing the plan's "bid" to its "benchmark," which is the maximum amount the federal government will pay for providing Medicare-covered services in the plan's service area. Thus, the benchmark has a significant effect on payments to MA plans, because the benchmark is used in conjunction with the bid to determine those payments. Separate benchmarks are calculated for each county (or, in the case of Puerto Rico, each municipality) in the United States.

The ACA changed the way in which a benchmark is calculated for a county, bringing it closer to the amount that the federal government pays on average to provide services to individuals enrolled in traditional, fee-for-service Medicare in that county ("per capita FFS spending"). Specifically, county benchmarks are set at a percentage of per capita FFS spending in each county—either 95 percent, 100 percent, 107.5 percent, or 115 percent, with higher percentages applied in counties (like those in Puerto Rico) with the lowest FFS spending. In other words, the "base benchmark amount" (per capita FFS spending) is multiplied by the applicable percentage to produce a final "blended benchmark amount" for each county.

Because Puerto Rico is treated unequally in various respects under FFS Medicare, there are strong and well-substantiated concerns that the ACA-established formula used to calculate per-member, per-month payments to MA plans is resulting in inadequate payments to plans in Puerto Rico. Every county (municipality) in Puerto Rico has a far lower blended benchmark amount than any county in the 50 states or the District of Columbia, which is making it difficult for these plans to continue providing high-quality and affordable services to Medicare beneficiaries in the territory.

Solution

This legislation establishes a reasonable floor on payments to MA plans in Puerto Rico by ensuring that the blended benchmark amount for any county (municipality) in Puerto Rico is no less than 80 percent of the national average of per capita FFS spending.

Such a floor would work in the same fashion as the "Frontier State" floor which provides for a 1.00 floor for the Medicare hospital and outpatient wage index and the physician practice expense index for rural states. It would recognize the challenges Puerto Rico faces including (as do the Frontier States) a hard to reach patient population, a lack of price breaks for needed items and services despite being a state/territory with low Medicare reimbursement, and low Medicare reimbursement. While such challenges can be addressed through the FFS program for the Frontier States, the prevalence of the MA program in Puerto Rico makes this the logical means to correct Medicare funding disparities. A benchmark at this level preserves a measure of parity with MA

payments in the States, addresses the faulty FFS cost estimates, and yet recognizes the lower cost of providing care on the Island.