

Overview of Findings from The Moran Company Report

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Hypothesis: The dwindling PR FFS population is sufficiently different from the MA population that it does not provide a valid basis for estimating MA benchmarks.

The study confirms the hypothesis and further concludes that the nature of the bias results in understating the PR benchmarks. CMS does not accept that selection bias is sufficient or relevant, and believes the PR benchmarks are adequate. CMS adjusted the benchmarks upward in 2017 to address the zero claims source of bias between PR and the mainland, but only upon orders from HHS.

Key findings leading to conclusion of significant selection bias:

- Decrease in PR FFS enrollment with Parts A and B, from 18.7% in 2010, to 12% in 2014. Decline continues moving toward payment year.
- 30% of PR FFS switch to MA each year & <1% switching MA to FFS (3-5% in Mainland US switch in both directions).
- Very small proportion of duals in FFS relative to MA, dropping from 13% to 10% of FFS months 2010 to 2014. Decline continues moving toward payment year.
- Significant differences in service utilization between MA and FFS beneficiaries (e.g., very high outpatient hospital use by FFS compared to MA), some suggesting access issues, some suggest differences in acuity/severity of illness not captured by risk adjustment (e.g., Part B drug utilization higher in MA).
- Very high zero claims experience in PR compared to MA and mainland US—different ways to make adjustment.
- Risk model cannot correct for the range of variation between PR FFS, PR MA, and mainland FFS (risk model only explains 11-12% of variation).

Conclusions

- Statutory benchmark methodology assumes FFS utilization is generally representative of MA—that MA should be able to deliver services to members below the level of historic average cost as FFS. CMS does not test representativeness or assert a standard at which representativeness should be questioned. **We suggest that at some level, 70% for example, of MA penetration, selection bias is likely to distort any assumption of representativeness.**
- CMS's credibility standard is a single flat numeric regardless of change over time, quality, and variation in underlying data. This is not adequate.
- Existing risk adjustment models are not designed to correct for selection bias, only for demographic and historic chronic illness variation.

- CMS has no methodology to examine high MA penetration jurisdictions to evaluate the viability of its methods. PR is a case study indicating such methodology is needed, along with policies to make adjustments for high probability of selection bias. As MA penetration increases in some jurisdictions outside PR, this need will only increase.
- Our work convinced HHS that the zero claims rate functioned as one source of selection bias and an adjustment was introduced last year. CMS opposes such adjustments without clear rationale. We will have to see the draft Advanced Notice to determine if it is being continued in 2018.

Future

- New administration likely to be pro-MA. Issue of limitations to existing statutory mandate to use FFS when MA penetration exceeds level where selection bias probability is high may have resonance, as goals to increase MA penetration drive policy. PR can be case study for refinements to MA benchmark methods for high penetration jurisdictions.
- Potential to model alternative methods for setting benchmarks in high MA penetration circumstances where representativeness can be questioned.
 - Use of propensity matching MA populations to national FFS utilization as alternative methodology consistent with current law.
 - Development of other types of adjustments based on specific differences between FFS and MA population in jurisdiction (e.g., zero claims is PR example, but may be others based on service utilization or demographic differences).
- Potential to suggest alternative credibility standards that take change and variation in underlying data into account.

Other: Analysis of PR migration to the mainland is included in the report illustrating both MA and FFS erosion and choices of MA or FFS on mainland.