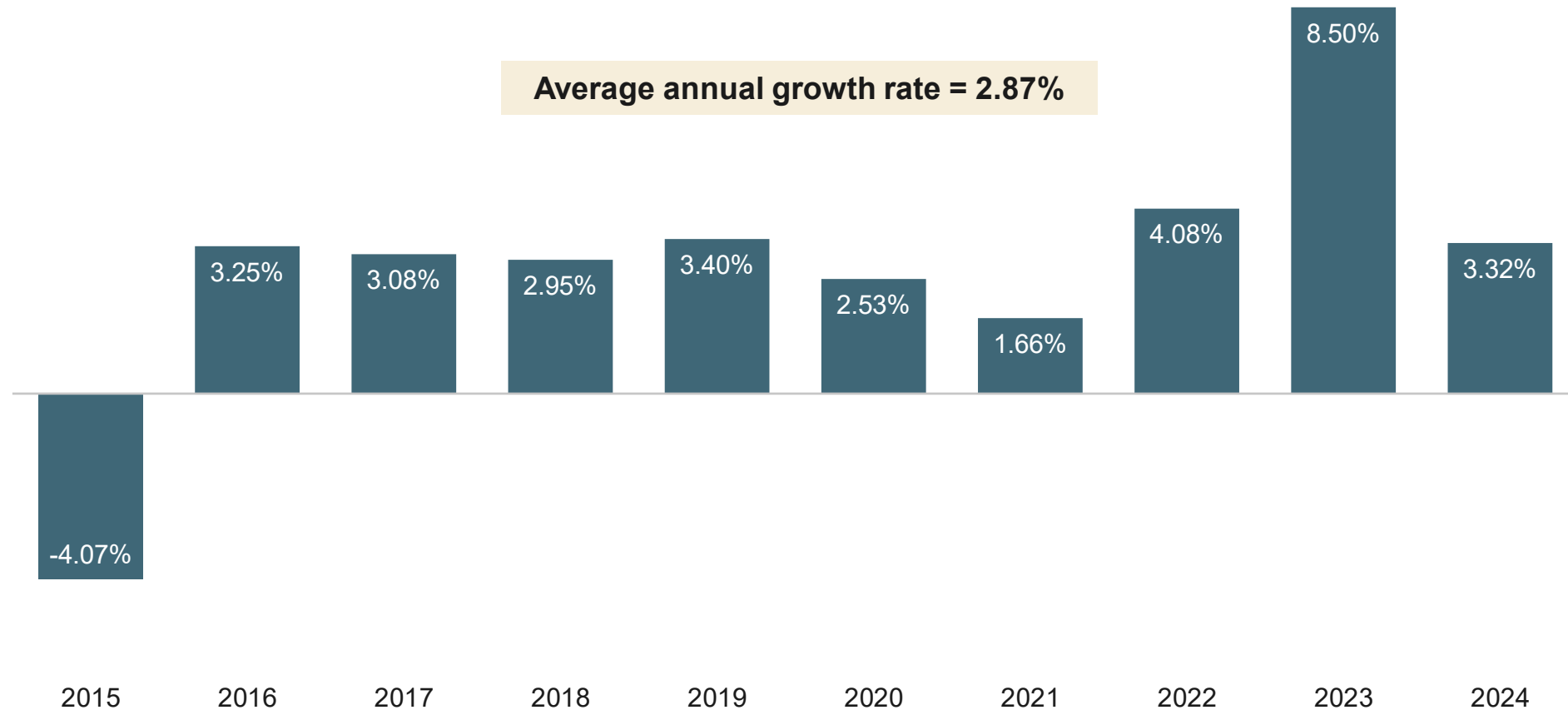


Change to Medicare Advantage Plan Payment Rates over the Past Decade

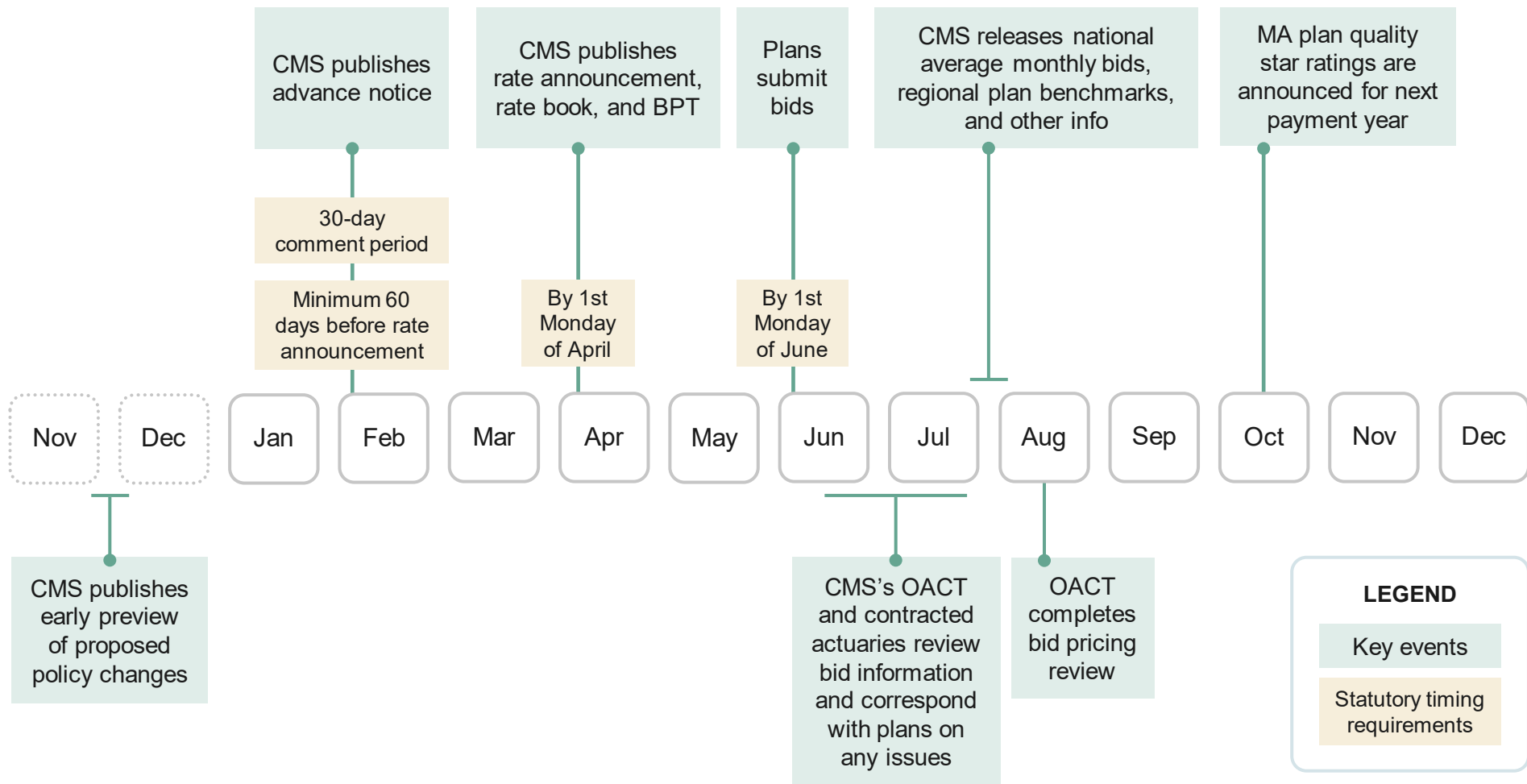
Percentage annual change in National Per Capita Medicare Advantage Growth Percentage, by year



Note: Percentages are from the corresponding year rate announcement.

Data: Centers for Medicare and Medicaid Services.

Timeline of Medicare Advantage Annual Payment Updates



Note: BPT = bid pricing tool; OACT = Office of the Actuary.

Data: Centers for Medicare and Medicaid Services.

Calculating the Benchmark for Payments to Medicare Advantage Plans

Projected FFS USPCC × Average geographic adjustment = County-level FFS per capita cost



County-level FFS per capita cost

Average and low-rated Medicare Advantage plans

County-level FFS per capita cost × 0.95 to 1.15 = County-level benchmark

- CMS sets benchmarks at 95% to 115% of counties' FFS spending levels
- Plans in counties with lower FFS spending have benchmarks set at higher percentages

Highly rated Medicare Advantage plans

County-level FFS per capita cost × 0.95 to 1.15 × 1.05 to 1.10 = County-level benchmark

- Highly rated plans may see 5%–10% higher benchmarks

County-level benchmark

Note: FFS = fee-for-service; USPCC = United States Per Capita Cost.
 Data: Centers for Medicare and Medicaid Services.



Calculating Risk Scores for Medicare Advantage Enrollees

Dollar coefficient
Marginal cost of each demographic characteristic and condition

÷

=

Relative factor

Predicted average FFS per capita costs
In a specified year (the “denominator year”)

Beneficiary risk score

=

Relative factor

+

Relative factor

+

Relative factor

+

Relative factor

+

Relative factor

Illustrative example:	1.880	=	0.600	+	0.340	+	0.371	+	0.377	+	0.192
-----------------------	--------------	---	--------------	---	--------------	---	--------------	---	--------------	---	--------------

Male, ages 70–74

Diabetes with chronic complications

Congestive heart failure

Acute myocardial infarction

Diabetes and congestive heart failure interaction

Note: FFS = fee-for-service.

Data (for illustrative example): Centers for Medicare and Medicaid Services, [Report to Congress: Risk Adjustment in Medicare Advantage](#) (CMS, Dec. 2021).



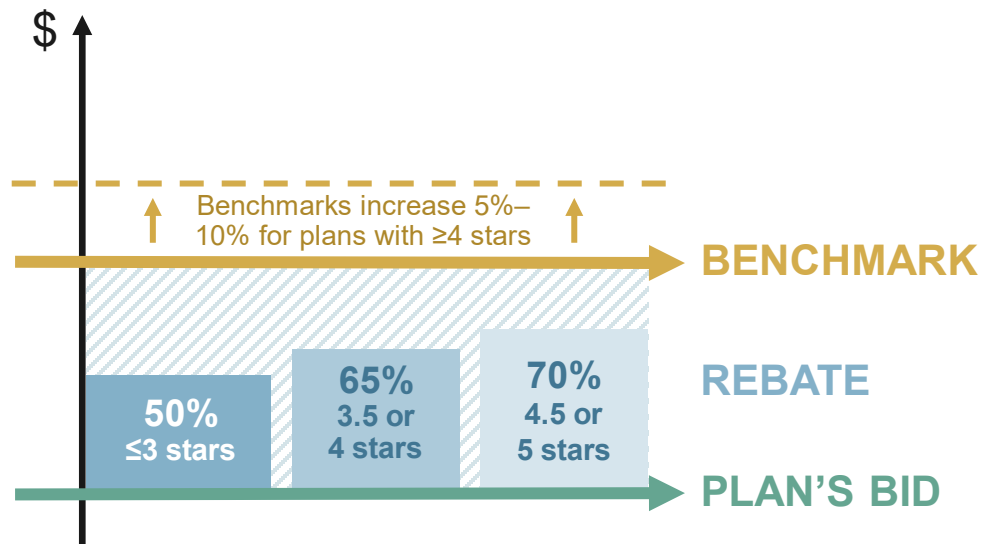
Basic Components of Medicare Advantage Plan Payments

1

CMS sets a **benchmark**, the maximum amount the federal government will pay plans per enrollee per county.

2

A plan submits a **bid**, its estimated costs of covering the Medicare Parts A and B services for the average enrollee in each county.



3

If a plan bids below the benchmark, it receives a portion of the difference in the form of a **rebate**. This can range from 50 percent to 70 percent, depending on the plan's quality star rating.

Plans must use the rebate to lower out-of-pocket costs for enrollees or finance extra benefits.

Data: Centers for Medicare and Medicaid Services.