



Talking Points:

ACAP Talking Points: GAO Report on Medical Loss Ratios in the Medicare Advantage Program, January 24, 2014

ACAP has historically viewed safety net health plans as partners with federal and state governments and supported efforts to promote transparency and accountability. ACAP specifically supported the Medical Loss Ratio provisions of the Affordable Care Act.

While we support the wise stewardship of scarce Medicare resources, ACAP cautions against relying too heavily on the conclusions reached by the GAO report when setting policy.

- **It is unclear how GAO defines “medical” and “non-medical” expenses and whether those definitions are consistent with current Federal requirements that took effect after the data for this report were collected.** GAO notes that the 2011 data were submitted *before* the rules defining what constituted “medical expenses” were finalized. Members of SNP plans tend to need more intensive care management – in fact, more intensive care management is essential to the value proposition of SNP plans – and it may not be captured in the “medical expenses” category here. This significantly different method of determining MLR may understate the proportion of funds spent towards medical expenses.
- **From the report, it is unclear whether GAO looks at the difference between the profit margins of health plans serving so-called “partial duals” versus “full duals.”** Partial Dual Eligibles are those that receive some premium and cost sharing assistance through programs such as the Qualifying Individuals program, but are generally much healthier than their “fully dual eligible” counterparts. However, many ACAP member plans that serve dual eligibles serve duals that have significant health care needs that will necessitate much greater medical expenditures, as well as much higher levels of care coordination and case management (identified as “non-medical expenses in the report). If GAO lumps both of these SNPs into one category, it fails to provide insight into the expenses of those serving patients with much more complex and costly illnesses.
- **In addition, GAO did not appear to differentiate between fully- and partially-integrated Dual Eligible SNPs.**
- **The report also does not delineate between for-profit and not-for-profit SNPs.**
 - o The GAO report does not discriminate among SNPs by financial structure, and that would be an illuminating addition to the study.
 - A [Commonwealth Fund](#) study of Medicaid managed care plans found publicly-traded plans to have significantly lower MLRs and higher administrative expenses. Not-for-profit plans had significantly lower administrative expenses than for-profit plans.



- All ACAP plans are not-for-profit.
- **One year is not enough data to provide a full picture.** The authors rightfully note this. It bears noting that CMS has payment adjustment mechanisms in place to account for estimated versus actual expenses. In the underlying bid process, CMS directs savings below the benchmark to be split between CMS and reduced cost sharing or additional benefits for plan enrollees. The underlying report found that plans actually estimated very closely to actual expenditures.
- **The data used by GAO predates significant changes in the way that Medicare reimburses Medicare Advantage health plans, including Special Needs Plans.** Since 2011, MA SNP plans have seen their payments reduced or modified as a result of provisions related to the Affordable Care Act, so-called 'coding intensity factors,' 2% across-the-board cuts resulting from budget sequestration and other mechanisms. ACAP believes that policymakers would be ill-advised to make any policy assessments based on the findings of this report without also factoring in the role that the subsequent policy changes have on health plans and their enrollees could be dangerous and undermine the stability of the coverage provided by these plans.
- **GAO excluded plans which dropped their SNPs between 2011 and 2013.** Doing so excludes plans which may have had unsustainably high MLRs, and skews the results accordingly.

ACAP Recommendations

1. **A more accurate picture of SNPs would be available were CMS to require SNPs to report at the plan rather than the contract level.** This would provide better data to more accurately inform policy decisions. Significant numbers of SNP members are in plans which report at the corporate level and could not be distinguished for this report.
2. **ACAP supports the six-year reauthorization of dual-eligible SNPs as proposed by the Senate Finance Committee, and call upon both houses of Congress to adopt such a reauthorization.** This will allow time for further integration of dual-eligible SNPs and provide the opportunity to gather further data not just from Special Needs Plans but also from the new Duals Demonstrations programs.