Radar on Medicare Advantage

Immediate Reporting of Supp Benefits Usage Puts Added Pressure on MAOs

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As Medicare Advantage organizations grapple with rising medical costs — driven in part by increased spending on supplemental benefits such as dental, vision and over-the-counter coverage — CMS is tasking plans with the immediate submission of utilization data for "all items and services, including supplemental benefits" through the MA Encounter Data System (EDS). That requirement, which is retroactive to Jan. 1, presents a host of challenges as supplemental benefit vendors may not have the kind of detailed information CMS is seeking. And it raises broader questions about how the data will be used.

Supplemental benefits have been on the rise since plan year 2019, when CMS's reinterpreted definition of "primarily health-related" enabled MAOs to include benefits like adult day health services, support for caregivers of enrollees and therapeutic massage in their plan benefit packages. In 2020, MAOs began offering Special Supplemental Benefits for the Chronically Ill (SSBCI), a category of "non-primarily health related" items and services that can be made available to certain beneficiaries. According to health care research and advisory services firm ATI Advisory, the number of plans offering expanded primarily health-related supplemental benefits and/or non-primarily health-related SSBCI grew from 628 plans in 2020 to 2,334 plans in 2024.

The enhanced benefits, which are largely financed by rebates MAOs receive for bidding below the benchmark, have become crucial in plans' efforts to stay competitive and attract new enrollees during the Medicare Annual Election Period and to address the health-related social needs of dual eligible members. The Government Accountability Office, among others, has pointed out that little is known about their use or impact, and in January 2023 the GAO urged CMS to issue clarification on their inclusion in EDS reporting. CMS has since taken some steps to gather additional information, such as including the cost of supplemental benefits in medical loss ratio calculations and finalizing a plan to include "all unique supplemental benefits categories" in annual Part C reporting requirements.

CMS Wants Insight Into Rebate Spending

The latest announcement, which came through the Health Plan Management System, "indicates an emphasis by CMS to better understand the usage and cost of supplemental benefits offered under the MA program," observes Julia Friedman, principal and consulting actuary with Milliman. "By collecting these data elements, CMS is signaling their intent to better understand the supplemental benefits offered by MA organizations (and how they are spending rebates), as well as how members are utilizing these benefits."

Since the agency began collecting encounter data with the 2014 dates of service, plans have "always been able to submit some supplemental benefits to the EDS," but not all MAOs "have regularly submitted the supplemental benefits that could be submitted," according to the Feb. 21 memo from CMS. That's partly because the EDS was not structured to capture certain data elements (e.g., fitness benefit usage) and because CMS had "in some situations… not provided specific instructions for the submission of supplemental benefits," the agency explained.

Through technical assistance calls with multiple MAOs, CMS has identified "two overarching challenges" related to submitting electronic data records (EDRs) for supplemental dental benefits and non-medical items and services, the agency continued. For one, MAOs did not receive information from providers in such a way that it allowed them to populate and successfully submit in the standard industry format. Specifically, MAOs lacked the information needed to "populate required EDR fields, such as National Provider Identifiers (NPIs), procedure codes, diagnosis codes, and/or revenue codes."

In addition, some benefits are not provided in a way that "allows for standard reporting procedures without additional instructions from CMS." Further, the standard format did not allow for some patterns of utilization observed for non-medical benefits or recognize that benefits such as annual gym memberships and pre-funded allowance cards may be paid on a "capitated or periodic basis."

CMS said it has updated the EDS to allow plans to more easily submit this information and has created new "technical instructions" designed to address those challenges. Moreover, CMS said it will provide a "dental-specific format" for submitting encounters related to supplemental dental benefits that are offered beyond Medicare-covered dental services. The agency said it expects that format to be available "around June 2024," at which time MAOs should begin submitting utilization dating back to Jan. 1. CMS expects these and all supplemental benefits to be recorded for calendar year (CY) 2024 dates of service and will reach out to and assist MAOs that "may not be submitting many supplemental benefits of the types expected based on their bids."

How Will Data Collection Impact Bids?

"While it is likely the process will bring to light additional questions about the submission of data for specific situations, the main question CMS stays silent on is how this information will be used, including in the actuarial bid submission," points out Friedman, referring to MA bids that are always submitted in June prior to the plan year. "The bid submission requires the use of encounter data for all data elements, and the actuaries must explain the circumstances and how this deficiency can be remedied if encounter data is not used. It remains unclear if CMS will use this information to compare or question plan reporting starting with the CY 2026 bids (for CY 2024 dates of service)."

Moreover, with the reporting period starting on Jan. 1, it's possible that vendors have not been tracking the required items and "may want to re-negotiate contracts given the additional scrutiny and work necessary to provide this information at the level of detail requested," adds Friedman. And that places "additional pressure on the MA organizations to spend their rebate dollars wisely."

"Non-reporting is not an option," pointed out industry consultant Melissa Newton Smith in a LinkedIn post about the memo. She advised that MAOs get their supplemental benefit vendors up to speed on the new requirements as quickly as possible and be ready to help them "compliantly adapt" to the new guidance.

At the same time, plans should recognize that vendors are already supporting multiple other MA plans and may not be ready to provide the data at the level of granularity that CMS is seeking. "Prepare to work collaboratively with your vendors and their other MA plan customers," wrote Smith, founder and senior advisor of the Newton Smith Group. "The collaboration among MA plans will help your vendors survive this high-impact change."

Among other complications, some supplemental benefit suppliers do not have NPIs and are not enrolled in Medicare, Smith added. What's more, many nonmedical benefits (e.g., groceries, OTC, transportation) are nuanced, and reporting will be complex and unique to each.

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