

Research



Cumulative Medicare Advantage Cuts Since Enactment of the Affordable Care Act

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On April 4, the Centers for Medicare and Medicaid Services (CMS) announced Medicare Advantage (MA) Plan payment formulas for the 2017 plan year. These formulas include cuts mandated as part of the Affordable Care Act (ACA), as well as regulatory decisions that further impact MA rates. While the regulatory decisions include both cuts and increases to various payment components, they have the effect of partially offsetting the statutory cuts, at least in the short term. These changes have not resulted in decreased payment from 2016 to 2017, but they have contributed to a much slower growth in MA payments relative to what they would have been in a pre-ACA regulatory environment.

MA payments will rise by about \$275, or 3 percent, compared to the rates in effect for 2016, per MA enrollee. However, after a series of annual cuts and regulatory changes to the payment formula, MA beneficiaries in the next year will face a benefits reduction of about \$2,463.46, or 20 percent, below the level projected for 2017 in the pre-ACA baseline.

METHODOLOGY

In order to assess current changes, we obtained benchmarks for each county for 2016 and 2017 from the CMS website. To account for geographic variation in risk, we obtained average risk factors by county for 2015 (the latest year for which CMS makes such data available at this time). The 2017 rates are weighted averages of CMS-published benchmarks for regular and 4-star bonus plans or higher, and CMS-published payments to employer group waiver plans based on the new payment methodology, which involves four combinations of benchmark-plus-rebate amounts based on the star ratings. Weightings for the averages are based on enrollment figures for Feb. 2016.

Also included are the pre-ACA baseline benchmark for 2017, and that same benchmark adjusted for each county's estimated risk score. For the pre-ACA premium calculations, it was assumed that risk adjustment would have continued even without the ACA.

State	MA Enrollment (Feb 2016)	Quality and Risk-Adjusted Average Annual Rate for 2017	Pre-ACA Baseline Risk-Adjusted Annual Rate for 2017	Change from Pre-ACA to Post-ACA (dollars)	Change from Pre-ACA to Post-ACA (percent)
AK	329	\$8,741.32	\$10,860.86	-\$2,119.54	-20%
AL	260,902	\$10,047.40	\$12,271.41	-\$2,224.01	-18%
AR	126,015	\$9,591.72	\$11,570.37	-\$1,978.64	-17%

AZ	444,958	\$9,500.76	\$11,571.06	-\$2,070.30	-18%
CA	2,380,385	\$11,186.89	\$14,774.40	-\$3,587.51	-24%
CO	294,015	\$9,779.53	\$11,980.42	-\$2,200.88	-18%
CT	166,075	\$11,271.22	\$13,929.30	-\$2,658.08	-19%
DC	12,408	\$10,757.96	\$15,675.77	-\$4,917.81	-31%
DE	17,148	\$10,184.06	\$12,246.67	-\$2,062.62	-17%
FL	1,677,831	\$12,361.67	\$16,219.85	-\$3,858.18	-24%
GA	514,107	\$9,774.38	\$12,266.74	-\$2,492.36	-20%
HI	113,875	\$7,919.85	\$10,411.93	-\$2,492.08	-24%
IA	101,664	\$9,436.08	\$11,489.57	-\$2,053.48	-18%
ID	92,992	\$9,234.86	\$11,081.50	-\$1,846.64	-17%
IL	466,542	\$10,673.79	\$13,133.31	-\$2,459.52	-19%
IN	284,192	\$10,424.38	\$12,485.97	-\$2,061.59	-17%
KS	72,001	\$10,056.28	\$12,287.02	-\$2,230.75	-18%
KY	238,381	\$10,486.82	\$12,693.81	-\$2,206.99	-17%
LA	252,595	\$11,024.67	\$16,819.44	-\$5,794.77	-34%
MA	260,027	\$10,999.55	\$14,373.46	-\$3,373.91	-23%
MD	90,694	\$11,799.07	\$14,162.86	-\$2,363.79	-17%
ME	75,456	\$10,074.63	\$11,936.98	-\$1,862.35	-16%
MI	660,094	\$10,937.40	\$13,687.78	-\$2,750.38	-20%
MN	514,921	\$9,622.49	\$11,694.34	-\$2,071.85	-18%
MO	343,720	\$10,571.98	\$12,946.80	-\$2,374.83	-18%
MS	87,822	\$10,002.58	\$12,858.05	-\$2,855.47	-22%
MT	40,335	\$9,408.78	\$10,258.82	-\$850.04	-8%
NC	552,117	\$9,961.13	\$12,153.68	-\$2,192.55	-18%
ND	22,274	\$9,324.69	\$10,819.85	-\$1,495.16	-14%
NE	40,247	\$9,580.47	\$11,723.29	-\$2,142.82	-18%
NH	21,336	\$9,511.99	\$11,707.68	-\$2,195.70	-19%
NJ	248,624	\$12,160.09	\$14,950.04	-\$2,789.95	-19%
NM	121,816	\$8,355.02	\$10,990.31	-\$2,635.29	-24%
NV	159,286	\$10,865.42	\$12,628.01	-\$1,762.58	-14%
NY	1,253,950	\$10,556.84	\$16,087.40	-\$5,530.56	-34%

OH	818,642	\$10,978.78	\$13,396.10	-\$2,417.32	-18%
OK	120,308	\$10,056.83	\$12,575.20	-\$2,518.38	-20%
OR	342,732	\$9,587.10	\$11,313.90	-\$1,726.80	-15%
PA	1,033,105	\$11,039.98	\$13,851.80	-\$2,811.82	-20%
RI	73,319	\$11,068.14	\$13,402.98	-\$2,334.84	-17%
SC	228,786	\$9,512.39	\$11,720.33	-\$2,207.94	-19%
SD	32,710	\$9,049.22	\$10,408.84	-\$1,359.61	-13%
TN	447,016	\$10,347.67	\$12,556.73	-\$2,209.06	-18%
TX	1,237,772	\$11,180.26	\$15,226.59	-\$4,046.33	-27%
UT	122,530	\$9,434.60	\$11,457.42	-\$2,022.82	-18%
VA	255,067	\$9,935.67	\$11,985.44	-\$2,049.77	-17%
VT	10,122	\$8,866.05	\$10,601.09	-\$1,735.04	-16%
WA	363,847	\$9,782.74	\$11,761.48	-\$1,978.75	-17%
WI	415,013	\$9,932.36	\$12,025.12	-\$2,092.75	-17%
WV	115,936	\$10,196.29	\$12,289.49	-\$2,093.20	-17%
WY	3,288	\$8,823.93	\$10,292.79	-\$1,468.85	-14%
National Averages	17,629,327 (Sum Total)	\$10,117.21	\$12,580.67	-\$2,463.46	-20%