

# The Impact of the Medicare Advantage Benchmark Cap on Beneficiaries

JANUARY 2017

**Millions of Medicare Advantage beneficiaries in 4 or 5-Star rated plans are negatively impacted by the benchmark cap and do not receive the full benefits of a high quality plan.**

## Key Facts

- In Medicare Advantage, plans that earn a high Star Quality rating receive a quality bonus they must apply to enhanced benefits.
- In some counties, the benchmark cap prevents these high quality plans from receiving the quality bonus they earned.
- As a result, beneficiaries do not receive the enhanced benefits enabled by quality incentives.
- In 2016, over two million beneficiaries were denied enhanced benefits, including reduced cost sharing, due to the benchmark cap.
- In total, over three million Medicare Advantage beneficiaries are enrolled in counties impacted by the benchmark cap.

## The Medicare Advantage Star Rating System Incentivizes Quality

- In Medicare Advantage, payments are tied to quality through a Star Rating System that rewards plans with a 4-Star rating or higher (on a 5-Star scale) with a Quality Bonus Payment (QBP).
- The QBP must directly benefit beneficiaries, and must be applied to reducing cost sharing or increasing benefits such as dental or vision coverage, or investments in disease management programs and innovations like telemedicine.
- The Star Rating System has been very effective at driving quality. In 2017, over 70% of MA enrollees are in 4-Star or higher, bonus-eligible plans, up from less than 20% in 2009.

## The Benchmark Cap Undermines Quality Incentives

- The benchmark cap was enacted in the Affordable Care Act (ACA) and caps Medicare Advantage payment at the pre-ACA level (plus growth updates).
- Implementation of the benchmark cap policy prevents 4-Star or higher plans in certain counties from receiving the QBP they have earned. This results in millions of beneficiaries in these counties being denied the enhanced benefits enabled by quality incentives.
- There is broad bipartisan support in Congress, the Administration, and MedPAC to address the benchmark cap issue.

## The Benchmark Cap Negatively Impacts Beneficiaries

- In 2016, over two million beneficiaries enrolled in 4-Star or higher plans were denied additional benefits due to the benchmark cap.
- In total, over three million Medicare Advantage beneficiaries are enrolled in counties impacted by the benchmark cap, which means they would not receive additional benefits for enrolling in a high-quality Medicare Advantage plan.

## Policy Recommendation

Congress or the Centers for Medicare & Medicaid Services (CMS) should remove the benchmark cap for 4-Star or higher plans to ensure all beneficiaries benefit from enrollment in high quality plans.

For more information, please visit [www.bettermedicarealliance.org/policy](http://www.bettermedicarealliance.org/policy)