

# The Impact of the Medicare Advantage Benchmark Cap on Beneficiaries

FACT SHEET JUNE 2018

Millions of Medicare Advantage beneficiaries in 4- and 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

- 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 2018, over 4 million beneficiaries in 4-Star or higher plans were denied enhanced benefits, including reduced cost sharing, due to the benchmark cap.
- Another nearly 1.5 million beneficiaries were enrolled in counties where the benchmark is above the cap.
- Nearly 5.8 million beneficiaries are impacted by the benchmark cap.

## The Medicare Advantage Star Rating System Incentivizes Quality

- In Medicare Advantage, the quality accountability system is called the Star Rating System and 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 Medicare Advantage enrollees were 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 with 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 remedy the benchmark cap issue.

## The Benchmark Cap Negatively Impacts Beneficiaries and the Problem is Growing

- In 2018, more than *4 million beneficiaries* enrolled in 4-Star or higher plans were denied additional benefits due to the benchmark cap.
- Another nearly *1.5 million beneficiaries* are enrolled in counties where the benchmark is above the cap, negatively impacting beneficiaries.
- The number of beneficiaries impacted by the benchmark cap has grown by nearly 100% in the past two years.

## Policy Recommendation

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