

Medicare Advantage: Eight critical considerations for every organization as ESRD eligibility expands in 2021

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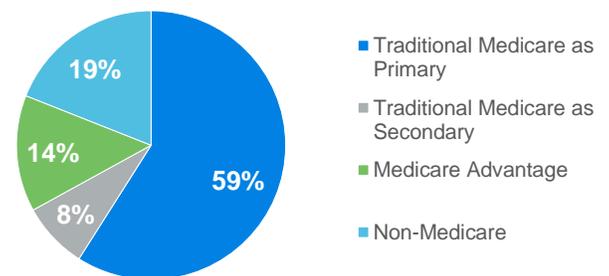


Medicare-eligible individuals with end-stage renal disease (ESRD) will be allowed to actively enroll in Medicare Advantage (MA) plans as of January 1, 2021. This change has the potential to affect the financial position of MA organizations (MAOs) as the behavior, claims costs, and revenue payments by the Centers for Medicare and Medicaid Services (CMS) for ESRD beneficiaries can vary greatly from non-ESRD beneficiaries. ESRD beneficiaries comprise only 1% of Medicare enrollment, but 7% of Medicare fee-for-service (FFS) costs.¹ In this paper, we provide a brief overview of the upcoming ESRD MA eligibility change and key questions each MAO should consider when planning for 2021.

Background

Currently, beneficiaries with ESRD are not allowed to enroll in MA plans except in limited situations such as enrolling in an ESRD special needs plan (SNP) or remaining on the MA plan providing coverage prior to being diagnosed with ESRD.² This results in the majority of ESRD individuals receiving coverage through traditional Medicare. As shown in Figure 1, 59% of beneficiaries with ESRD are covered by traditional Medicare while only 14% of ESRD individuals are covered by an MA plan.³ In contrast, 34% of all Medicare beneficiaries are covered by an MA plan.⁴

FIGURE 1: DISTRIBUTION OF ESRD BENEFICIARIES BY COVERAGE



Beginning in 2021, the distribution of ESRD individuals by coverage type may change. Section 17006 of the 21st Century Cures Act (Cures Act) permits Medicare-eligible individuals with ESRD to enroll in MA plans as of January 1, 2021. This change in MA eligibility could shift a portion of ESRD individuals currently covered by traditional Medicare to coverage by an MA plan.

¹ Kirchoff, Suzanne M. (August 16, 2018). Medicare Coverage of End-Stage Renal Disease (ESRD), p. 1. Congressional Research Service. Retrieved December 10, 2019, from <https://fas.org/sgp/crs/misc/R45290.pdf>.

² Medicare.gov. What If I Have End-Stage Renal Disease (ESRD)? Retrieved December 10, 2019, from <https://www.medicare.gov/sign-up-change-plans/types-of-medicare-health-plans/medicare-advantage-plans/what-if-i-have-end-stage-renal-disease-esrd>.

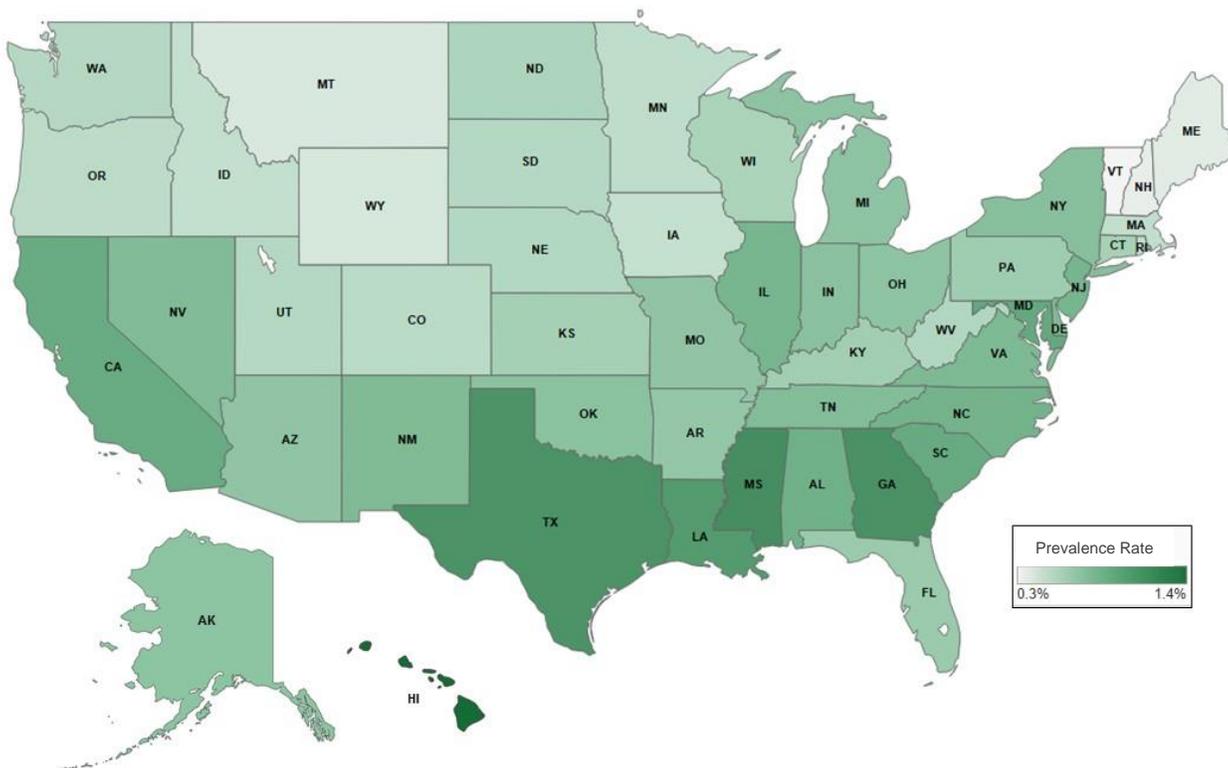
³ Kirchoff, op cit.

⁴ Jacobson, Gretchen, et. al. A Dozen Facts about Medicare Advantage in 2019. <https://www.kff.org/medicare/issue-brief/a-dozen-facts-about-medicare-advantage-in-2019/> accessed December 19, 2019.

We can look to ESRD prevalence rates in the MA and traditional Medicare markets to begin to get a sense for how much ESRD enrollment could increase in the MA market in 2021. MA enrollment currently consists of about 0.5% ESRD members.⁵ However, ESRD beneficiaries are approximately 1% of total Medicare beneficiaries nationwide, with variations by geography as shown in Figure 2.⁶

MAOs could experience significant increases in ESRD enrollment and resulting impacts on overall financial results for 2021. However, MAOs conducting careful risk evaluation, developing viable strategies, and implementing any necessary organizational changes prior to January 1, 2021, will be best positioned for success. Below, we discuss key considerations each MAO should be asking itself to aid in this process.

FIGURE 2: ESRD PREVALENCE RATE BY STATE⁷



⁵ Deckert, L. (March 6, 2019). Why Medicare Advantage plans may be losing money on members with ESRD. Discovery Health Partners. Retrieved December 10, 2019, from <https://www.discoveryhealthpartners.com/medicare-advantage-plans-may-losing-money-members-esrd/>.

⁶ Based on 100% of Medicare FFS experience from the CMS 2017 Limited Data Set. ⁷ Based on 2017 Standard Analytic Files (SAFs) made available by CMS.

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Eight critical considerations

While a change in ESRD MA enrollment can potentially impact an MAO in many ways, here are eight critical questions every MAO should consider when preparing for this new regulation.

1. WHAT IS YOUR CURRENT AND PROJECTED ESRD FINANCIAL PERFORMANCE?

An MAO's overall projected financial performance is a combination of its ESRD and non-ESRD experience. Non-ESRD experience is likely more stable and straightforward to project for 2021 due to program maturity. However, an MAO's ESRD experience projection will be more difficult due to the 2021 enrollment change and thus will require plans to make a few key assumptions—primarily ESRD prevalence and projected loss ratio.

While MAOs can use their current ESRD prevalence and loss ratio experience as the basis of their ESRD projection, there are a couple of important considerations.

- The current ESRD prevalence rate should be adjusted to reflect the number of additional ESRD members the MAO expects to enroll for 2021. Publicly available data on the number of ESRD individuals covered by traditional Medicare in an MAO's service area may be helpful in informing the assumption for ESRD enrollment growth.
- The projected ESRD loss ratio will be a combination of the projected loss ratio for an MAO's current ESRD members and the projected loss ratio for its new ESRD members. It may be reasonable to assume the projected loss ratio for current ESRD members will be similar to the historical loss ratio for this same population. However, the projected loss ratio for new ESRD members is unknown. Publicly available data such as the Limited Data Set files made available by CMS, limited to ESRD individuals covered by traditional Medicare in the MAO's service area, may assist in developing projected costs for new ESRD members. The projected loss ratio for new ESRD members can be developed as the projected costs divided by the CMS ESRD MA revenue benchmark payments,⁸ with consideration for the level of risk score coding in the ESRD traditional Medicare population.

The projected financial performance is heavily dependent on the ESRD prevalence and loss ratio assumptions. We recommend analyzing financial results under a number of scenarios to best understand potential financial risk. Figure 3 includes an example of financial performance analysis and resulting impacts for a number of ESRD prevalence rates.

FIGURE 3: EXAMPLE OF OVERALL FINANCIAL IMPACT OF ESRD ENROLLMENT GROWTH

ESRD ENROLLMENT (% OF TOTAL)	REVENUE PMPM	LOSS RATIO	ADMIN %	MARGIN %
0.00%	\$950	85.0%	13.0%	2.0%
0.25%	965	85.4%	13.0%	1.6%
0.50%	980	85.7%	13.0%	1.3%
0.75%	995	86.1%	13.0%	0.9%
1.00%	1,011	86.4%	13.0%	0.6%

ASSUMPTIONS				
POPULATION	REVENUE PMPM	LOSS RATIO	ADMIN %	MARGIN %
ESRD	\$7,000	105.0%	13.0%	-18.0%
General Enrollment	\$950	85.0%	13.0%	2.0%

2. CAN YOUR CONTRACTUAL TERMS WITH DIALYSIS PROVIDERS BE IMPROVED?

Two major companies own over 70% of all dialysis centers (i.e., DaVita, Fresenius).^{9,10} MAOs should consider obtaining proposed contracting terms from both providers and contracting selectively with only one in an effort to achieve the best reimbursement arrangements. Additionally, MAOs should explore contracting terms with smaller providers, local hospitals, and at home dialysis providers, which may result in more favorable contracting terms and improve access for ESRD patients. When contracting with dialysis providers, MAOs must ensure they still meet network adequacy requirements.

⁸ For information on CMS ESRD MA revenue benchmark payments, please see "How CMS payments to Medicare Advantage plans differ for ESRD beneficiaries versus other Medicare beneficiaries" at <https://us.milliman.com/insight/2017/How-CMS-payments-to-Medicare-Advantage-plans-differ-for-ESRD-beneficiaries-versus-other-Medicare-beneficiaries/> (accessed December 5, 2019).

⁹ DaVita. 2018 DaVita Annual Report. Retrieved December 10, 2019, from <https://investors.davita.com/static-files/9d01c8fc-2443-4c9e-bb91-83cbac9f2210>.

¹⁰ Fresenius. 2018 Fresenius Annual Report: Care and Live. Retrieved December 10, 2019, from https://www.freseniusmedicalcare.com/fileadmin/data/com/pdf/Media_Center/Publications/Annual_Reports/FME_Annual-Report_2018.pdf.

3. ARE YOU MANAGING CARE FOR YOUR ESRD POPULATION?

MAOs may not currently have a dedicated ESRD care management program due to the small size of their current ESRD population. However, ESRD care management programs have the potential to reduce medical costs while improving the quality and effectiveness of care provided. This care management program can be integrated into an existing program or offered standalone. Investing in an ESRD care management program may be more viable for 2021 as MAOs are likely to realize an increase in their ESRD population. Figure 4 discusses some of the practices of effective ESRD care management programs.

FIGURE 4: EFFECTIVE ESRD CARE MANAGEMENT PROGRAM PRACTICES

Promoting and Facilitating Home Dialysis

- **Background:** The adoption of home dialysis in the United States has been relatively slow, especially compared to other countries around the world. While other countries have home dialysis rates at or above 20%, the U.S. home dialysis rate for ESRD patients is only 8%.¹¹ Shifting dialysis treatments from a clinic-based setting to a home-based setting should increase overall savings to MAOs and increase the flexibility of treatment for patients.
- **Feature:** Effective programs identify individuals who are good candidates for home dialysis, facilitate the transition to home dialysis, arrange for initial and ongoing support for home dialysis, and monitor home dialysis for intervention as needed.

Facilitating Regularly Scheduled Visits

- **Background:** During these visits, clinicians have the ability to develop relationships with patients, provide information on available treatment options, discuss patient access to care, and proactively provide care to prevent progression of existing conditions or development of comorbid conditions. The services can improve the quality and effectiveness of care provided to ESRD patients.
- **Feature:** Effective programs identify individuals on dialysis that are not compliant with regularly scheduled visits and facilitate compliance through a variety of means, including providing patient education, arranging transportation, engaging the individuals in ESRD support groups, and changing an individual's dialysis schedule or center.

Providing Patient Education and Involvement

- **Background:** Providing clinical knowledge and involving members in the decision-making process will improve the patient experience and adherence to treatment plans. Increasing these quality measures has been shown to reduce unnecessary inpatient and emergency visits thereby reducing the MAO's overall costs.
- **Feature:** Effective programs provide education and/or arrange for individuals to attend group or individual education sessions.

Preventing and Identifying Complications

- **Background:** ESRD patients typically experience multiple comorbidities and complications, including cardiovascular disease, hypertension, diabetes, infection, bone disease, anemia, and malnutrition. They may also have to manage more than 10 medications. As a result, ESRD patients require management and care coordination across multiple clinical specialties in an effort to prevent hospitalizations.
- **Feature:** Effective programs assist individuals with caregiver support, problem-solving techniques, care coordination among medical specialists, community resources, identifying and closing gaps in care, and condition monitoring.

Preventing ESRD Progression

- **Background:** The progression of renal disease involves a combination of the body's adaptive responses to renal injury and some of the consequences of renal disease, which can aggravate the injury.
- **Feature:** Effective programs identify individuals at risk for advanced renal disease and implement interventions to delay progression, by controlling some of the maladaptive responses. This includes interventions such as protein restriction, controlling hypertension and cholesterol, medication compliance, smoking cessation, and avoiding harm (e.g., NSAIDs, volume depletion).

¹¹ Johnson, S.R. (October 11, 2014). Home dialysis grows despite cost and logistical hurdles. Modern Healthcare. Retrieved December 18, 2019, from <https://www.modernhealthcare.com/article/20141011/MAGAZINE/310119932/home-dialysis-grows-despite-cost-and-logistical-hurdles>.

4. ARE YOUR BENEFITS ATTRACTIVE TO ESRD BENEFICIARIES?

MA plans are required to include maximum out-of-pocket (MOOP) limits on member costs, whereas traditional Medicare does not have a cap on member spend. Given the high costs associated with ESRD treatment, an MA plan with a MOOP limit may be a very attractive alternative for ESRD beneficiaries. As a result, it may be more likely they will forgo traditional Medicare and enroll in an MA plan. MA plans with relatively low MOOP limits will have a greater potential to enroll ESRD beneficiaries as they are likely to provide the most benefit for these members.

MAOs should consider the member cost sharing and supplemental benefits included in their MA plans relative to other MA plans in the market. Lower member cost sharing for dialysis (services, equipment, and/or training), kidney transplants, immunosuppressant drugs, and post-acute care will be more attractive to ESRD beneficiaries, resulting in a greater potential for ESRD enrollment.

MAOs may consider offering an ESRD SNP. ESRD SNPs generally offer benefits, services, and care management programs catering specifically to the needs of ESRD members. MAOs can tailor the benefit design and formulary for these plans to ensure members are incentivized to receive cost-efficient and effective care while avoiding unnecessary services. Additionally, this strategy will allow MAOs to continue offering competitive rates and attractive benefits in their general enrollment plans, without having to subsidize the experience of their ESRD population. MAOs may lose market share if Part C rebates and premiums for general enrollment plans are spent on benefits catering to only a subset of the plans' overall population.

5. DOES YOUR FORMULARY COVER MEDICATIONS ATTRACTIVE TO ESRD MEMBERS?

MAOs should review their formulary coverage relative to their competition. While dialysis medications themselves are generally covered under the Part B benefit (and thus MAOs do not have control over these medications through formulary design), several concomitant medications frequently taken during dialysis treatment are often covered under the Part D benefit. They commonly include anti-anemia and phosphate binder agents, of which there are several generic or biosimilar equivalents currently on the market.

Potential members are able to see the coverage and cost-sharing parameters for specific medications on Medicare's PlanFinder before choosing a plan. Therefore, MAOs should

consider their formulary coverage and step therapy and prior authorization programs relative to the market. These programs can be effective at managing Part D pharmacy care and costs for an MAO's ESRD members.

If MAOs have plans specifically designed to target ESRD members, such as an ESRD SNP, they could create a custom formulary for these members. However, all plans should consider the care management impact of any 2021 formulary designs in light of potentially increased ESRD membership.

6. WILL YOU MAKE ADJUSTMENTS TO YOUR MARKETING AND SALES STRATEGY?

Based on the first five considerations discussed above, MAOs may develop strategies to address the needs of ESRD members, which could include creating a new ESRD SNP or adjusting benefits on current MA plans. These decisions may impact marketing and sales strategies. MAOs should consider educating their sales force on the new ESRD MA eligibility change for 2021 and subsequent impacts including any new plan offerings (e.g., ESRD SNP), any changes to benefits on current MA plans, and, ultimately, the MA plan(s) most appropriate for ESRD beneficiaries. MAOs may also consider tracking the number of ESRD enrollees and their emerging experience by plan to provide early indicators of financial performance and to optimize care management strategies.

7. WILL ADMINISTRATIVE COSTS INCREASE?

Administrative costs could increase due to the ESRD MA eligibility change in 2021 for a number of reasons including, but not limited to:

- Claims adjudication: ESRD members are expected to have higher claims costs relative to non-ESRD members. MAOs receiving an influx of ESRD members may experience longer claims processing time and increased burden on administrative staff and systems, requiring additional staff or enhancements in systems. New processes and staff training may be needed. Investments in claims adjudication processes may also be required if a new ESRD SNP is offered or benefit revisions are made to current plans.
- Care management: MAOs may spend additional funding on a new or enhanced care management program specifically focusing on ESRD members.
- Marketing and sales: Additional investments will be required to train sales staff on any plan changes, educate the sales force on any changes in the MAO's strategy around attracting ESRD members, and implement any new sales tracking metrics.

8. ARE YOUR RISK-TAKING PROVIDERS AWARE OF POTENTIAL INCREASES IN ESRD PATIENTS?

With the shift toward value-based reimbursement, many providers are in risk-sharing agreements with MAOs for their attributed members. MAOs and providers need to understand whether ESRD members are included in these agreements and the financial structure of the arrangements. Due to the likely increase in ESRD members being subject to these arrangements, MAOs and providers need to ensure the agreements do not place immediate undue financial burden on the provider or the MAO. Many of the considerations discussed above for MAOs also apply to risk-taking providers. Additionally, if the risk-taking provider has little control over management of ESRD services, a carve-out for ESRD services may be appropriate. Figure 5 provides examples of considerations for risk-sharing providers.

FIGURE 5: EXAMPLES OF RISK-SHARING PROVIDER CONSIDERATIONS



Final takeaways and conclusion

The new ESRD MA eligibility rule, effective January 1, 2021, may result in MAOs enrolling an increased number of ESRD beneficiaries. A higher proportion of ESRD membership may result in unexpected, and potentially adverse, financial consequences. It is important to recognize that all MAOs, even those with low current ESRD membership, may be impacted significantly by the upcoming changes. Proactive MAOs will consider the areas discussed above immediately, develop a strategy, and implement appropriate initiatives and functions in advance of the January 1, 2021, effective date.

Limitations

Please note the opinions stated in this article are those of the authors and do not represent the viewpoint of Milliman.

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This information is intended to provide a discussion of select items MAOs should consider as ESRD enrollment eligibility expands in 2021. The list of considerations discussed in this paper are not exhaustive and do not reflect the unique situations of each MAO. This information may not be appropriate, and should not be used, for other purposes. Milliman does not intend to benefit and assumes no duty of liability to parties who receive this information. Any recipient of this information should engage qualified professionals for advice appropriate to its own specific needs.



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