Future Visions of Reform: Policy Options for The Medicare Advantage Quality Bonus Program and Star Ratings

As of 2023, more than half of all Medicare beneficiaries were enrolled in Medicare Advantage (MA) with the Congressional Budget Office (CBO) projecting that 62 percent of all eligible Medicare beneficiaries will be enrolled in MA by 2033.[1, 2] As MA enrollment has grown, both Congress and the Administration have shown an increased willingness to consider policy changes that would impact MA spending.

Leavitt Partners has identified a set of eight policy options to reform the MA Quality Bonus Program (QBP) and the Star Ratings System. These policy options are intended to improve the MA program for its enrollees and meaningfully contribute to the fiscal sustainability of the Medicare program. They are also intended to preserve rewards and incentives for MA plans to provide high-quality care to their members.

We estimate that, collectively, these policies could produce up to $108 billion in savings for Medicare over a ten-year period and could extend the solvency of the Hospital Insurance (HI) Trust Fund by an entire year. Reforming the QBP/Star Ratings has an important part to play in improving the financial stability of Medicare. While the potential savings our policy options could produce are significant, Medicare spending is projected to increase to more than $1.9 trillion per year by 2032.[3] In order to ensure the long-term fiscal health of Medicare, additional savings will also have to be found in other parts of the program and revenue adjustments may have to be made. We see these policy options as a potential component of a holistic approach to strengthening Medicare and improving its sustainability.

[1] Medicare Advantage in 2023: Enrollment Update and Key Trends
[2] CBO Baseline Projections
[3] Congressional Research Service: Medicare and Budget Sequestration

THE QBP AND STAR RATINGS

The QBP rewards MA plans that achieve a 4 Star Rating or higher on the Star Ratings by providing qualifying plans a 5 percent increase to their payment benchmark (the benchmark bonus). In addition to being the basis for establishing MA plan eligibility for a QBP bonus, the Star Ratings are meant to provide enrollees meaningful information on MA plan quality. Under the Star Ratings System, plans are evaluated on a set of quality measures and higher Star Ratings translates into higher capitated payments to MA plans for providing coverage for each plan enrollee. MA plans located in double-bonus counties are eligible to receive QBP bonus payments that are twice as high as regular QBP bonus payments. Since its inception, the QBP has significantly increased payments to MA plans, reaching a high of at least $12.8 billion total in 2023.[4]

Our policy options would have the effect of lowering Medicare spending on the QBP while continuing to reward MA plans for achieving high levels of quality. These reforms would also modify the Star Ratings in a manner that incentivizes quality activities that would improve outcomes for MA enrollees, especially vulnerable enrollees, as well as increase the overall utility of the QBP/Star Ratings for all MA enrollees**.**

QBP/Star Ratings Policy Options and Budgetary Impact

Collective Budgetary Impact of All Policy Options:*, **

- Ten-Year Savings: $108 B
- Impact on HI Trust Fund: Adds one year of solvency
- Reduces gap between Medicare Part A expenditures and revenues in 2035 by 39%
- Reduces the Part A deductible by $172 and the Part B premium by $21
- Lowers MA spending per enrollee by $2700

Policy Option #1: Reduce and Tier the Benchmark Bonus for New Plans and 4 and 4.5 Star Plans: Under this policy, the QBP would be modified so that new and low enrollment MA plans receive a benchmark bonus of 1.5 percent, 4 and 4.5 Star plans receive a benchmark bonus of 2.5 percent, and 5 Star plans continue to receive a benchmark bonus of 5 percent.

Budgetary Impact of Policy Option #1:

- Ten-Year Savings: $81.8 B
- Impact on HI Trust Fund: Adds one year of solvency
- Reduces gap between Medicare Part A expenditure and revenues in 2035 by 30%
- Reduces the Part A deductible by $128 and the Part B premium by $16
- Lowers MA spending per enrollee by $2000 per year

[4] Spending on Medicare Advantage Quality Bonus Payments Will Reach at Least $12.8 Billion in 2023

QBP/Star Ratings Policy Options and Budgetary Impact Continued

Policy Option #2: Eliminate Double Bonuses from MA Benchmarks: Under this policy, the 10 percent benchmark increases for qualifying MA plans located in double bonus counties would be eliminated.

Budgetary Impact of Policy Option #2:

- Ten-Year Savings: $39.5 B
- Impact on HI Trust Fund: No change in insolvency year
- Reduces gap between Medicare Part A expenditure and revenues in 2035 by 12%
- Reduces the Part A deductible by $56 and the Part B premium by $8
- Lowers MA spending per enrollee by $900 per year

Policy Option #3: Reduce and Simplify the Existing Measure Set: Under this policy, the overall number of Star Ratings measures would be reduced by eliminating measures that are not aligned with CMS's "Universal Foundation" of quality measures. In addition, CMS would limit the number of measures per Universal Foundation domain to no more than two and use rotation of measures to ensure accountability for diverse clinical conditions, aspects of care, and populations.

Budgetary Impact of Policy Option #3:

- Ten-Year Savings: $53.8 B
- Impact on HI Trust Fund: Adds one year of solvency
- Reduces gap between Medicare Part A expenditure and revenues in 2035 by 20%
- Reduces the Part A deductible by $89 and the Part B premium by $11
- Lowers MA spending per enrollee by $1,371 per year

Policy Option #4: Incentivize Investment in Innovative, Digitally Supported Measures: Under this policy, CMS would create a bonus reward for plans that invest in supporting their provider network in digital data capabilities and increase the volume and representativeness of clinical data that are electronically reported for existing and innovative clinical quality measures.

Due to a lack of sufficient publicly available data, we were unable to model the budgetary impact of this policy option.

Policy Option #5: Evaluate Quality at the Local Market Level: Under this policy, the Star Ratings methodology would be modified so that quality is evaluated at the MA plan level within a local market, such as an individual county, state, or region, rather than quality being evaluated at the MA contract level.

Due to a lack of sufficient publicly available data, we were unable to model the budgetary impact of this policy option.

QBP/Star Ratings Policy Options and Budgetary Impact Continued

Policy Option #6: Limit the Overall Percentage of Plans that Achieve 4 or 5 Stars: Under this policy, the existing Star Ratings methodology would be modified so that only a set percentage of plans achieve a 4 or 5 Star Rating.

Due to a lack of sufficient publicly available data, we were unable to model the budgetary impact of this policy option.

Policy Option #7: Modify Star Ratings Cut Points to Increase the Predictability of QBP Attainment for Plans: Under this policy, CMS would modify the cut point methodology for assigning ratings to measures while retaining the 1–5 Star Ratings System for public reporting.

Due to a lack of sufficient publicly available data, we were unable to model the budgetary impact of this policy option.

Policy Option # 8: Stratify Plans with Similar Characteristics to Evaluate Quality: Under this policy, MA plans would be stratified and evaluated for quality performance against other MA plans that have similar characteristics nationally, such as the percentage of enrollees who are dual-eligible.

Budgetary Impact of Policy Option #8:

- Ten-Year Savings: $5.8 B
- Impact on HI Trust Fund: No change in insolvency year
- Reduces gap between Medicare Part A expenditure and revenues in 2035 by 1%
- Reduces the Part A deductible by $8 and the Part B premium by $1
- Lowers MA spending per enrollee by $179 per year

* The budgetary impact of collectively enacting and implementing the policy options as a group does not equal the sum of the individual policy options budgetary impact. Enacting and implementing the policy options as a group would create some overlap in budgetary savings produced by each individual policy option, which affects the overall budgetary impact of collectively enacting and implementing the policy options as a group.

** The budgetary impact of the policy options was modeled with the most current data available. Modeling assumptions were utilized to forecast future Medicare trends. Actual budgetary savings are dependent on a number of variables, and a range of savings are possible.