Medicare Advantage's Misaligned Incentives:

Risk Adjustment Pays More Than Quality

MA for TOMORROW
ACHP'S VISION FOR MEDICARE ADVANTAGE

High-quality health plans that meet consumers' needs should be rewarded over plans that prioritize chasing risk adjustment revenue. But that's not always the case. In reality, aggressive risk adjustment practices in Medicare Advantage (MA) are delivering bigger payments than bonuses for high-quality coverage and care. There's something wrong with that math.

For more information, contact **ACHPadvocacy@achp.org**.

How a "Below-Average" Plan Gets Paid More Money Than a Top-Quality Plan:

- Plan A is the highest quality.
- Plans B and C are below-average quality.
- Plan B has an inflated risk-adjustment score and receives nearly 6% more in rebate dollars than Plan A. That's hundreds of dollars per senior each year!
- Plan B wins financially simply by increasing risk scores, not by providing the highest quality care for consumers.

	Quality Star Rating (1-5)	Annual Bid	Risk Score	Annual Rebate Dollars (Extra Benefits)
PLAN A (Highest quality, average risk score)	★★★★★ 5 Stars *Receives bonus award*	$10,800	0.97	$588
PLAN B (Below-average quality, inflated risk score)	★★★½ 3.5 Stars	$10,800	1.03	$624
PLAN C (Below-average quality, average risk score)	★★★½ 3.5 Stars	$10,800	0.97	$180

Medicare Payment Advisory Commission. 2023. March 2023 Report to Congress: Medicare Payment Policy. Washington, DC: MedPAC.

The Takeaway:

Seniors deserve a Medicare Advantage program that incentivizes high-quality care; not paperwork.

How Does This Happen?

The MA Imperative: With over 31 million enrolled and growing, MA is the clear choice of America's seniors. More than 53 percent of all Medicare beneficiaries are now enrolled in MA and there are no signs of slowing down. The program provides all the benefits of traditional Medicare, plus enhanced benefits, high value coverage, better health outcomes, greater transparency and superior customer experience – all at a lower price than fee-for-service Medicare.

What is risk adjustment?

All MA plan payments are adjusted for the health status of each consumer, a process known as risk adjustment. Risk adjustment is intended to provide plans with financial resources to provide comprehensive care for consumers with more complex conditions and higher medical costs.

Plan payments are adjusted based on risk scores, which capture consumers' health needs. There is an associated risk score for each consumer's documented health condition. The more documented conditions a consumer has, the higher the risk score and the higher the payment.

Shouldn't plans be paid for high-quality care?

Yes.

What matters more – risk adjustment or quality?

Risk adjustment incentives can quickly outweigh quality bonuses, rewarding back-office paperwork over clinical care. Consumers deserve a MA program for tomorrow that keeps the focus on health and care delivery.

ACHP member plans are leading the industry in high-quality coverage and care. Representing just 10% of the MA market, ACHP member plans dominate the quality charts with one-third of all 5-star MA plan enrollment. Leading by example, ACHP envisions a *MA for Tomorrow*.

Scan to learn more.