

Insights with Impact

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Medicare Advantage Plans Expand Supplemental Benefits to Address Whole-Person Health

Over-the-counter benefit among
the most popular with seniors

CHPA[®]

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Abstract: Medicare Advantage (MA) plans are allowed flexibility in designing supplemental benefits as part of the value-based insurance design (VBID) model.ⁱ The Medicare and Medicaid Services Innovation Center (CMMI)ⁱⁱ is piloting and assessing inventive approaches offered by MA plans that aim to improve health outcomes and reduce expenditures for beneficiaries.ⁱⁱⁱ Accordingly, model participants have begun to implement payment reforms (APMs) and new delivery modes that address social determinants of health and chronic conditions.^{iv} Trends in newly expanded supplemental benefits show enrollment growth in plans that offer an over-the-counter (OTC) benefit.

Background

The Centers for Medicare & Medicaid Services (CMS) released its final rule expanding supplemental benefits for the Medicare Advantage (MA) program, which became effective January 2019.^v The new policy grants MA plans the flexibility to address social determinants of health and chronic conditions with new non-medical benefits that “diagnose, compensate for physical impairments, diminish the impact of injuries or health conditions, and/or reduce avoidable emergency room utilization.”^{vi}

Medicare Advantage, also called “MA Plans” or “Part C” is the private-plan alternative to fee-for-service Medicare.^{vii} Seniors who enroll in MA authorize private health plans to manage their benefits. The program is required to provide beneficiaries with Original Medicare benefits including Part A—hospital coverage (e.g., inpatient hospital stays), Part B—medical coverage (e.g., doctor visits, outpatient care) and supplemental benefits that are not offered through traditional Medicare.^{viii} Many beneficiaries also receive integrated Part D prescription drug coverage.

Traditionally supplemental benefits primarily comprised vision, hearing and dental insurance to attract seniors – today they are table stakes (98%, 93%, and 87%).^{ix} Recent policy changes now allow MA plans to expand supplemental benefits further.^x The non-medical and extended medical benefits cover a wide-range of services and products, from transportation to a doctor’s appointment, to nutrition counseling and more extensive over-the-counter products (Table 1).^{xi}

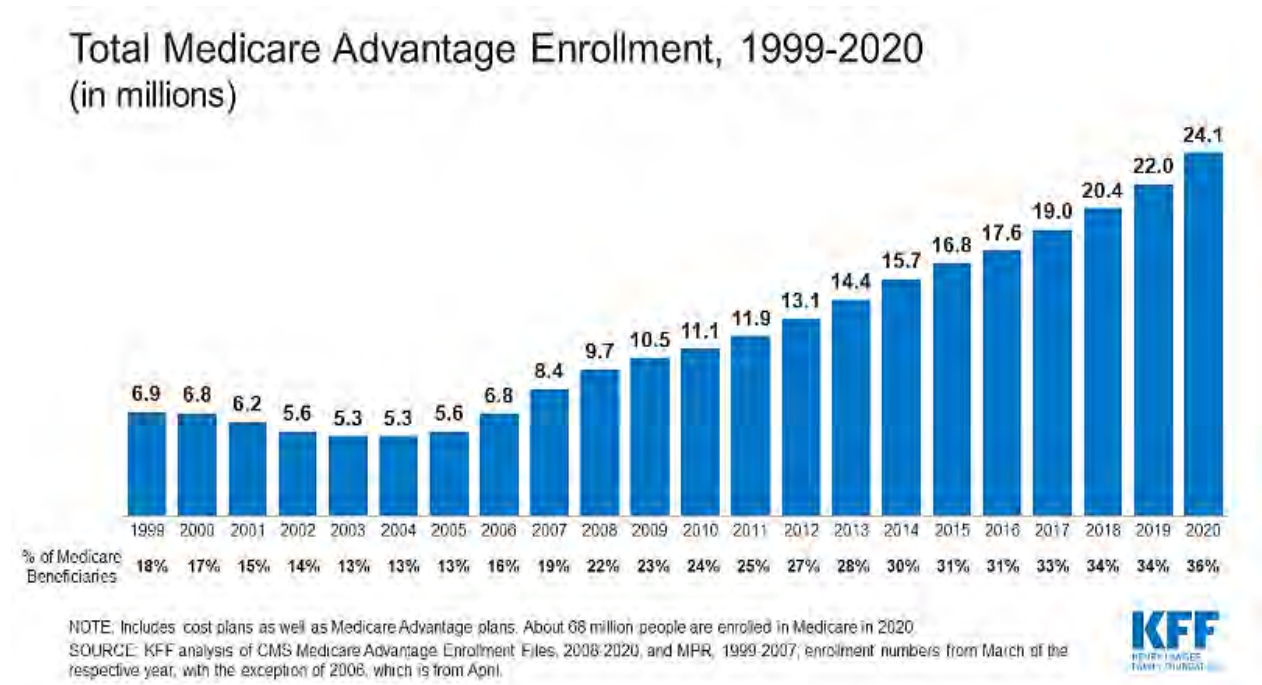
For example, in addition to OTC drugs, insurers can now cover pill cutters, crushers and bottle openers, and activity trackers under the OTC benefit.^{xii} Beneficiaries are able to choose products that can improve living conditions, such as fall prevention and emergency response solutions, and improve preventative care.^{xiii} In 2019, the first year of the benefit expansion, 63 percent of all plans included coverage for OTC benefits—up from the 36 percent of plans that covered this benefit two years earlier.^{xiv}

Medicare Advantage plans, mostly structured as HMOs or PPOs, must be approved by CMS and are required to follow the same regulations as traditional Medicare.^{xv} MA plans are paid based on quality performance and scored through the Star Ratings System which includes various clinical, financial, and satisfaction measures as the way to incentivize value-based care.^{xvi}

Enrollment Trends

Medicare Advantage enrollment has been on an upward trajectory over the past several years. In 2019, one-third (34 percent) of all Medicare beneficiaries were enrolled in Medicare Advantage plans.^{xvii} Currently, there are about 67.7 million total Medicare beneficiaries. Kaiser Health analysis shows that this year (as of March 2020), 36 percent of all Medicare beneficiaries (24 million) are enrolled in Medicare Advantage plans.^{xviii} Continued growth is expected through 2030 when over 50 percent of beneficiaries will be in MA plans, according to the CBO.^{xix}

Figure 1.



Steve Warner, vice president of Medicare Advantage Product for UnitedHealthcare Medicare and Retirement, underscored enrollment growth with the announcement that the insurer will offer 100 new plans and expand benefits to meet the diverse needs of the rising baby boomer population.

“We serve the health and well-being needs of more Medicare beneficiaries than any other company – and throughout 2020, we will expand our offerings to provide even more people access to our plans, designed with their unique and varied preferences in mind.”^{xx}

“The new rules mean that the government, which has long paid thousands to treat and rehab injuries sustained in bathtub falls, will now also shell out the few bucks required to install a grab bar to prevent those falls. For believers in proactive, cost-effective medicine—or even in simple common sense—what’s not to like?”^{xxi}

— Paula Span, *The New Old Age*.

The OTC expanded supplemental benefit

A recent study that examined Medicare consumer preferences found that the expanded OTC supplemental benefit program has been “highly motivating” for shoppers.^{xxii} The OTC benefit, which provides plan beneficiaries a fixed amount (allowance), to spend on OTC products is determined by plans. Eligible products can include allergy and sinus/cold medications, pain relievers, dietary supplements, first aid supplies or diabetic compression socks, but not every OTC product is eligible for coverage under CMS rules. The allowance may be replenished over a monthly or quarterly period depending on the structure of the benefit package. Plans vary in allowance amounts and qualifying products.^{xxiii}

While over 50 percent of all MA beneficiaries are enrolled in the OTC benefit program, the proportion of members varies by plan type.^{xxiv} The national health plans were quick to adopt the newly expanded OTC benefits, indicating that they “recognize the potential value of offering OTC benefits and have accelerated efforts to proactively capture this value.”^{xxv} Regional plans, PSHPs, and the Blues were not as quick to implement the benefit, but with data showing the popularity and enrollment changes in plans, it may be a matter of time for some of the regional MAO’s to add or restructure benefit design.

Research conducted by Pareto Intelligence analyzed the 2019 enrollment data and found that the OTC benefit outpaced the growth of other newly expanded benefits.^{xxvi} Over half of MA beneficiaries enrolled in the OTC benefit program in more than 2,000 MA products (Table 2).^{xxvii}

Table 1.

Key supplemental benefits by CMS guidance

<u>Primarily Health Related</u>	<u>SSBCI benefits (benefits for chronically ill)</u>
Adult day care services	Complementary therapies
Home-based palliative care	Expanded meal delivery
In-home support services	Food and produce
Caregiver support	Indoor air quality equipment and services
Medically Non-Opioid Pain Management	Personal Home Helper
Memory fitness benefit	Pest control services
Home and bath safety devices & installation	Self-direction support services
Over-the-Counter (OTC) benefit	Transportation (non-medical/non-emergent)
Note: Lists are not exhaustive (effective 2019 and updated 2020) Source: ATI Advisory, analysis of CMS' guidance ^{xxviii}	

Highlights from Pareto study:

Fastest growing New Plan Benefit Package (PBP) options in 2020:

- Annual Physical Exam: 27% growth (12.9M members in 2019, 16.4M in 2020)
- Comprehensive Dental: 24% growth (12.1M members in 2019, 15.0M in 2020)
- OTC: 23% growth (12.1M members in 2019, 14.9M in 2020)
- Meal Benefit: 23% growth (7.7M members in 2019, 9.4M in 2020)
- Transportation Services: 20% (7.1M members in 2019, 8.5M in 2020)

Plan Benefit Packages (PBPs) with an OTC benefit grew 7.26% from AEP, while those without an OTC benefit decreased membership by 1.68%.

- Plans with a “richer” OTC benefit experienced larger growth.
- The majority of the market offers <\$200 annualized OTC benefit—those plans grew at 0.43%. Those plans offering a \$200-\$300 benefit grew at 7.49%, and PBPs with a \$300+ benefit grew at 12.01%.
- PBPs that increased an OTC benefit allowance captured more membership (7.5% growth) than those who decreased OTC benefit allowance (3.967% growth), “demonstrating that a higher annualized OTC benefit could be a way for MAOs to increase market share.”

“When determining plan benefit design, MAOs use supplemental benefits to attract, care for, and retain members with different strategies and varying levels of success. In these unique times, many supplemental benefits, such as the mail-order Over-the-Counter (OTC) benefit and pharmacy services, meal plans, and telehealth, present unique opportunities for MAOs to serve beneficiaries in their homes, as elderly members follow the necessary precautions to keep themselves and others safe and healthy.”

– Pareto Intelligence.

Table 2.

Benefit Augmentation

NEWLY EXPANDED SUPPLEMENTAL BENEFITS	TOTAL ENROLLMENT	BENEFIT ENROLLMENT AS % OF TOTAL MA ENROLLMENT	TOTAL MA PRODUCTS
OTC Items	11,223,478	51.37%	2,054
Transportation Services	6,959,597	31.86%	910
Support for Caregivers	3,833,948	17.55%	420
Bathroom Safety Devices	817,927	3.74%	132
In-Home Support Services	166,719	0.76%	45
Home-Based Palliative Care	83,961	0.38%	8
Medically Approved Non-Opioid Pain Management	16,863	0.08%	14
Adult Day Care Services	4,656	0.02%	2
Total MA Enrollment	21,847,510		

Source: HealthScape Advisors; Deft Research

Seema Verma, CMS administrator described the initiative as “a significant change to the program in the sense that this is the first time we’ve allowed these private health plans to have this level of flexibility and to tailor benefits to individual patient needs.”^{xxix}

Industry Trends: Value-based OTC benefit program shows early evidence of success

The most common OTC models include mail-in (home delivery) and retail. Beneficiaries can use the catalog to order online for delivery. Since the retail and home delivery options are prevalent, MA plans and retailers have partnered to expand access to products and reduce cost for beneficiaries.

For instance, Anthem MA plans added the CVS Pharmacy store to their product provider network. This allows enrollees use their OTC benefit allowance to purchase OTC drugs and self-care products from CVS stores.^{xxx}

The Anthem - Walmart partnership is similarly structured. Anthem MA beneficiaries can make purchases at Walmart's 4,700 stores and via their website.^{xxxi} Retail executives are working with MA plans to increase access to OTC self-care products and lower out of pocket costs. Early analysis of CMS enrollment data suggest the collaborations are working.

Closing

The enhancements to MA supplemental benefits have already been hailed as another driver of mounting enrollment, with plan packages offering an OTC benefit showing higher levels of satisfaction and rapidly growing in popularity.^{xxxiii} MA plans have attracted and retained beneficiaries with low premiums while adding benefits. The estimated average monthly premiums will decrease about 6 percent this year—to about \$28/mo., with 46 percent of beneficiaries enjoying a policy with no premium.^{xxxiv} And, what's more, the political environment is positive for the MA program with bipartisan support for expansion of supplemental benefits.^{xxxv} Private plans are expected to increase the types of benefits to meet growing enrollment and the increase in demand for OTC and other self-care products.^{xxxvi}

We want to know what keeps you up at night. To offer suggestions on topics and issue areas that impact your business, contact Marina Karp mkarp@chpa.org

ⁱ Centers for Medicare & Medicaid Services (CMS). Medicare Advantage Value-Based Insurance Design (VBID) Model: Test Complementary Medicare Advantage Health Plan Innovations. 2020-21.

ⁱⁱ Department of Health & Human Services (DHHS HHS -- Proposed Rule, CMS proposes to define SSBCI as "supplemental benefit[s] that have, with respect to a chronically ill enrollee, a reasonable expectation of improving or maintaining the health or overall function of the enrollee." Dwyer, T. E. "CMS Proposes Significant Changes to Medicare Advantage & Part D for 2021 and Beyond, Part 2: CMS Proposes to Codify Supplemental Benefit Rules and Update MLR." Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. February 25, 2020.

ⁱⁱⁱ Centers for Medicare & Medicaid Services Innovation Center): Medicare Advantage Value-Based Insurance Design Model. Initiatives to Accelerate the Development and Testing of New Payment and Service Delivery Models. Update April 2020. Section 3021 of the Affordable Care Act.

^{iv} Public Health Chapter IV. Centers for Medicare & Medicaid Services, Department of Health and Human Services Subchapter B. Medicare Program Part 422. Medicare Advantage Program Subpart C. Benefits AND Beneficiary Protections Section 422.102. Supplemental Benefits. Amendment At 85 FR 33903, June 2, 2020.

- ^v Thomas, K. S., Durfey, S., Gadbois, E. A., Meyers, D. J., Brazier, J. F., McCreedy, E. M., Fashaw, S., & Wetle, T. (2019). Perspectives of Medicare Advantage Plan Representatives on Addressing Social Determinants of Health in Response to the CHRONIC Care Act. *JAMA network open*, 2(7), e196923. <https://doi.org/10.1001/jamanetworkopen.2019.6923>. The expanded benefits are due to the Bipartisan Budget Act of 2018, which included the Creating High-Quality Results and Outcomes Necessary to Improve Chronic (CHRONIC) Care Act and the 2019 Medicare Advantage rules. Collectively they allow Medicare Advantage plans.
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- ^x Cirruzzo, C. "CMS Finalizes What Supplemental Benefits MA Plans Can Offer In 2020." *Inside CMS*. April 1, 2019.
- ^{xi} "CMS finalizes Medicare Advantage and Part D payment and policy updates to maximize competition and coverage. *CMS.gov*. April 1, 2019. (Legislative changes in the Creating High-Quality Results and Outcomes Necessary to Improve Chronic (CHRONIC) Care Act of 2017 matter; CHRONIC was part of the Bipartisan Budget Act of 2018, signed into law on February 9, 2018). In 2019, CMS expanded its definition of "primarily health-related" to consider an item or service as primarily health related if it is used to diagnose, compensate for physical impairments acts to ameliorate the functional/psychological impact of injuries or health conditions, or reduces avoidable emergency and health care utilization.
- ^{xii} MA plans may offer an OTC benefit as long as the benefit conforms to the detailed guidance in section 40.1 - Issues with Provision of OTC Benefits under the Department of Health & Human Services (DHHS) Centers for Medicare & Medicaid Services (CMS). *CMS Manual System - Medicare Managed Care Manual, 40 - Over-the-Counter (OTC) Benefits, Chapter 4 Medicare Managed Care Manual 2019*. OTC benefit allowance covers non-prescription drugs and supplements, and other health-related items (such as compression socks and bandages in situations where Original Medicare does not cover them as surgical supplies). The OTC benefit coverage extends beyond non-prescription drugs. Items are eligible based on plan (no one size fits all). The link below shows an example of one plan's list of OTC eligible products - "2020 Over-the-Counter (OTC) Product Catalog MolinaHealthcare." Haefner, M. "Anthem inks OTC agreement with CVS." *Becker's Payer Issues*. January 15th, 2019.
- ^{xiii} MA plans may offer OTC items as a supplemental benefit under Part C. The CMS OTC benefit encompasses a wide array of products and services. OTC drugs are defined as drugs that are safe and effective for use by the general public without seeking treatment by a health professional. Over-the-counter (OTC) drugs review of OTC drugs is primarily handled by the Center for Drug Evaluation's Office of Drug Evaluation IV. CDER's Office of Nonprescription Drugs. March 27, 2020.
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- xxiii Humana plan over-the-counter (OTC) benefit allowance (2020).
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- xxv Badger, C. “The Rise of Over-The-Counter Programs in Medicare Advantage Plans.” HealthScape Advisors. Monday, April 29, 2019.
- xxvi 2019 Annual Enrollment Period Supplemental Benefits Medicare Advantage plans.
- xxvii Badger, “The Rise of Over-The-Counter Programs in Medicare Advantage Plans.”
- xxviii “2020 SSBCI and New Primarily Health-Related Benefits.” ATI Advisory. March 20, 2020 (analysis of CMS enrollment data (CMS’ March 2020 enrollment rates).
- xxix Remarks by Administrator Seema Verma at the America’s Health Insurance Plan’s (AHIP) National Conference on Medicare, September 24, 2019.
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