

GAO Highlights

Highlights of [GAO-16-137](#), a report to congressional requesters

Why GAO Did This Study

Veterans enrolled in Medicare can also enroll in the VA health care system and may receive Medicare-covered services from either their Medicare source of coverage or VA. Payments to MA plans are based in part on Medicare FFS spending and may be lower than they otherwise would be if veterans enrolled in Medicare FFS receive some of their services from VA. Because this could result in payments that are too low for some MA plans, CMS is required to adjust payments to MA plans to account for VA spending, as appropriate. CMS determined an adjustment was needed for 2017, but not for 2010 through 2016.

GAO was asked to examine how VA's provision of Medicare-covered services to Medicare beneficiaries affects payments to MA plans. GAO (1) estimated VA spending on Medicare-covered services and how VA spending affects payments to MA plans and (2) evaluated whether CMS has the data it needs to adjust payments to MA plans, as appropriate. GAO used CMS and VA data to develop an estimate of VA spending on Medicare-covered services. GAO reviewed CMS documentation and interviewed CMS and VA officials.

What GAO Recommends

CMS should (1) assess the feasibility of revising its methodology for determining if an adjustment to the benchmark is needed by obtaining diagnoses and utilization data from VA and (2) make any additional adjustments to MA plan payments as appropriate. HHS disagreed with the first recommendation, but agreed with the second. GAO maintains that VA data may improve CMS's analysis.

View [GAO-16-137](#). For more information, contact James Cosgrove at (202) 512-7114 or cosgrovej@gao.gov.

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MEDICARE ADVANTAGE

Action Needed to Ensure Appropriate Payments for Veterans and Nonveterans

What GAO Found

In fiscal year 2010, the Department of Veterans Affairs (VA) health care system provided \$2.4 billion in inpatient and outpatient services to the 833,684 veterans enrolled in Medicare Advantage (MA), a private plan alternative to Medicare fee-for-service (FFS). While the Centers for Medicare & Medicaid Services (CMS), an agency within the Department of Health and Human Services (HHS), generally pays Medicare FFS providers separately for each service provided, MA plans receive a monthly payment from CMS to provide all services covered under Medicare FFS. These monthly payments are based in part on a bidding target, known as a benchmark, and risk scores, which are used to adjust the payment amount to account for beneficiary demographic characteristics and health conditions. Both the benchmark and risk scores are calibrated based on Medicare FFS spending. Therefore, VA's provision of Medicare-covered services to veterans enrolled in Medicare FFS likely resulted in lower Medicare FFS spending and, in turn, lower overall payments to MA plans. However, the extent to which these payments reflect the expected utilization of services by the MA population remains uncertain. Specifically, payment amounts may still be too high or could even be too low, depending on the utilization of VA services by veterans enrolled in MA plans and veterans enrolled in Medicare FFS. If, for example, veterans enrolled in MA receive a greater proportion of their services from VA relative to veterans enrolled in Medicare FFS, then the benchmark may be too high. Conversely, payments may be too low if MA-enrolled veterans tended to receive fewer Medicare-covered services from VA relative to veterans enrolled in Medicare FFS. Assessing these possible differences would require data on the services veterans receive from MA. CMS began collecting these data in 2012 but, as of August 2015, had yet to take all the steps necessary to validate the accuracy of the data, as GAO has previously recommended.

CMS also lacks data on VA diagnoses and utilization that may improve its methodology for determining if an adjustment to the benchmark is needed to account for VA's provision of Medicare-covered services to veterans enrolled in Medicare FFS. Federal standards for internal control call for management to have the operational data it needs to meet agency goals to effectively and efficiently use resources and to help ensure compliance with laws and regulations. While CMS determined that no adjustment was necessary for 2010 through 2016 based on a 2009 study it performed, CMS's methodology did not account for services provided by and diagnoses made by VA, which can only be identified using VA's data. CMS officials updated the agency's study in 2016 using the same methodology, but with more recent data. CMS officials told GAO that they did not plan to incorporate VA utilization and diagnoses data into their analysis because (1) they do not currently have such data and (2) incorporating these data would introduce additional uncertainty into the analysis. However, if an adjustment is needed but not made or if an adjustment is too low due to limitations with CMS's methodology, it could result in some plans being paid too much and others too little. If CMS does revise its methodology and determines that an adjustment to the benchmark is necessary, it may need to make additional adjustments to MA plan payments, as discussed in this report.