MILLIMAN WHITE PAPER

Is the Part B premium buydown here to stay? 2023 landscape and considerations for 2024

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The Medicare Advantage (MA) market continues to grow each year, both in terms of enrollment and the number of plan offerings. In 2023, the average Medicare-eligible individual can choose from more than 40 plans, an increase of about 13% compared to 2022.[1] As the market continues to grow, plan sponsors seek to add competitive benefits to retain current members and attract new enrollment both from Medicare fee-for-service (FFS) and competitor MA plans.

In recent years, some MA plans have included a benefit to offset a portion of beneficiaries' Part B premiums at increasing rates each year. In this paper, we provide insights into the current 2023 landscape of the Part B premium buydown (also referred to as Part B giveback, Part B subsidy, or Part B buydown), as well as historical market trends and considerations for plan sponsors for the 2024 plan year and beyond. Throughout this paper, we will refer to this benefit as a Part B buydown.

Executive summary

Whether they are covered by Medicare FFS or enroll in an MA plan, non-dual eligible Medicare beneficiaries must pay a monthly Part B premium to help fund the medical costs associated with the government-sponsored Medicare Part B program (typically professional and outpatient medical services).[2] This premium, in most cases, is deducted from a beneficiary's monthly Social Security (SS) disbursements.[3] Notably, the 2022 Part B premium ($170.10) increased $21.60, or 14.5%, relative to the 2021 Part B premium ($148.50),[4] which led to increased visibility of this premium for many Medicare-eligible individuals.

The increases in Part B premium have coincided with several years of notable increases in MA revenue payments. To remain competitive, Medicare Advantage organizations (MAOs) have largely invested this increased revenue in richer supplemental benefits offerings, including offering value to beneficiaries in the form of reduced Part B premiums through Part B buydowns.

In our analysis, we used the 2020 through 2023 versions of the Milliman MACVAT® to summarize the current 2023 landscape of plans with a Part B buydown and examine how this landscape has changed over the last few years, looking at both specific plan characteristics and the Medicare Advantage market as a whole. We limited our analysis

[1] Freed, M., Fuglesten Biniek, J, Damico, A & Neuman, T. (November 2022). Medicare Advantage 2023 Spotlight: First Look. KFF. Retrieved from: https://www.kff.org/medicare/issue-brief/medicare-advantage-2023-spotlight-first-look/

[2] Medicare Interactive. The parts of Medicare (A, B, C, D). Retrieved from: https://www.medicareinteractive.org/get-answers/medicare-basics/medicare-coverage-overview/original-medicare

[3] Medicare.gov. How to pay Part A & B premiums. Retrieved from: https://www.medicare.gov/basics/costs/pay-premiums

[4] Centers for Medicare and Medicaid Services (November 2021). 2022 Medicare Parts A & B Premiums and Deductibles/2022 Medicare Part D Income-Related Monthly Adjustment Amounts. https://www.cms.gov/newsroom/fact-sheets/2022-medicare-parts-b-premiums-and-deductibles2022-medicare-part-d-income-related-monthly-adjustment

to non-special needs plans (non-SNPs), specifically looking at HMO, HMO-POS, LPPO, and RPPO MA plans in the individual market in the United States (excluding all United States territories).

We focused on the following key metrics:

1. The number of plans offering a Part B buydown
2. Members enrolled in plans offering a Part B buydown
3. The average dollar amount of the Part B buydown

The Part B buydown benefit has grown significantly across each of these metrics over the last few years. We highlight the growth in these metrics in Figure 1.

FIGURE 1: PART B BUYDOWN METRICS, 2020 VERSUS 2023

METRIC	2020	2023	CHANGE
Percentage of Plans Offering a Part B Buydown	7%	16%	10%
Member Enrollment in Plans with a Part B Buydown (in thousands)	600	1,748	1,148
Average Monthly Part B Buydown	$56	$80	$24

*Values in table may not sum together due to rounding

Enrollment in Part B buydowns has also grown at a significantly higher rate than in plans without the Part B buydown benefit, as illustrated in Figure 6.

Drilling down further into the MA landscape may provide insight into MAO strategies when offering Part B buydowns. In our analysis, we observed the following:

- **Benefit combination strategies:** Some plans offered higher Part B buydowns alongside leaner medical benefit plans (compared to average medical benefits) to attract the typically lower-utilizing beneficiaries, while other plans included high Part B buydowns on rich medical plans to go "all in" for membership growth.
- **MA-PD vs. MA-only:** Over 80% of beneficiaries enrolled in MA-only plans are in a plan offering a Part B buydown (versus 7% of beneficiaries enrolled in MA-PD plans), indicating that the MA-only market may be at a point where offering a Part B buydown is a requirement to be competitive on benefit offerings.
- **Geographical differences:** Analyzing the landscape by state revealed clear variation in both the prevalence and average amount of the Part B buydown, depending on the area of the country.

To be successful in offering the Part B buydown benefit, MAOs must understand the market dynamics as well as the financial impacts of the benefit. Though a valuable enticement benefit, a Part B buydown often comes at significant financial cost to plans that offer it for the following reasons:

- **Utilization:** It is a fully utilized benefit, meaning that an MAO must pay this Part B buydown amount each month for every member (including dual eligible members) enrolled in the plan.
- **Supplemental benefit funding:** Part B buydowns are considered a supplemental benefit, which must be funded through MA rebates (derived from bid savings, less the portion of savings shared with CMS[5]), which means plans must sacrifice margin dollars that exceed the dollar value of the benefit.
- **Visibility:** The benefit is not tangible and may be less "visible" to some beneficiaries. Beneficiaries in an MA plan with a Part B buydown that are less attuned to their Part B premium payment may not realize that their SS disbursement is higher than it otherwise would have been (as the MA plan funds a portion of the Part B premium).

The enrollment growth potential as well as the benefit cost and anticipated 2024 revenue headwinds for many plans (discussed in the Considerations for MAOs section below), will make the cost-benefit analysis of the Part B buydown an important consideration for MAOs.

[5] Better Medicare Alliance. Medicare Advantage Payment Structure: Fact Sheet (January 2021). Retrieved from: https://bettermedicarealliance.org/wp-content/uploads/2020/03/BMA_OnePager_Payment_Structure_2017_10_18-2021-Update.pdf

Background

PART B PREMIUMS

Medicare Part B in FFS is an optional coverage for Medicare-eligible beneficiaries, which covers medically necessary and preventive professional exams, outpatient services, and laboratory and screening services.[6] MAOs offering a Medicare Advantage plan must provide coverage of services and cost sharing at least as rich as Medicare FFS, though MAOs can also offer additional non-Medicare covered services, including lower cost sharing.[7] Non-dual eligible Medicare beneficiaries must pay a monthly Part B premium to help fund the government-sponsored Medicare Part B program, regardless of whether they are enrolled in Medicare FFS or a Medicare Advantage plan.[8] (Note, for beneficiaries eligible for Medicare and Medicaid [partial and full "dual eligibles"], Medicaid will pay the Part B premium, and the beneficiary will not pay any monthly premium.)

Many beneficiaries pay premiums in the form of a deduction from SS disbursements each month, for eligible SS beneficiaries.[9] Beneficiaries with lower SS payments may have deductions less than the published Part B premium due to the Social Security hold harmless provision, which does not allow SS payments net of Part B premium payments to decrease year over year. Higher-income individuals or households pay Income-Related Monthly Adjustment Amounts (IRMAA) based on previous income (for 2023 premiums, using 2021 annual income) resulting in total monthly premium larger than the published premium for the respective calendar year. Beneficiaries that do not enroll in Medicare Part B within 12 months of eligibility are subject to a late enrollment penalty, which may also result in monthly premium larger than the published premium.[10]

Figure 2 outlines the 2023 IRMAA associated with each income range and the respective ultimate monthly 2023 Part B premiums (excluding beneficiaries impacted by the hold harmless provision or late enrollment penalty).

FIGURE 2: MONTHLY PART B PREMIUMS BY INCOME LEVEL, 2023

2021 Income		2023 Published Part B Premium	IRMAA	Total 2023 Part B Premium
Filing Individual	Filing Joint			
Dual Eligibles		$164.90	$0.00	$0.00
<= $97K	<= $194K		$0.00	$164.90
$97K - $123K	$194K - $246K		$65.90	$230.80
$123K - $153K	$246K - $306K		$164.80	$329.70
$153K - $183K	$306K - $366K		$263.70	$428.60
$183K - $500K	$366K - $750K		$362.60	$527.50
>= $500K	>= $750K		$395.60	$560.50

Source: Medicare.gov. 2023 Medicare Costs. Retrieved from: https://www.medicare.gov/Pubs/pdf/11579-medicare-costs.pdf

[6] U.S. Department of Health and Human Services. What is Medicare Part B? Retrieved from: https://www.hhs.gov/answers/medicare-and-medicaid/what-is-medicare-part-b/index.html

[7] Medicare.gov. Medicare Health Plans. Retrieved from: https://www.medicare.gov/sign-upchange-plans/types-of-medicare-health-plans/medicare-advantage-plans/how-do-medicare-advantage-plans-work

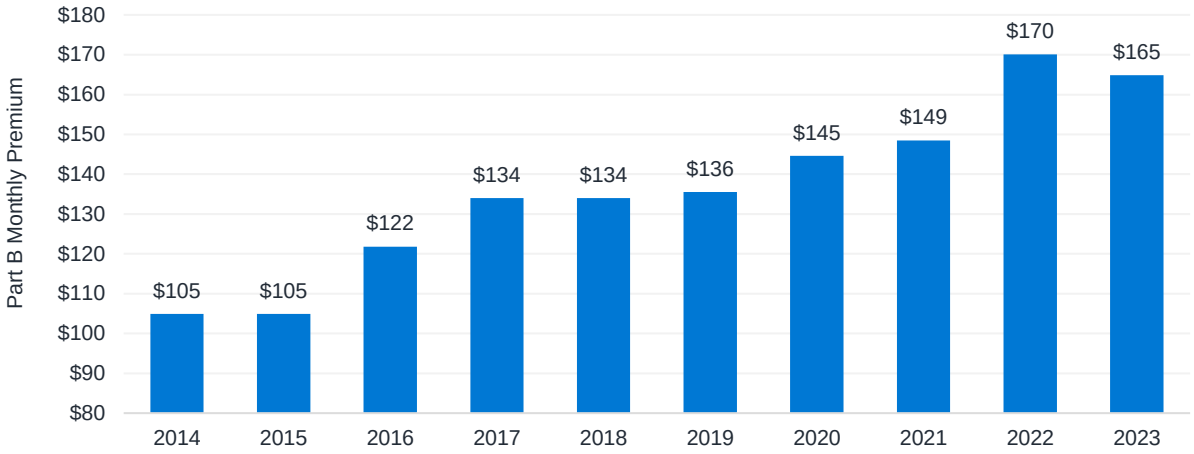
[8] Medicare Interactive. The parts of Medicare (A, B, C, D). Retrieved from: https://www.medicareinteractive.org/get-answers/medicare-basics/medicare-coverage-overview/original-medicare

[9] Medicare.gov. How to pay Part A & B premiums. Retrieved from: https://www.medicare.gov/basics/costs/pay-premiums

[10] Pierce, K. and Gill, M. (December 2021). Medicare Part B Premium Dynamics Explained. Milliman. Retrieved from: https://us.milliman.com/-/media/milliman/pdfs/2021-articles/12-23-21-part-b-premium-dynamics-article.ashx

Part B premiums have trended upward over the last several years. Figure 3 summarizes the monthly Part B premiums over the last 10 years, demonstrating this increase over time.

FIGURE 3: HISTORICAL MONTHLY PART B PREMIUMS, 2014 TO 2023



Source: Centers for Medicare and Medicaid Services. 2022 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. Retrieved from: https://www.cms.gov/files/document/2022-medicare-trustees-report.pdf

The increase in the 2022 Part B premium was particularly noteworthy, driven in part by uncertainty surrounding the Alzheimer's drug Aduhelm.[11] The calculation of Part B premiums includes a contingency margin that is intended to cover variation in actual and expected costs. The uncertainty related to Aduhelm costs led to a higher contingency margin.[12] The increase to the Part B premium brought increased focus on this cost for Medicare beneficiaries dependent on Social Security disbursements (or other fixed-income income streams). Though Aduhelm coverage ultimately ended up being limited under Medicare (only covered for members in clinical trials),[13] this coverage determination was not made until after the 2022 Part B premium was set and thus was not factored into the calculation of the premium for 2022.

Part B premiums decreased in 2023 by $5.20, to $164.90.[14] This is attributable in part to the limitations for Medicare coverage of Aduhelm, reversing part of the prior year's increase. This was only the third time since 1990 the Part B premium decreased year over year.[15]

A recent Milliman report, Medicare Part B Premium Dynamics Explained, offers additional information on Medicare Part B premiums.

[11] Heinrich, A.M. and Schweitzer, K. (February 2022). Alzheimer's disease, Aduhelm, and the impact on Medicare. Milliman. Retrieved from: https://www.milliman.com/en/insight/alzheimers-disease-aduhelm-and-the-impact-on-medicare

[12] Congressional Research Service (May 2022). Medicare Part B: Enrollment and Premiums. Retrieved from: https://crsreports.congress.gov/product/pdf/R/R40082

[13] Centers for Medicare and Medicaid Services (April 2022). CMS Finalizes Medicare Coverage Policy for Monoclonal Antibodies Directed Against Amyloid for the Treatment of Alzheimer's Disease. Retrieved from: https://www.cms.gov/newsroom/press-releases/cms-finalizes-medicare-coverage-policy-monoclonal-antibodies-directed-against-amyloid-treatment

[14] Centers for Medicare and Medicaid Services (September 2022). 2023 Medicare Parts A & B Premiums and Deductibles/2023 Medicare Part D Income-Related Monthly Adjustment Amounts. Retrieved from: https://www.cms.gov/newsroom/fact-sheets/2023-medicare-parts-b-premiums-and-deductibles-2023-medicare-part-d-income-related-monthly

[15] Centers for Medicare and Medicaid Services. 2022 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. Retrieved from: https://www.cms.gov/files/document/2022-medicare-trustees-report.pdf

INTERACTION WITH MEDICARE ADVANTAGE

MA plans typically offer enriched benefits relative to Medicare FFS in the form of reduced cost sharing and/or additional (supplemental) benefits. The MA market continues to grow each year in enrollment, total number of plan options, richness of benefits, and the member flexibilities offered.[16] From analyzing the Milliman MACVAT, we observed growth in the number of Part B buydown plans (47% from 2022 to 2023) significantly outpaced the overall Medicare Advantage plan count growth (6% from 2022 to 2023), indicating that both new and existing plans see a member value proposition associated with this benefit.

The Part B buydown is considered a supplemental benefit, which means the benefit is funded through MA rebates, which come from a portion of savings generated from a plan's bid (projected costs for FFS equivalent coverage, including administrative costs and margin) being lower than the benchmark payment rates (estimated costs for FFS in the plan's service area, adjusted to the plan's projected risk score). Savings are shared with CMS, where the portion retained by the plan varies from 50% to 70%.

To fund the Part B buydown, plans must generate rebates through savings that exceed the cost of the benefit, which may require margin reductions. As an example, to offer a $50 monthly Part B buydown, a plan with a 65% rebate percentage must reduce its bid (i.e., create savings) by roughly $75 to $80 per member per month (PMPM).

MAOs coordinate directly with Social Security and Medicare to credit this amount in SS payments. In other words, beneficiaries do not directly receive a check from the MAO, but rather see an increase to their SS payments due to the reduction in their Part B premium paid by the MAO on their behalf.[17]

Landscape and current trends

We used the 2020 through 2023 versions of the Milliman MACVAT to summarize enrollment, Part B buydown prevalence, and Part B buydown amounts by various plan attributes. We focused our analysis on individual, general enrollment HMO, HMO-POS, LPPO, and RPPO MA plans (i.e., we excluded special needs plans (SNPs), employer group waiver plans, MSA, PFFS, and cost plans).

The Part B buydown is just one of several potential contributors to plan enrollment growth over the last few years. Plans that offer a Part B buydown often include other supplemental benefits attractive to Medicare beneficiaries. We did not attempt to normalize for these other supplemental benefit differences.

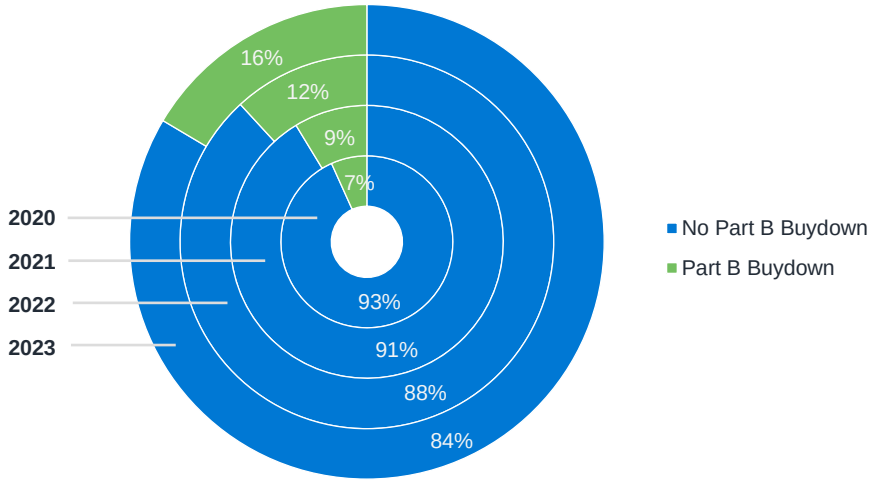
YEAR-OVER-YEAR PLAN COUNT GROWTH

Since 2020, both the number of general enrollment plans offering a Part B buydown and the number of beneficiaries enrolled in these plans have approximately tripled. As the total number of MA plans continues to increase each year, the proportion of plans with a Part B buydown continues to grow as well, more than doubling from 7% to 16% of total plan offerings from 2020 to 2023, as displayed in Figure 4. A significant portion of the overall increase in prevalence of Part B buydowns occurred in 2022 and 2023.

[16] Freed, M., Fuglesten Biniek, J, Damico, A & Neuman, T. (November 2022). Medicare Advantage 2023 Spotlight: First Look. KFF. Retrieved from: https://www.kff.org/medicare/issue-brief/medicare-advantage-2023-spotlight-first-look/

[17] Roberts, D.K. (December 2021). What Are Medicare Part B Give Back Plans and Who Is Eligible? Boomer Benefits. Retrieved from: https://boomerbenefits.com/medicare-part-b-give-back-benefit/

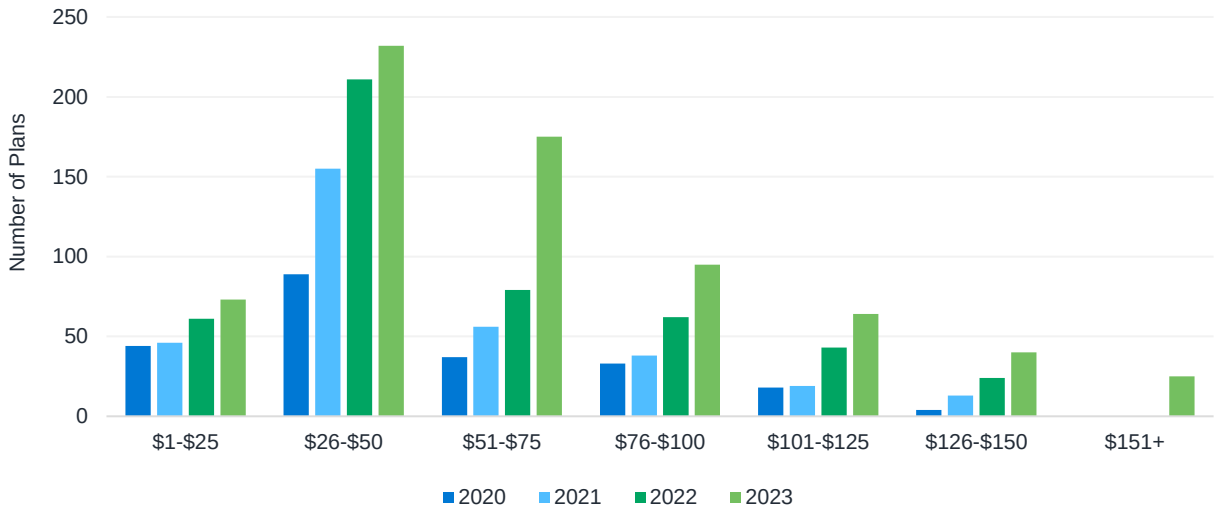
FIGURE 4: PERCENTAGE OF MA PLANS OFFERING A PART B BUYDOWN, 2020 TO 2023



Not only has the Part B buydown prevalence increased, but so has the average amount of Part B buydown offered. The average Part B buydown (using count of plans as weights) has increased by $14 in total, from $56 in 2020 to $70 in 2023. The majority of the increase occurred between 2022 and 2023, with the average Part B buydown amount increasing $9 between these two years ($61 in 2022 to $70 in 2023).

We grouped the Part B buydown amounts into $25 increments to demonstrate the shift toward higher Part B buydown amounts over the past few years. Figure 5 demonstrates increases in both the count of plans at these Part B buydown groupings and in the average amount of Part B buydown, since the distribution skews more toward higher Part B buydown amounts each year.

FIGURE 5: COUNT OF PLANS OFFERING A PART B BUYDOWN, BY PART B BUYDOWN OFFERED, 2020 TO 2023

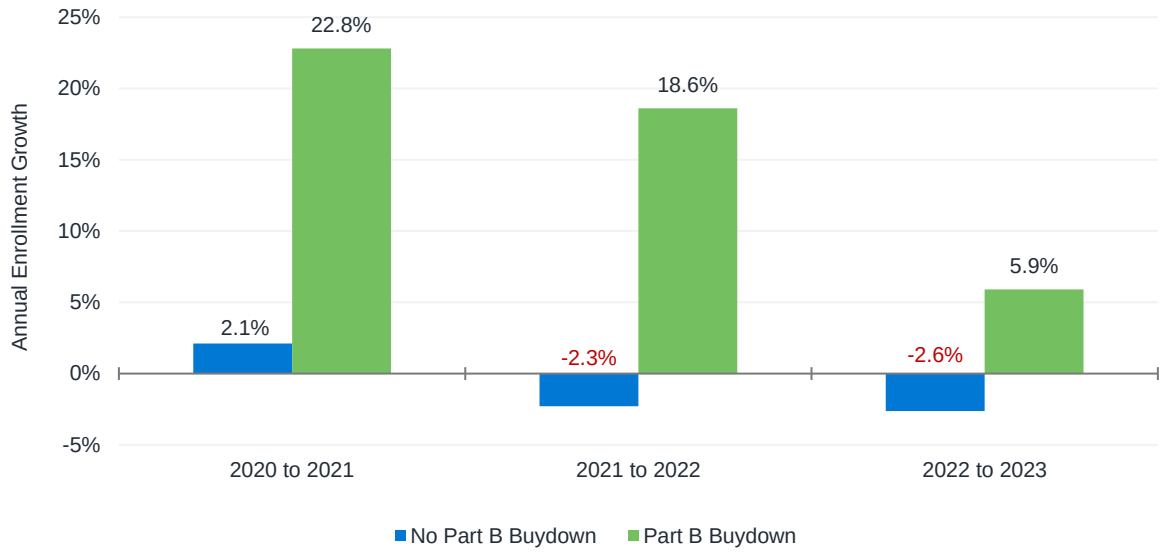


In 2023, 13 plans funded the full $164.90 monthly Part B premium for enrolled beneficiaries. In most years, beneficiaries are responsible for some portion of the Part B premium because the maximum allowable Part B buydown for the upcoming plan year cannot exceed the current year Part B premium amount, and premiums typically increase year over year.[18] However, 2023 is not a typical year because the Part B premium decreased from 2022 to 2023. In the 2023 plan year projections, the 2023 Part B buydown was set to not exceed the 2022 Part B premium of $170.10. For 2023, if enrolled in a plan including a Part B buydown of at least the 2023 premium of $164.90, beneficiaries will have their entire Part B premium paid for in their 2023 benefits.

YEAR-OVER-YEAR ENROLLMENT GROWTH

An important metric to MAOs is how the Part B buydown translates into enrollment growth. Limiting to plans offered in consecutive years (e.g., a subset of plans offered in both 2020 and 2021, a subset of plans in both 2021 and 2022) reveals a clear pattern of plans that offered a Part B buydown in a particular year, whether newly introducing or maintaining, growing at significantly higher rates than plans without a Part B buydown, using the CMS landscape enrollment files from February of each respective year. In fact, plans without a Part B buydown lost about 2.5% of their membership annually from 2021 to 2023. Figure 6 demonstrates these enrollment patterns for plans with and without Part B buydowns. Note that plans new in a particular year (i.e., plans that did not exist in the year prior) are excluded from Figure 6.

FIGURE 6: ANNUAL ENROLLMENT GROWTH OF PLANS WITH AND WITHOUT A PART B BUYDOWN



LEAN VERSUS RICH PART C BENEFIT OFFERINGS

Though Part B buydown landscape information is a useful starting point for MAOs considering this benefit, it is important to understand market strategies for including a Part B buydown. Plans with a Part B buydown virtually always have $0 member premiums, so the richness of the medical benefit accompanying the Part B buydown should be evaluated when comparing benefit offerings (i.e., how much value the Part C benefit offers above FFS, excluding the impact of member premium or Part B buydowns).

[18] Centers for Medicare and Medicaid Services. CY 2024 Bid Pricing Tools and Instructions. Retrieved from: https://www.cms.gov/medicare/health-plans/medicareadvtgspecratestats/bid-forms-instructions/2024

On one end of the spectrum, a plan may offer a Part B buydown as part of a lean medical benefit offering to attract and incentivize low utilizers to join the plan. Less funding would be required to enhance cost sharing for Medicare-covered services, allowing the plan to have additional rebates and/or margin to fund a Part B buydown. On the other end of the spectrum, plans may offer a Part B buydown with a rich benefit offering as part of a strategy for rapid enrollment growth. Other plans may fall in between these strategies, including a Part B buydown with an average medical benefit to modestly grow but not take on the financial risk associated with a rich medical benefit offering and $0 member premium.

We used the Milliman MACVAT to explore this dynamic, categorizing all plans (plans with and without a Part B buydown) by medical benefit value percentile defined as:

- Lean: <= 25th percentile
- Rich: >= 75th percentile
- Average: between 25th and 75th percentile

Figures 7A and 7B display the prevalence and average dollar amount, respectively, of Part B buydown plans over the last four years categorized by lean, average, and rich medical benefit offerings (based on the medical benefit richness percentiles noted above).

1. **Prevalence by medical benefit offering**: Figure 7A highlights the increase, as a proportion of total plans, of Part B buydown plans within each type of medical benefit offering over the last four years, with notable Part B buydown prevalence increases in lean and rich plans in 2023. The ranking of Part B buydown prevalence within each medical benefit richness category remained consistent from 2020 to 2022, with rich plans having the highest proportion of Part B buydown plans, followed closely by lean plans. In 2023, the prevalence of Part B buydowns in lean plans exceeded prevalence in rich plans. In all four years, average medical benefit offerings have the lowest proportion of plans with a Part B buydown.
2. **Average amount of Part B buydown offered**: Figure 7B shows the average level of Part B buydown by medical benefit offering from 2020 to 2023. Across all four years, rich medical benefit plans offered the highest average Part B buydown, with lean plan average Part B buydown amounts ranking second, and average medical benefit plans offering the lowest average Part B buydown, summarized as follows:
   - **Rich Medical Benefit:** Part B buydown of $71 in 2020 to $108 in 2023
   - **Lean Medical Benefit:** Part B buydown of $52 in 2020 to $71 in 2023
   - **Average Medical Benefit:** Part B buydown of $33 in 2020 to $61 in 2023

Other notable observations include:

- The average Part B buydown of lean medical benefit plans has been about $10 to $20 higher than the average medical benefit plan cohort each year.
- The average Part B buydown of rich medical benefit plans increased substantially between 2020 and 2021, from $71 to $97.

The observations from Figures 7A and 7B show plan strategy patterns when offering a Part B buydown:

- **Rich plans**: In general, plans with very rich medical benefits continue to make their overall plan value even richer, offering the highest average Part B buydown. This is likely to quickly attract new membership and retain existing membership.
- **Lean plans**: In general, plans with leaner medical benefits paired with a Part B buydown suggest MAOs may be attempting to attract the typically lower-utilizing beneficiaries.

FIGURE 7A: PROPORTION OF PLANS WITH A PART B BUYDOWN, BY MEDICAL BENEFIT VALUE

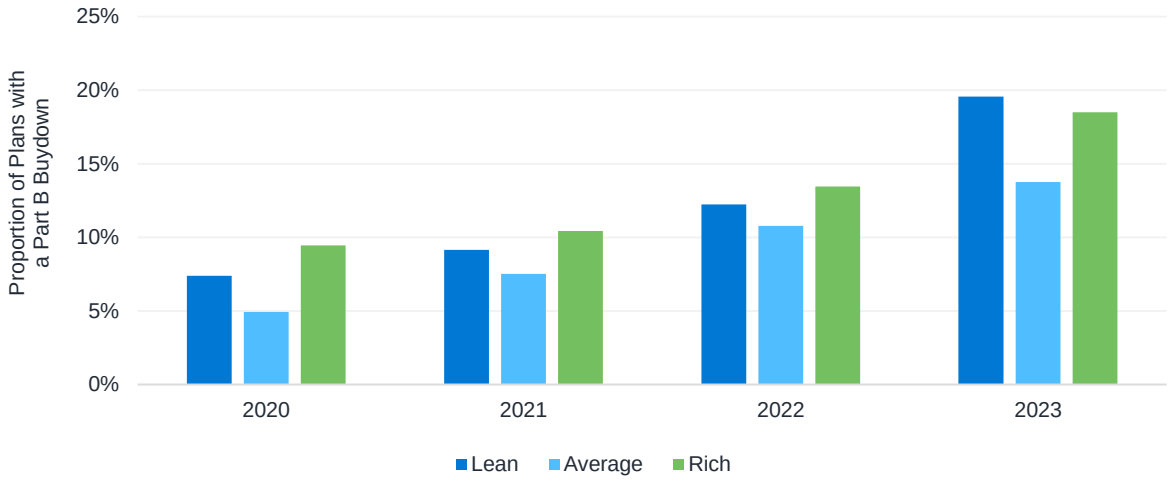
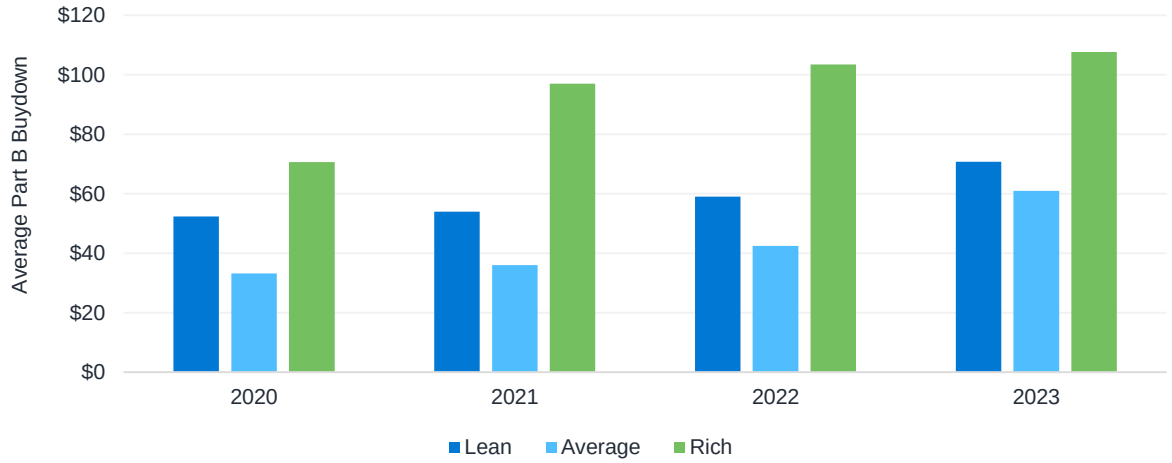


FIGURE 7B: AVERAGE PART B BUYDOWN OFFERED, BY MEDICAL BENEFIT VALUE



As discussed in the Considerations for MAOs section, there are trade-offs for the richest plans offering the richest Part B buydowns. From an enrollment perspective, the strategy appears moderately successful, as 30% of MA membership is enrolled in the top 25% of richest plans in 2023. However, the Part B buydown plans in the top quartile of benefit richness are offering significant value in excess of Medicare FFS (nearly $290 in 2023) at $0 member premium, which may result in margin pressure and/or unprofitability for these plans.

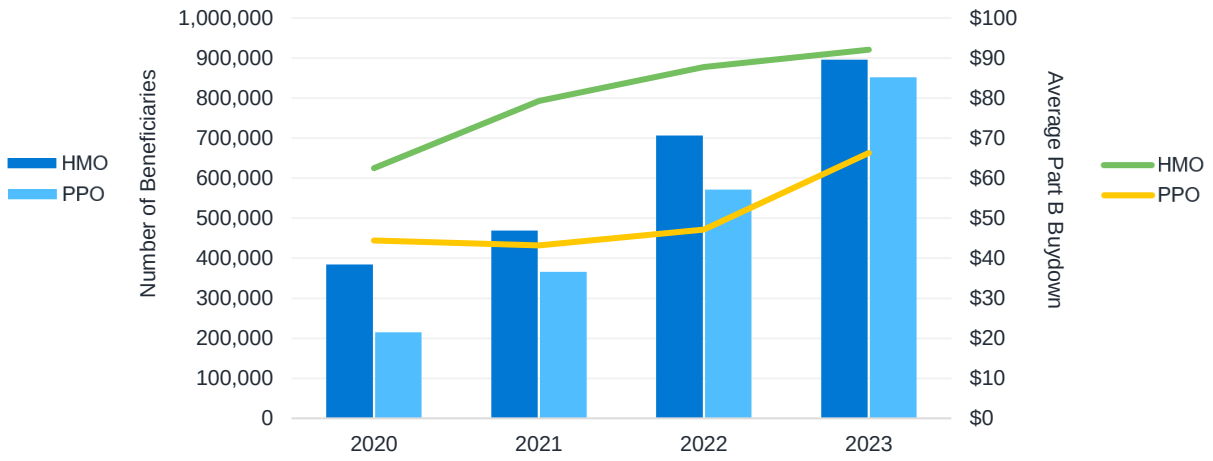
HMO VERSUS PPO

Part B buydowns are more prevalent in HMOs than PPOs, on both a plan count and enrollment basis. However, for those plans offering a Part B buydown, both plan types have grown significantly since 2020, as demonstrated by the bar chart portion of Figure 8. About 500,000 additional members enrolled in HMO plans with Part B buydowns over the last four years. Enrollment in PPO plans with Part B buydowns increased four-fold from 2020 to 2023, increasing from 200,000 to 850,000.

For plans offering a Part B buydown, the average Part B buydown amount continues to be higher for HMOs than PPOs. However, average Part B buydowns for both plan types have grown, demonstrated in the line chart portion of Figure 8 and summarized as follows:

- **HMOs**: Average Part B buydowns have grown by about $10 annually since 2020, though the rate of growth has decreased each year.
- **PPOs**: Average Part B buydowns were essentially flat from 2020 through 2022, but increased nearly $20 in 2023, driven by a single national carrier that materially increased their average Part B buydowns and experienced significant enrollment growth on these plans.

FIGURE 8: ENROLLMENT IN PART B BUYDOWN PLANS AND AVERAGE PART B BUYDOWN OFFERED, BY HMO AND PPO



NATIONAL VERSUS REGIONAL CARRIERS

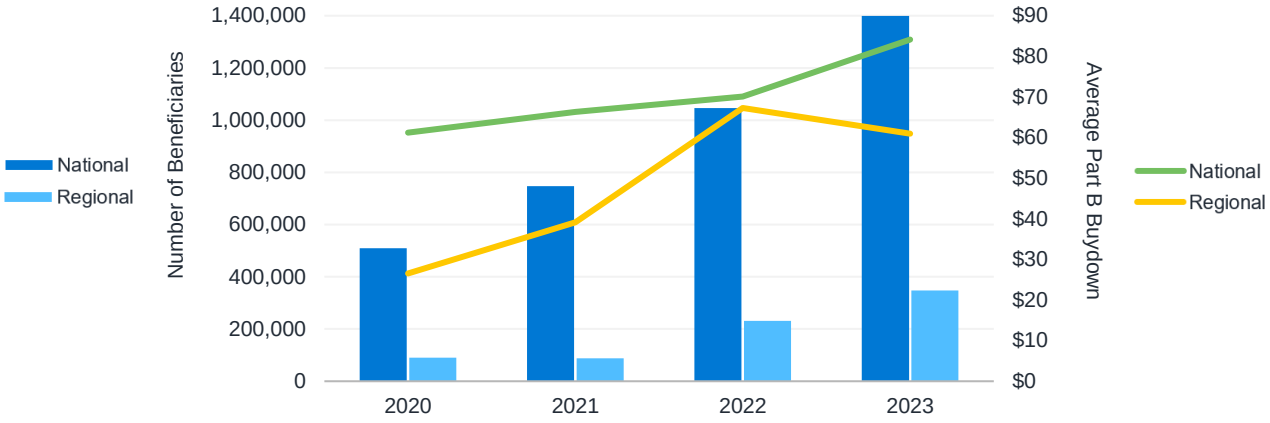
National carriers, which we defined as organizations with over 500,000 total MA enrollees, have driven the prevalence of Part B buydowns and, on average, have offered higher Part B buydowns than regional carriers. Two-thirds of Part B buydown plans are offered through a national carrier in 2023, and, of the 1.75 million beneficiaries in a Part B buydown plan in 2023, 1.4 million are enrolled through a national carrier. About 10% of national carrier enrollment is through a plan that offers a Part B buydown, whereas about 7% of regional carrier enrollment is through a plan with a Part B buydown.

On a plan count basis, the majority of regional carriers maintained or increased their average Part B buydown between 2022 and 2023. National carriers have consistently increased their average Part B buydown each year.

Figure 9 summarizes the following differences between national and regional carriers from 2020 to 2023:

- **Total enrollment**: The enrollment gap between national and regional carriers, denoted by the bar chart component of Figure 9, has widened each year. In 2020, national carriers enrolled 400,000 more beneficiaries in Part B buydown plans than regional carriers. As of February 2023, this gap has increased to about 1 million more beneficiaries enrolled in Part B buydown plans offered by national carriers. Despite this difference, regional carriers have also experienced significant enrollment growth in Part B buydown plans, as enrollment for these carriers has grown four-fold since 2020 (90,000 to 350,000 beneficiaries).
- **Average Part B buydowns**: Using a member-weighted basis, the gap in average Part B buydowns between national and regional carriers closed by 2022 but widened again in 2023, denoted by the line chart component of Figure 9. This pattern was driven by a single, large regional carrier that decreased its average Part B buydown on plans between 2022 and 2023, and a shift of enrollment in 2023 towards other regional carriers with lower buydown amounts.

FIGURE 9: ENROLLMENT IN PART B BUYDOWN PLANS AND AVERAGE PART B BUYDOWN OFFERED, BY NATIONAL AND REGIONAL CARRIERS



MA-PD VERSUS MA-ONLY

MA-PD plans (plans offering both medical and prescription drug benefits) and MA-only plans (plans offering only medical benefits) have notably different Part B buydown prevalence. The difference in prevalence can be attributed largely to two reasons:

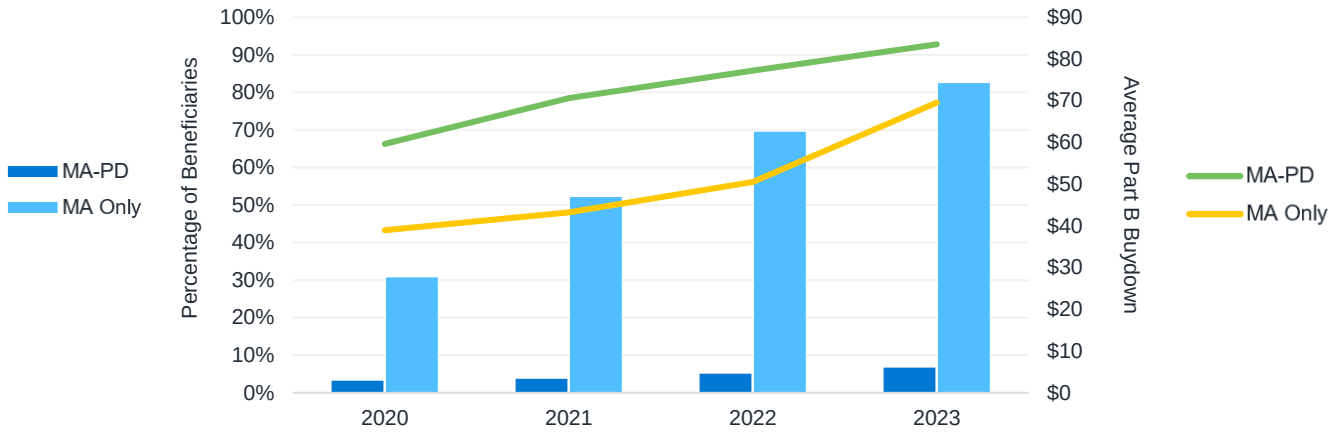
1. MA-only plans tend to enroll different populations than MA-PD plans. For example, these plans are often targeted to Veterans that receive a substantial portion of their healthcare services through the Department of Veterans Affairs.[19,20] Services through the VA system are not paid for by MA plans, so claims under the MA plan for these beneficiaries are significantly lower relative to the revenue payments an MAO receives for these them. This leads to higher savings and higher MA rebates that can be used to fund a Part B buydown.
2. MA-only plans do not have Part D (prescription drug) coverage. MA-PD plans typically use some or all MA rebates to fund portions of the Part D premiums, which can use up a large proportion of the rebate amount. Since MA-only plans do not need to allocate MA rebates to Part D premiums, offering a Part B buydown can be more financially feasible for them.

The line chart portion of Figure 10 demonstrates that MA-only plans have historically had a lower average Part B buydown compared to MA-PDs, though the gap has narrowed by 2023. However, the bar chart portion of Figure 10 demonstrates that over 80% of beneficiaries in an MA-only plan had a Part B buydown as of 2023, increasing dramatically from 30% in 2020, indicating MA-only plans have a much larger proportion of their total beneficiaries enrolled in plans with a Part B buydown compared to MA-PDs.

[19] Medicare Interactive. Making Part B enrollment decisions with VA benefits. Retrieved from: https://www.medicareinteractive.org/get-answers/coordinating-medicare-with-other-types-of-insurance/veterans-affairs-va-benefits-and-medicare/making-part-b-enrollment-decisions-with-va-benefits -

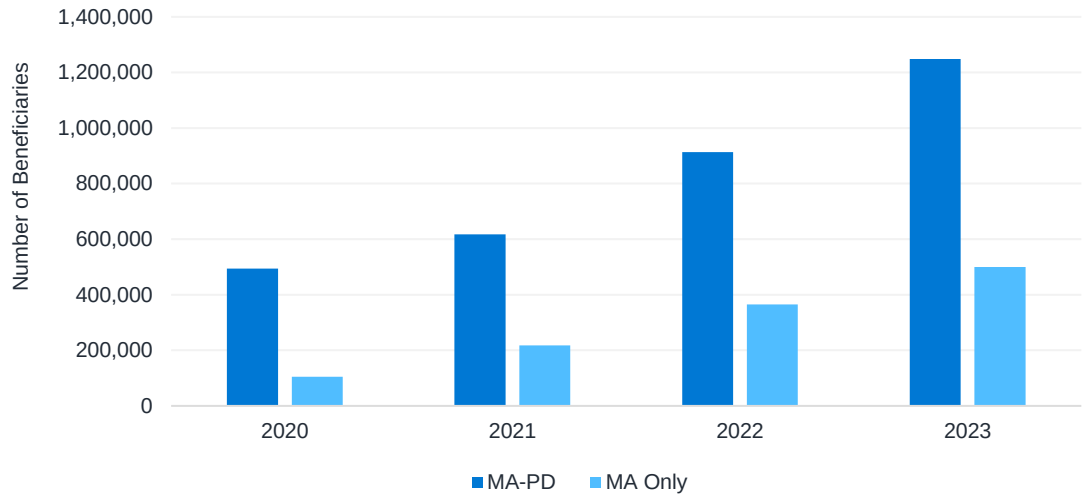
[20] Pabst, M. How the right Medicare Advantage plan promotes veterans' whole health. Aetna Medicare Solutions. Retrieved from: https://www.aetnamedicare.com/en/understanding-medicare/MA-for-veterans.html

FIGURE 10: PERCENTAGE OF ENROLLMENT IN PART B BUYDOWN PLANS AND AVERAGE PART B BUYDOWN OFFERED, BY MA-PD AND MA-ONLY PLANS



Even though MA-only plans have a much larger proportion of beneficiaries with a Part B buydown compared to MA-PDs, total enrollment in MA-PDs with a Part B buydown is higher. Figure 11 shows the enrollment in MA-PD and MA-only plans with a Part B buydown over the past four years. Enrollment in MA-PD Part B buydown plans more than doubled from 2020 to 2023, and enrollment in MA-only Part B buydown plans increased five-fold.

FIGURE 11: ENROLLMENT IN PART B BUYDOWN PLANS, BY MA-PD AND MA ONLY PLANS



STATE-LEVEL COMPARISON

The Part B buydown prevalence and amounts can vary significantly from state to state, as shown in Figures 12 and 13, which stresses the importance of considering the MAO's service area when analyzing the prevalence and level of this benefit. In these figures, we define prevalence as the number of beneficiaries enrolled in Part B buydown plan compared to total beneficiaries.

Some notable observations include:

- Florida ranks within the top three states both in terms of prevalence (19%) and average Part B buydown amount ($138). The $138 average Part B buydown amount is the highest across all states. Of the 13 plans in 2023 that bought down the entire $164.90 monthly Part B premium, all but one of those plans is in Florida.
- The only other state in the top five both in terms of prevalence and average Part B buydown is Delaware, with 21% and $86 average, respectively.
- Besides Florida, California is the only other state with an average Part B buydown over $100 ($109).
- Louisiana has the highest prevalence among all the states at 25%, though one of the lowest average Part B buydowns amounts at $35.
- Four states have less than 1% prevalence of Part B buydowns: Maryland, Massachusetts, North Dakota, and South Dakota.

FIGURE 12: PERCENTAGE OF BENEFICIARIES IN PART B BUYDOWN PLANS, BY STATE

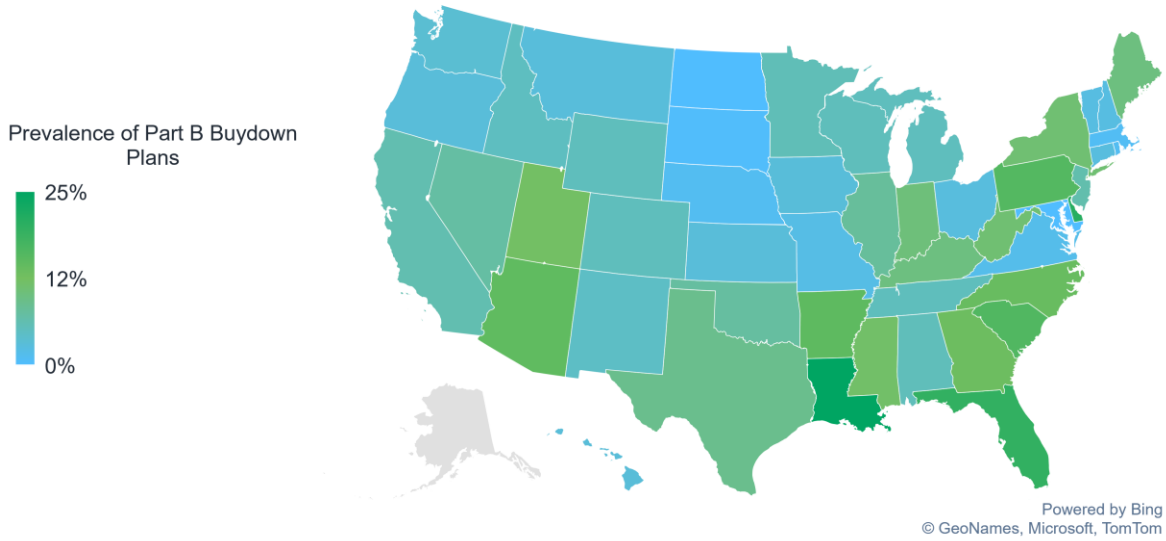
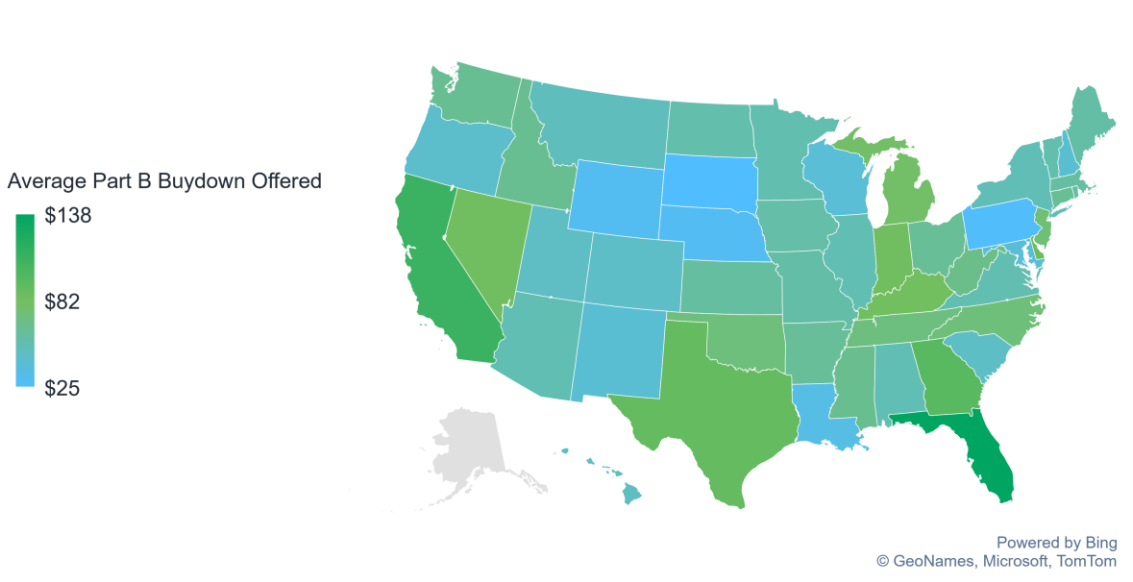


FIGURE 13: AVERAGE PART B BUYDOWN OFFERED, BY STATE



Considerations for MAOs

When evaluating whether to include a Part B buydown as part of a plan offering, MAOs should consider whether the pros of this benefit (e.g., marketing competitiveness) outweigh the associated financial costs. MAOs must ensure they are able to adequately market this benefit, both in terms of attracting and retaining members. The key considerations for MAOs are as follows.

INCREASING ENROLLMENT AND RETAINING BENEFICIARIES

When increasing enrollment is a priority to an MAO, our analysis suggests offering a Part B buydown may be a strategy to help achieve this goal. Our analysis in Figure 6 demonstrated plans that introduced or maintained this benefit have, on average, had higher enrollment growth relative to plans that removed or did not offer this benefit.

Given the substantial increase to the Part B premium in 2022, combined with the impact of ongoing, elevated inflation, it is reasonable to assume that Medicare eligibles may be shopping for MA plans, at least in part, on the Part B buydown amount. In developing benefit strategies, MAOs need to consider whether adding or increasing the Part B buydown is worth the investment to attract and/or retain the Medicare eligibles shopping on this benefit.

Though the Part B buydown is gaining popularity, MAOs should keep in mind that the Part B buydown is one component of the overall strategy and one of many benefits MAOs can provide to attract and retain membership. Supplemental benefits (e.g., dental, vision), cost sharing on Medicare-covered services, physician networks, maximum-out-of-pocket limits, Part D benefits, and prescription drug formularies can all be key decision drivers for Medicare eligibles. As this list suggests, there are a number of contributors to a strong overall plan offering that will dictate whether MAOs are in a position to retain and attract membership, though a Part B buydown has been a feature of plans that have grown significantly over the past several years.

FINANCIAL IMPACTS

Another key question is whether MAOs can afford to offer a Part B buydown, particularly at the levels observed in the 2023 plan landscape.

Financial impacts focused on bid margin

Based on our analysis, the average Part B buydown offered in 2023 is approximately $80 PMPM. Relative to many other supplemental benefit costs, this can be an extremely expensive benefit to offer. Not only is the dollar value of the Part B buydown high, but MA plans also must fund this supplemental benefit with rebate dollars, as discussed previously. In the case of the $80 average Part B buydown, a plan likely needs to generate more than $110 in savings (expected costs under FFS compared to expected costs under the MAO), since 30% to 50% of savings is shared with CMS. These savings are often generated at the expense of margin. Offering $1 of Part B buydown "costs" a plan more than $1 in margin.

After MAOs decide to offer the Part B buydown, the next step of deciding on the amount is critical. MAOs need to consider if offering this benefit is financially sustainable long-term, as adding and then removing the Part B buydown year over year can be detrimental to member satisfaction. Additionally, CMS rules on allowable total beneficiary cost (TBC) changes from one year to the next may also limit the amount of Part B buydown that is allowed to be decreased, so if an MAO does find that it must reduce the Part B buydown due to financial concerns, the plan may be locked into poor financial performance over several years until the MAO is able to reduce the Part B buydown to the desired level.

Three critical revenue headwinds are likely to affect the 2024 MA bid development and, on average (though impacts will be plan-specific), will put margin pressure on MAOs. The combined impact of these headwinds may make it less feasible to offer the same level of supplemental benefits in 2024, all else equal:

- Nationwide benchmark payment growth rate (the main source of revenue for MAOs) from 2023 to 2024 is lower than in recent years.[21,22]
- Star ratings decreased on a nationwide basis, though impacts to plans will be contract-specific.[21] A lower star rating can mean less revenue as well as a reduction to the MA rebate percentage needed to fund supplement benefits.
- The 2024 CMS-HCC risk model will be phased in over the next three years, and CMS estimates that this will reduce plan revenue relative to 2023 on average.[23] However, the impacts of this new risk score model will vary for each health plan, so MAOs should consider this change when developing plan strategy.

Financial impacts beyond the bid margin

Though the bid margin is an important decision metric, it should not be the sole financial consideration, as there are other financial factors that MAOs should evaluate when making benefit decisions. MAOs should conduct a holistic financial projection, accounting for multiple factors such as benefit costs, fixed costs, beneficiary growth targets, anticipated revenue increases, among others.

For example, even if a plan's bid margin is negative, adding membership may still result in a positive contribution to margin. Distributing fixed administrative costs over a larger pool of beneficiaries could be financially favorable for an MAO on a per member basis if the contribution to fixed costs is greater than the bid loss, meaning that an MAO might be better off adding members at a slightly negative margin than not adding the enrollment at all.

Plans offering a Part B buydown have had higher enrollment growth in recent years than plans that do not offer a Part B buydown. Despite the cost of this benefit, if it drives a sufficient increase to enrollment, the cost per beneficiary to the plan may be lower. It is important to note a caveat that the viability will ultimately depend on the magnitude of the negative bid margin, which can be quite significant in Part B buydown plans, depending on the buydown amount and overall plan richness.

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[21] Centers for Medicare and Medicaid Services (February 2023). 2024 Medicare Advantage and Part D Advance Notice Fact Sheet. Retrieved from: https://www.cms.gov/newsroom/fact-sheets/2024-medicare-advantage-and-part-d-advance-notice-fact-sheet

[22] Centers for Medicare and Medicaid Services (March 2023). Fact Sheet: 2024 Medicare Advantage and Part D Rate Announcement. Retrieved from: https://www.cms.gov/newsroom/fact-sheets/fact-sheet-2024-medicare-advantage-and-part-d-rate-announcement

[23] Ibid.

UNDERSTAND YOUR SPECIFIC MARKET

It is crucial for MAOs to understand their specific market to tailor plan offerings to these areas. The state-by-state analysis in Figures 12 and 13 demonstrates benefits such as the way the Part B buydown can vary significantly by service area. MAOs can perform a competitive analysis to determine the strength of other carrier plan offerings and conduct market research to understand what benefits beneficiaries in their service area value the most. These types of analyses can help inform the decision-making on whether a Part B buydown should be offered.

MARKETING EXECUTION

A great plan can fail if it is not executed well. It is critical that MAOs market the Part B buydown effectively, through educating Medicare eligibles and highlighting that this is an MAO-funded benefit, even though it is applied to their monthly SS payment. This benefit is not as visible to a member compared to other supplemental benefits where a member receives tangible items or services, and a member may not realize that their SS payment is higher than it otherwise would have been without the MAO-funded Part B buydown. SS payment adjustments can be less obvious and potentially make members less loyal to plans if they do not understand the benefit being offered.

Currently, Medicare Plan Finder (MPF) does not list the amount of the Part B buydown offered by plans, and the Part B buydown is not factored when ranking by total premium. MPF only has a “Yes” or “No” indicator for whether the plan offers a Part B buydown. MAOs will need to market this benefit, advertise the amount of the Part B buydown, and ensure that the benefit is easily understood in their marketing materials. For a successful marketing rollout, MAOs must ensure that brokers also understand this benefit and how varying amounts directly impact Medicare eligibles.

Conclusion

Over the past few years, the popularity of Part B premium reductions as a benefit offering has increased rapidly by many discernable measures: the number of plans offering the benefit, the number of members enrolled in these plans, and the average Part B buydown amount. Plans offering the Part B buydown have, on average, grown at a considerably higher rate than plans that do not.

The cost of the Part B buydown can significantly impact financial performance, which plans must weigh against potential enrollment growth. Understanding the competitive and market pressures is imperative to making a sound decision regarding whether to offer a Part B buydown, and at what level. Given the recent inflationary pressures and beneficiary sensitivity to high premiums, the Part B buydown could continue to be a valued enticement benefit in the years to come, assuming that MAOs have sufficient revenue and/or margin tolerance to fund it.

Methodology

We used the 2020 through 2023 versions of the Milliman MACVAT to summarize enrollment, Part B buydown prevalence, and Part B buydown amounts by various plan attributes, as well as the Milliman MACVAT medical benefit value metric to determine plan richness.

We used February enrollment and benefit data from each year included in the analysis, limiting to HMO, HMO-POS, LPPO, and RPPO individual MA plans (i.e., excluded employer group waiver plans, MSA, PFFS, and cost plans). Only Non-SNPs were included. Analysis included data from all 50 states, including Washington D.C., though we excluded Alaska (only MSA plans are offered in Alaska). We also excluded all United States territories.

Caveats, limitations, and qualifications

Philip Nelson, Jeremy Hamilton, and Ali Heinrich are consulting actuaries for Milliman, are members of the American Academy of Actuaries, and meet the qualification standards of the Academy to render the actuarial opinion contained herein. To the best of their knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices.

The material in this report represents the opinion of the authors and is not representative of the view of Milliman. As such, Milliman is not advocating for, or endorsing, any specific views contained in this report related to the Medicare Advantage program.

The information in this report is designed to provide an overview of the Medicare Advantage Part B buydown landscape between 2020 through 2023. This information may not be appropriate, and should not be used, for other purposes. We do not intend this information to benefit any third party that receives this work product. Any third-party recipient of this report that desires professional guidance should not rely upon Milliman's work product but should engage qualified professionals for advice appropriate to its specific needs. Any releases of this report to a third party should be in its entirety.

The credibility of certain comparisons provided in this report may be limited, particularly where the number of plans in certain groupings is low. Some metrics may also be distorted by premium and benefits in a few plans with particularly high enrollment.

Public information from CMS was relied upon for this analysis, which was accepted without audit. However, it was reviewed for general reasonableness. If this information is inaccurate or incomplete, conclusions drawn from it may change.

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