Mathematica
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**Health** Issue Brief

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# Expanding Access to Supplemental Benefits in Medicare Advantage

Established in 1996, the Medicare Advantage (MA) program requires approved plans to offer all Part A and Part B benefits, but these plans have some flexibility to offer supplemental benefits.

Whether an MA plan offers supplemental benefits hinges on interrelated factors that affect profitability—including the plan's perceived and realized impacts on beneficiary health and service use, the level of premiums required to support supplemental benefits and impacts on enrollment, and market competition. Recent regulatory guidance gives MA plans more opportunities to test and validate the offer and delivery of new supplemental benefits. Here, we discuss these regulatory changes, the prevalence and growth of MA supplemental benefits, and factors that might influence wider adoption of these benefits.

## About this brief

This brief is one of a series that examines current and emerging issues in the Medicare Advantage program. In 2022, 42 percent of all Medicare beneficiaries—including beneficiaries who are elderly or disabled, and beneficiaries dually eligible for Medicaid—enrolled in one of the more than 3,800 Medicare-approved, private Medicare Advantage plans.

## Recent changes to supplemental benefits

Most MA plans offer at least some supplemental benefits. Commonly, these benefits include coverage for dental care, hearing aids, eyeglasses, and health-related social services. Supplemental benefits that entail no net premium (beyond the premiums that all Medicare beneficiaries pay to enroll in Part B), are conventionally called "zero premium" benefits, and they apply to all plan members. Supplemental benefits available only to members that pay an additional premium are called "optional" benefits.

The Centers for Medicare & Medicaid Services' (CMS's) recent guidance on supplemental benefits allows MA plans to address quality of life and improve health outcomes comprehensively for enrolled beneficiaries. In 2018, new CMS rules[1] required that allowable supplemental benefits be "primarily health-related." A supplemental benefit that is primarily health-related can "compensate for physical impairments, ameliorate the functional/psychological impact of injuries or health conditions, or reduce avoidable emergency and healthcare utilization"—beyond addressing only an illness or injury.[1] The rules also relaxed the uniformity requirement that had previously required MA plans to offer any supplemental benefit to all enrolled beneficiaries. The relaxed uniformity requirement allows MA plans to offer supplemental benefits to subsets of enrolled beneficiaries based on the beneficiaries' shared health-related needs.

In 2019, allowable supplemental benefits were expanded to include special supplemental benefits for chronic illness (SSBCI), intended to improve the quality of daily life for members with chronic illness.[2] SSBCI include supplemental benefits that are not primarily health-related and might be offered nonuniformly to eligible chronically ill enrollees. MA plans must finance these supplemental benefits through rebate dollars (awarded in the bidding process, which determines

how much Medicare pays the plan per beneficiary),[3] or by charging additional premiums. MA plans might place cost sharing requirements and other utilization controls on the coverage of supplemental benefits, limiting their use.

## Growth of supplemental benefit offerings in 2022

The number of MA plans that offer supplemental benefits has grown at double-digit rates in recent years. As shown in Table 1, the number of MA plans that offer the most common supplemental benefits—including vision, dental, and hearing benefits, as well as transportation, meals, and acupuncture—increased at least 10 percent per year in 2021 and 2022, and as much as 65 percent.

The high degree of flexibility in offering supplemental benefits (now clarified in regulation) enables MA plans to test whether certain benefits might reduce use of costly medical care by improving health outcomes. In turn, many health care technology start-ups have moved into the MA market, attempting to combine flexible benefit design with advanced data analytics and pulling market share from established insurers, such as Humana and Cigna. MA plans' profitability relies heavily on enrollment volume, and they aggressively market supplemental benefits to attract and retain enrollment.[4]

With new flexibility to offer targeted supplemental benefits, MA plans are increasingly offering these benefits—although market dynamics still appear to favor zero premium supplemental benefits, available to all enrollees with no additional premium. However, nearly 31 percent of MA plans that offer comprehensive dental benefits offer optional comprehensive dental (with additional premiums) in 2022, and 20 percent offer optional preventive dental benefits (Figure 1). High demand for dental benefits among Medicare beneficiaries might encourage further offer of these benefits, while market competition might

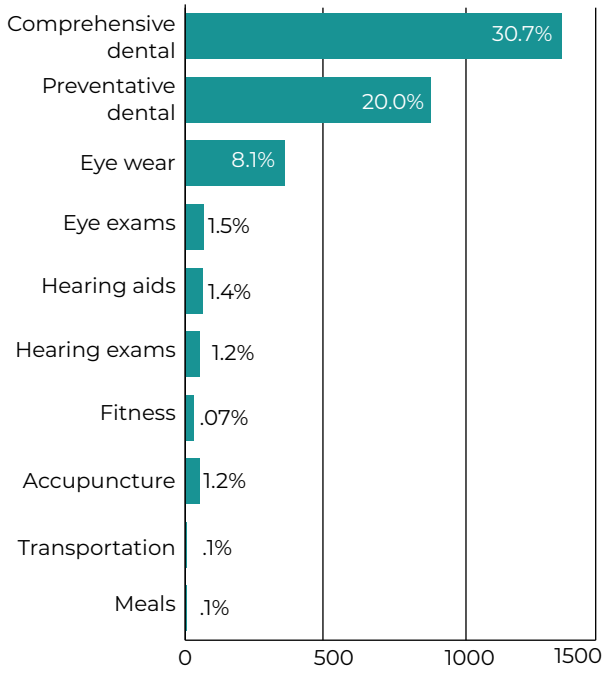
**Table 1. Counts and trends of plans offering supplemental benefits**

| | Number of plans | | | Change from prior year (percentage) | |
|---|---|---|---|---|---|
| Supplemental benefit | 2020 | 2021 | 2022 | 2021 | 2022 |
| Eye exams | 4,129 | 4,716 | 5,187 | 14.2 | 10.0 |
| Eye wear | 3,845 | 4,479 | 5,041 | 16.5 | 12.5 |
| Dental preventative | 3,767 | 4,396 | 4,944 | 16.7 | 12.5 |
| Dental comprehensive | 3,247 | 3,935 | 4,625 | 21.2 | 17.5 |
| Fitness | 3,863 | 4,494 | 5,017 | 16.3 | 11.6 |
| Hearing exams | 3,878 | 4,517 | 5,070 | 16.5 | 12.2 |
| Hearing aids | 3,645 | 4,326 | 4,931 | 18.7 | 14.0 |
| Transportation | 1,893 | 2,243 | 2,648 | 18.5 | 18.1 |
| Meals | 2,018 | 2,734 | 3,632 | 35.5 | 32.8 |
| Acupuncture | 942 | 1,154 | 1,909 | 22.5 | 65.4 |
| Any supplemental benefit, all plans | 5,613 | 6,247 | 6,855 | 11.3 | 9.7 |

Source: Mathematica estimates derived from Centers for Medicare & Medicaid Services. "PBP Benefits – 2022 (Updated as of 01/03/2022)." Available at https://www.cms.gov/httpswwwcmsgovresearch-statistics-data-and-systemsstatistics-trends-and/pbp-benefits-2022-updated-01032022. Accessed February 1, 2022.

Notes: Table includes only Care Coordination Plans (CCPs), which account for a large majority of Medicare Advantage (MA) plans that are generally available to Medicare beneficiaries. MA plan counts are subject to change as MA bid data are updated through 2022.

### Figure 1. Number of plans offering premium supplemental benefits in 2022




Source: Mathematica estimates derived from Centers for Medicare & Medicaid Services. "PBP Benefits – 2022 (Updated as of 01/03/2022)." Available at https://www.cms.gov/httpswwwcmsgovresearch-statistics-data-and-systemsstatistics-trends-and/pbp-benefits-2022-updated-01032022. Accessed February 1, 2022.

Note: Percentages reflect the share of plans that offer a supplemental benefit while also offering that benefit as a premium benefit.

Figure includes only Care Coordination Plans.

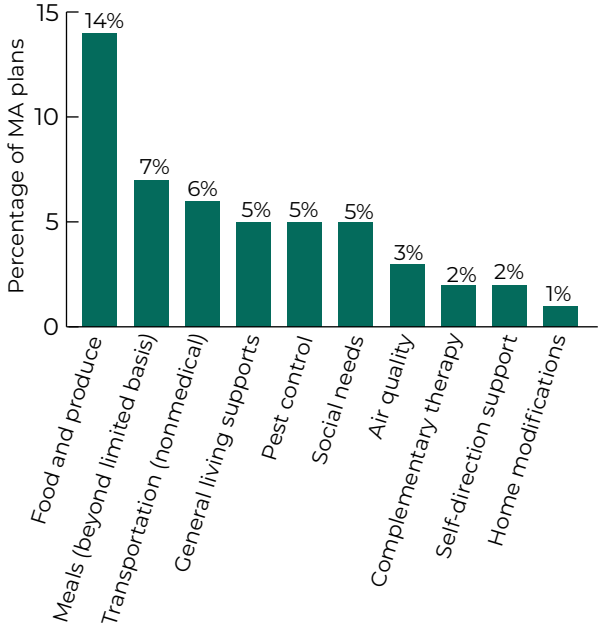
encourage more Medicare Advantage plans to offer them at zero premium.

In contrast to the widespread offer of primarily health-related supplemental benefits, fewer than half of MA plans offer SSBCI—which might include food and produce, service dogs, pest control, and social service needs, among other benefits—in 2022 (Figure 2). Nevertheless, in light of the recent authorization for SSBCI (in 2019), offer of these benefits is expanding rapidly.[5,6] At such high rates of growth, a new SSBCI offering can exceed 30 percent prevalence among MA plans within 5 to 10 years. Among benefits currently offered, food and produce have emerged as a clear priority for MA plans experimenting with SSBCI.

Wider adoption of SSBCI might depend on whether they demonstrably contribute to good health outcomes, and how they affect plan costs and enrollment. SSBCI can present important challenges that affect whether and how they are offered—including a plan's willingness to make upfront investments to manage and deliver social benefits and to integrate effectively with local health system care delivery and community-based organizations, such as food banks, counseling services, and support for navigating social services.

MA plans with high Star ratings[7] (which receive higher rebates they can use to finance SSBCI) have been early adopters of new supplemental benefits,[8] as have been chronic condition special needs plans and plans that serve dual-eligible beneficiaries. Perhaps most importantly, early adopters tend to be older plans[9] with significant experience serving beneficiaries in MA. In future years, a growing understanding of high-value benefit design and efficient implementation strategies, and development of reliable social service support vendor networks might support an even broader offering of SSBCI in MA.

### Figure 2. Plans offering SSBCI in 2022




Source: Mathematica estimates derived from Centers for Medicare & Medicaid Services. "PBP Benefits – 2022 (Updated as of 01/03/2022)." Available at https://www.cms.gov/httpswwwcmsgovresearch-statistics-data-and-systemsstatistics-trends-and/pbp-benefits-2022-updated-01032022. Accessed February 1, 2022.

Note: Figure includes only Care Coordination Plans.

## Endnotes

[1] Centers for Medicare & Medicaid Services. "Announcement of Calendar Year (CY) 2019 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter." Baltimore, MD: Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services, April 2, 2018. Available at https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Announcement2019.pdf. Accessed March 20, 2022.

[2] Coleman, Kathryn. "Implementing Supplemental Benefits for Chronically Ill Enrollees." Baltimore, MD: Centers for Medicare & Medicaid Services, U.S. Department of Health and Human Services, April 24, 2019. Available at https://www.cms.gov/Medicare/Health-Plans/HealthPlansGenInfo/Downloads/Supplemental_Benefits_Chronically_Ill_HPMS_042419.pdf. Accessed March 20, 2022.

[3] MA plans that bid below the benchmark (the CMS target against which plans bid to provide coverage of services) receive a percentage of the difference between the bid and benchmark in the form of a rebate. Rebate amounts are determined by a plan's Star Rating, and range from 50 to 70 percent of the difference between the bid and the benchmark.

[4] For example, see https://www.medicareresources.org/medicare-benefits/medicare-advantages-new-supplemental-benefits/.

[5] Kornfield, Thomas, Matt Kazan, Miryan Frieder, Robin Duddy-Tenbrunsel, Shruthi Donthi, and Alessandra Fix. "Medicare Advantage Plans Offering Expanded Supplemental Benefits." Washington, DC: The Commonwealth Fund, February 10, 2021. Available at https://www.commonwealthfund.org/publications/issue-briefs/2021/feb/medicare-advantage-plans-supplemental-benefits.

[6] Murphy-Barron, Catherine, Eric A. Buzby, and Sean Pittinger. Overview of Medicare Advantage Supplemental Healthcare Benefits. Seattle, WA: Milliman, February 2021. Available at https://us.milliman.com/-/media/milliman/pdfs/2021-articles/2-10-21-cy-2021-ma-supplemental-benefits-v1.ashx.

[7] MA plan Star ratings rank overall plan performance on a scale of 1 to 5; with 5 stars considered excellent

[8] Avalere Health. "More Medicare Advantage Plans Will Offer Non-Medical Benefits in 2022." Washington, DC: Avalere Health, October 19, 2021. Available at https://avalere.com/insights/more-medicare-advantage-plans-will-offer-non-medical-benefits-in-2022.

[9] Meyers, David J., Shayla N.M. Durfey, Emily A. Gadbois, and Kali S. Thomas. "Early Adoption of New Supplemental Benefits by Medicare Advantage Plans." JAMA, vol. 321, no. 22, pp. 2238–2240. Available at https://jamanetwork.com/journals/jama/article-abstract/2735487