

ILLINOIS CRITICAL ACCESS HOSPITAL PROGRAM:

Exploring the Impacts of the Medicare Advantage Program in Rural Illinois

by MELISSA HENRIKSEN, BRIAN RICHARD, AND JEANNA BALLARD

MAY 2020

EXECUTIVE SUMMARY

Medicare Advantage, also known as Medicare Part C, makes it possible for people with Medicare Part A (hospital insurance) and Part B (medical insurance) to receive their Medicare benefits in an alternative way. Medicare Advantage plans are offered by private insurance companies contracted with Medicare and, by law, should provide at least the same level of coverage that Medicare Part A and Part B provide. Northern Illinois University's Center for Governmental Studies (CGS) and the Illinois Critical Access Hospital Network (ICAHN) partnered to explore the impact of the Medicare Advantage program on critical access hospitals (CAHs) in Illinois. In addition to conducting research on the topic, NIU-CGS also administered an online survey to Illinois CAHs that focused on the hospital's experiences with the Medicare Advantage program in terms of financial implications, operational and staffing impacts, and other challenges for CAHs in Illinois. The online survey link was sent by ICAHN staff to all 51 CAHs in Illinois between July and October 2019¹ and received 21 responses resulting in a 41.2% response rate. Many of the questions on the survey related to the hospitals' financial data and fiscal health. Medicare Advantage enrollment data was also analyzed. Highlights and trends from the NIU-CGS survey and research include:

- » Medicare Advantage enrollment in Illinois more than doubled (grew by about 225%) between 2010 and 2019, while the Medicare eligible population grew by about 29%.
- » Statewide, over one-quarter (27%) of all Medicare eligible persons were enrolled in Medicare Advantage plans in 2019.
- » Of the 21 survey respondents, 16 had Medicare Advantage contracts, 5 did not. For the hospitals that do have Medicare Advantage contracts:
 - Medicare Advantage is growing both in terms of enrollment and as a percentage of CAH revenues. This growth, combined with lower Medicare Advantage payment rates, indicates an increasing strain on CAH bottom lines.

¹ The online survey was supplemented with data from a variety of other sources including Flex Monitoring and Centers for Medicare and Medicaid Services *Nursing Home Compare* data.

Center for Governmental Studies

Northern Illinois University

DeKalb, IL 60115



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- » In 2018, net Medicare Advantage revenues were 32.5% of gross Medicare Advantage revenues.
 - This was significantly lower than the 38.6% rate for traditional Medicare.
 - This means for every dollar in gross revenue billing, Medicare Advantage plans pay more than 6 cents less than traditional Medicare. That equates to a 15% reduction in net revenues.
- » Reflecting the strong Medicare Advantage enrollment growth, revenue growth for responding CAHs was higher for Medicare Advantage than for traditional Medicare between 2016 and 2018:
 - Gross Revenue growth
 - All Sources: 14.0%
 - Traditional Medicare: 20.5%
 - Medicare Advantage: 33.9%
 - Net Revenue growth
 - All Sources: 7.7%
 - Traditional Medicare: 26.3%
 - Medicare Advantage: 30.0%
- » Gross Medicare Advantage revenues increased from 7.9% of hospitals' total gross patient revenues in 2016 to 9.3% in 2018.
 - Larger CAHs are more reliant on Medicare Advantage revenues. Gross Medicare Advantage revenue accounted for 10.9% of gross patient revenues in larger hospitals and 6.4% of gross patient revenues in smaller hospitals in 2018.

In addition to the financial data analyzed, several other issues were explored in the survey, and are discussed in this report. Ultimately, these issues resulted in several recommendations for policy and/or procedural changes that would help improve the Medicare Advantage program in Illinois. They include:

- » **Addressing Operational Inefficiencies with Medicare Advantage Plans**

In addition to the financial burden caused by lower reimbursement rates, the costs of administering Medicare Advantage plans are greater. The complexities of Medicare Advantage plans have placed a significant strain on hospital staff. They find themselves inundated with additional paperwork, redundant billing issues, and patient concerns related to their plans. For instance, CAH survey respondents indicated that the increased inefficiencies and paperwork related to Medicare Advantage plans has created greater need for additional staff to review pre-certification requirements and increased billing procedures including multiple follow-up contacts. CAHs also indicated they have, in some instances, had to hire contractors to assist with denials.
- » **Contract Negotiations and Reimbursement Rates for Medicare Advantage Plans**

CAHs surveyed have experienced little success in negotiating more favorable terms with Medicare Advantage plan providers. Many of the CAH respondents to the NIU-CGS survey indicated they do not plan to contract with a Medicare Advantage provider in the next 12 months due to their inability to negotiate reasonable reimbursement rates, retroactive settlements issues, and better billing/cost rates for hospitals and beneficiaries. Further research discussed in the report found that Medicare Advantage plans generally pay 3% less than traditional Medicare.

» **Standardization of Billing and Guidelines for Medicare Advantage Plans**

The billing and guideline variations between traditional Medicare and Medicare Advantage can create financial hardship on both the hospital and beneficiary. CAH survey respondents indicated that Medicare Advantage payments can take several months due to billing procedural delays and denials compared to traditional Medicare payments typically taking only several weeks. This can hinder the hospital's cash flow by increasing the hospital's accounts receivable, thus placing a heavy strain on the financial viability of the hospital. Furthermore, beneficiaries may experience higher out of pocket costs due to out of network coverage or services that are not covered under Medicare Advantage plans. Service denials, including retroactive denials, can result in the patient's inability or unwillingness to pay and increase the hospital's bad debt and/or charity care costs.

» **Beneficiary Education to Improve Understanding of Medicare Advantage Plan Options and Coverage**

An extensive review of the Medicare Advantage literature and the NIU-CGS survey revealed that many beneficiaries are unaware of the different Medicare Advantage plans available as well as their plan's particular coverage. As a result, many struggle to make appropriate and well-informed decisions on what plan is best suited to meet their needs and expectations. Health care professionals and insurers need to develop programs and tools to enhance patient education on what the difference is between traditional Medicare and Medicare Advantage including the pros and cons at a detailed level so beneficiaries can select the appropriate plan providing coverage that best meets their health care needs.

» **Improved Customer Service Options for Medicare Advantage Plans**

CAH survey respondents advocate for allowing hospitals access to customer service call centers to help resolve issues. With current Medicare Advantage billing and guidelines a large resource burden for hospitals, allowing better access to customer service and data claims representatives to help address these issues may lessen that burden. In addition, health care providers can also help patients address their issues more quickly and efficiently with more direct access to plan representatives, which may lead to improved positive patient satisfaction and outcomes.



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