

**CMS Office of the Actuary
Rate Announcement 2021**

Key Components of non-end-stage renal disease (ESRD) United States Per Capita Cost (USPCC) Trends for 2017-2021

Fee-for-Service (FFS) non-ESRD USPCC Trends—Part A

Highlights of Trends for 2017-2021

- The projected increase in per capita Part A expenditures during 2017-2021 is 11.6 percent.
- Averaged across all Part A services, changes in demographics during the period are estimated to reduce the cost trend by 2.1 percent. Utilization and case mix trends implicitly include effects of the demographic shift.
- Inpatient
 - The trend in per capita expenditures for the period is 12.6 percent.
 - Per capita utilization decreased by 4.7 percent.
 - Case mix increased 4.3 percent during the period.
- Skilled Nursing Facility
 - Per capita expenditures are projected to increase 5.4 percent during 2017-2021.
 - The projected utilization trend is –6.3 percent during the period, with a decrease of 6.6 percent for 2017-2019 and an increase of 0.3 percent for 2020-2021.
 - The case mix index increased 3.9 percent.
- Home Health
 - The 5-year USPCC trend is 18.8 percent. The trends for 2017-2018 and 2019-2021 are –1.9 percent and 21.1 percent, respectively. (A key component of the 2019-2021 trend is the transition from 60-day episodes to 30-day episodes beginning in 2020.)
 - During this period, Part A and Part B utilization is projected to increase by 3.2 percent, and the case mix trend is 7.2 percent.

Rate Announcement 2021 versus Rate Announcement 2020 and Advance Notice 2021 (Part A)

The projections supporting Rate Announcement (RA) 2020 are based on incurred experience and cash activity through September 30, 2018. Advance Notice (AN) 2021 USPCCs are based on program experience and cash activity through September 30, 2019. The projections supporting RA 2021 are based on incurred experience through September 30, 2019 and cash activity through December 31, 2019. Assumptions for utilization, case mix, and economics for each exercise reflect the most current expectation of program expenditures at the time of the exercise.

The additional program experience and assumption changes result in a calendar year (CY) 2020 FFS USPCC decrease from RA 2020 to RA 2021 of 2.1 percent. This decrease is primarily attributed to an increase in 2017 and 2018 enrollment, restatements of pre-2017 incurred claims due to a re-allocation of Part A home health spending from non-ESRD reimbursements to ESRD reimbursements, revisions to the tabulation of incurred bad debt expenditures, and improvements in the modeling of incurred claims for Part A buy-in beneficiaries.

Fee-for-Service (FFS) non-end-stage renal disease (ESRD) United States Per Capita Cost (USPCC) Trends—Part B

Highlights of Trends for 2017-2021

- The projected increase in per capita Part B expenditures during 2017-2021 is 29.3 percent.
- Averaged across all Part B services, changes in demographics for the 5 years are estimated to reduce the cost trend by 0.3 percent. Utilization and case mix trends implicitly include effects of the demographic shift.
- Physician Fee Schedule
 - Per capita expenditures are projected to increase 15.1 percent during 2017-2021. The corresponding volume and intensity trend during the period is 7.6 percent.
- Outpatient Hospital
 - The trend for the 5 years is 49.9 percent, which is mainly attributed to the 24.4-percent trend in volume and intensity for non-drug services and to the 103.1-percent per capita trend for drugs.
- Home Health
 - The 5-year trend is 20.1 percent. The trends for 2017-2018 and 2019-2021 are -0.7 percent and 20.9 percent, respectively. (A key component of the 2019-2021 trend is the transition from 60-day episodes to 30-day episodes beginning in 2020.)
 - During this period, Part A and Part B utilization is projected to increase by 3.2 percent, and the case mix trend is 7.2 percent.
- Durable Medical Equipment
 - The trend during 2017-2021 is 16.9 percent. The annual trend for 2018 is 17.3 percent; for the other 4 years in aggregate, the trend is -0.3 percent.
 - The relatively large trend for 2018 is primarily attributed to a spike in spending for orthotic braces.
- Other Carrier
 - This category includes carrier laboratory services, ambulatory surgical centers (ASCs), ambulance services, and medical supplies.
 - The 5-year trend for this category is 16.1 percent.
- Physician-Administered Drugs
 - The 5-year trend for this category is 58.4 percent.
- Intermediary, other than outpatient hospital
 - This category includes intermediary laboratory services, therapy services, dialysis facilities, rural health clinics, and federally qualified health centers.
 - The 5-year trend for this category is 28.6 percent.

Rate Announcement 2021 versus Rate Announcement 2020 and Advance Notice 2021 (Part B)

The projections supporting Rate Announcement (RA) 2020 are based on incurred experience and cash activity through December 31, 2018. Advance Notice (AN) 2021 USPCCs are based on program experience and cash activity through September 30, 2019. The projections supporting RA 2021 are based on incurred experience through September 30, 2019 and cash activity through December 31, 2019. Assumptions for utilization, case mix, and economics for each exercise reflect the most current expectation of program expenditures at the time of the exercise.

The additional program experience and assumption changes result in a calendar year (CY) 2020 FFS USPCC change from RA 2020 to RA 2021 of 0.0 percent. Underlying the flat trend are decreasing per capita costs, which are due to (i) an increase in 2017 and 2018 enrollment and (ii) a re-mapping of some Part B services to new benefit categories, resulting in updated historical cash-to-incurred relationships. Offsetting the decrease are (i) higher emerging experience in CY 2019 for physician services and physician-administered drugs and (ii) higher CY 2020 projection factors for outpatient hospital and physician-administered drugs.

Total non-end-stage renal disease (ESRD) United States Per Capita Cost (USPCC) Trends

Total USPCC Trend—Part A, 2017-2021

- Total—fee-for-service (FFS) plus managed care: 14.8 percent
- FFS: 11.6 percent
- Managed care: 17.9 percent

Total USPCC Trend—Part B, 2017-2021

- Total—FFS plus managed care: 32.5 percent
- FFS: 29.3 percent
- Managed care: 34.3 percent

Total USPCC Trend—Parts A and B, 2017-2021

- Total—FFS plus managed care: 24.3 percent
- FFS: 21.1 percent
- Managed care: 26.8 percent

Rate Announcement 2021 versus Rate Announcement 2020, Parts A and B

- The calendar year (CY) 2021 FFS USPCC growth rate of 3.64 percent consists of a prior period adjustment of -0.90 percent and a current 2021/2020 trend of 4.58 percent. The primary drivers of the prior period adjustment are increases in Part A and Part B enrollment for 2017 and 2018 and changes in pre-2017 Part A claims as described above.
- The CY 2021 total USPCC growth rate is 5.62 percent, which is based on a prior period adjustment of 1.12 percent and a current 2021/2020 trend of 4.45 percent. The prior period adjustment is a combination of a FFS adjustment of -0.90 percent and a managed care adjustment of 3.42 percent.
- The implicit CY 2021 managed care growth rate of 7.61 percent consists of a prior period adjustment of 3.42 percent and a current 2021/2020 trend of 4.05 percent. The prior period adjustment is mainly attributed to higher-than-anticipated risk score settlements for CY 2018 and to a revision of the baseline to reflect CY 2020 approved Medicare Advantage (MA) bids.

Rate Announcement 2021 versus Advance Notice 2021, Parts A and B

- The 2021 FFS growth rate of 3.64 percent in Rate Announcement (RA) 2021 is 1.07 percent higher than the rate of 2.57 percent reflected in Advance Notice (AN) 2021. This increase results primarily from higher CY 2019 Part B incurred claims, which are due to an additional quarter of cash experience, and from higher 2020 residual projection factors for outpatient hospital and physician-administered drugs.
- The 2021 total growth rate of 5.62 percent in RA 2021 is 1.10 percent higher than the rate of 4.52 percent reflected in AN 2021. This change corresponds to the increase in growth rates for the FFS and managed care cohorts of beneficiaries.
- The 2021 managed care growth rate shown in RA 2021 is 7.61 percent, which is 0.86 percent higher than the rate of 6.75 percent that is implicitly reflected in the total growth rate for AN 2021. This change is mainly due to the impact on the MA ratebook of the higher 2021 FFS growth rate.

- Notes about Rate Announcement (RA) 2021 United States Per Capita Cost (USPCC) values and trends:
 - The USPCCs are published in accordance with section 1853(b)(1) of the Social Security Act.
 - The USPCCs are based on current law and reflect legislated adjustments.
 - The fee-for-service (FFS) USPCCs reflect actual and projected Medicare Part A and Part B enrollment and program expenditures for non-end-stage renal disease (ESRD) beneficiaries enrolled in the Medicare FFS program.
 - The FFS USPCCs reflect actual and projected Medicare Part A and Part B enrollment and program expenditures for non-ESRD beneficiaries enrolled in all types of coverage, including FFS Medicare, the Medicare Advantage (MA) program, cost plans, and the Programs of All-Inclusive Care for the Elderly (PACE).
 - The USPCC values and trends may not be directly applicable to the preparation of calendar year (CY) 2021 MA bids and supporting assumptions. In particular, MA bids may differ from the USPCCs in enrollee geographic distribution, enrollee demographic / risk profiles, provider contracting arrangements, care management, and other respects.

Rate Announcement 2021
FFS USPC

<u>Coverage</u>	<u>CY2016</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY2021 growth rate</u>
<u>CY Rate Announcement 2020</u>							
Part A	\$374.82	\$378.52	\$385.24	\$395.52	\$409.27	\$424.78	n/a
Part B	435.52	450.74	482.87	507.69	531.54	563.03	n/a
Total	\$810.34	\$829.26	\$868.11	\$903.21	\$940.81	\$987.81	n/a
<u>Advance Notice 2021</u>							
Part A	\$372.04	\$374.27	\$376.33	\$384.52	\$399.61	\$415.08	1.42%
Part B	431.94	446.64	470.34	497.43	523.59	549.91	3.46%
Total	\$803.98	\$820.91	\$846.67	\$881.95	\$923.20	\$964.99	2.57%
<u>Rate Announcement 2021</u>							
Part A	\$372.04	\$374.27	\$376.60	\$385.10	\$400.59	\$415.36	1.49%
Part B	432.90	447.62	472.01	501.41	531.75	559.70	5.30%
Total	\$804.94	\$821.89	\$848.61	\$886.51	\$932.34	\$975.06	3.64%

Annual trend based on Rate Announcement 2021

							<u>'21/'16</u>
Part A	n/a	0.6%	0.6%	2.3%	4.0%	3.7%	11.6%
Part B	n/a	3.4%	5.4%	6.2%	6.1%	5.3%	29.3%
Total	n/a	2.1%	3.3%	4.5%	5.2%	4.6%	21.1%

Prior period adjustment: Rate Announcement 2021 vs. Rate Announcement 2020

Part A	-0.7%	-1.1%	-2.2%	-2.6%	-2.1%	n/a
Part B	-0.6%	-0.7%	-2.2%	-1.2%	0.0%	n/a
Total	-0.7%	-0.9%	-2.2%	-1.8%	-0.9%	n/a

Prior period adjustment: Rate Announcement 2021 vs. Advance Notice 2021

Part A	0.0%	0.0%	0.1%	0.2%	0.2%	0.1%
Part B	0.2%	0.2%	0.4%	0.8%	1.6%	1.8%
Total	0.1%	0.1%	0.2%	0.5%	1.0%	1.0%

Rate Announcement 2021
Total USPC

<u>Coverage</u>	<u>CY2003</u>	<u>CY2016</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY2021 growth rate</u>
Rate Announcement 2020								
Part A	\$296.18	\$379.90	\$385.90	\$391.41	\$405.04	\$419.00	\$434.24	n/a
Part B	247.66	445.63	460.41	493.05	522.40	548.54	580.16	n/a
Total	\$543.84	\$825.53	\$846.31	\$884.46	\$927.44	\$967.54	\$1,014.40	n/a

Advance Notice 2021

Part A	\$296.18	\$379.90	\$383.38	\$387.13	\$398.25	\$418.58	\$433.49	3.46%
Part B	247.66	443.29	458.22	487.32	519.25	553.97	577.82	5.34%
Total	\$543.84	\$823.19	\$841.60	\$874.45	\$917.50	\$972.55	\$1,011.31	4.52%

Rate Announcement 2021

Part A	\$296.18	\$378.01	\$383.38	\$387.29	\$398.66	\$419.53	\$433.78	3.53%
Part B	247.66	443.91	458.83	488.29	521.72	558.89	588.15	7.22%
Total	\$543.84	\$821.92	\$842.21	\$875.58	\$920.38	\$978.42	\$1,021.93	5.62%

Annual trend based on Rate Announcement 2021

Part A	n/a	n/a	1.4%	1.0%	2.9%	5.2%	3.4%	'21/'16 14.8%
Part B	n/a	n/a	3.4%	6.4%	6.8%	7.1%	5.2%	32.5%
Total	n/a	n/a	2.5%	4.0%	5.1%	6.3%	4.4%	24.3%

Prior period adjustment: Rate Announcement 2021 vs. Rate Announcement 2020

Part A	0.0%	-0.5%	-0.7%	-1.1%	-1.6%	0.1%	n/a
Part B	0.0%	-0.4%	-0.3%	-1.0%	-0.1%	1.9%	n/a
Total	0.0%	-0.4%	-0.5%	-1.0%	-0.8%	1.1%	n/a

Prior period adjustment: Rate Announcement 2021 vs. Advance Notice 2021

Part A	0.0%	-0.5%	0.0%	0.0%	0.1%	0.2%	0.1%
Part B	0.0%	0.1%	0.1%	0.2%	0.5%	0.9%	1.8%
Total	0.0%	-0.2%	0.1%	0.1%	0.3%	0.6%	1.1%

Rate Announcement 2021
Managed Care Monthly Per-Capita Costs

<u>Coverage</u>	<u>CY2016</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY 2021</u>	<u>CY2021 growth rate</u>
<u>CY Rate Announcement 2020</u>							
Part A	\$390.51	\$400.22	\$402.51	\$421.03	\$434.79	\$449.40	n/a
Part B	464.03	476.68	508.81	543.69	572.21	603.66	n/a
Total	\$854.53	\$876.90	\$911.32	\$964.72	\$1,007.00	\$1,053.07	n/a
<u>Advance Notice 2021</u>							
Part A	\$390.46	\$401.12	\$406.65	\$421.02	\$447.83	\$461.05	6.04%
Part B	463.97	477.75	513.84	550.59	594.33	613.97	7.30%
Total	\$854.43	\$878.87	\$920.50	\$971.62	\$1,042.17	\$1,075.02	6.75%
<u>Rate Announcement 2021</u>							
Part A	\$390.46	\$401.12	\$406.60	\$421.11	\$447.81	\$460.31	5.87%
Part B	463.96	477.74	513.68	550.79	593.62	623.27	8.92%
Total	\$854.42	\$878.86	\$920.28	\$971.90	\$1,041.43	\$1,083.58	7.61%

Annual trend based on Rate Announcement 2021

							<u>'21/'16</u>
Part A	n/a	2.7%	1.4%	3.6%	6.3%	2.8%	17.9%
Part B	n/a	3.0%	7.5%	7.2%	7.8%	5.0%	34.3%
Total	n/a	2.9%	4.7%	5.6%	7.2%	4.0%	26.8%

Prior period adjustment: Rate Announcement 2021 vs. Rate Announcement 2020

Part A	0.0%	0.2%	1.0%	0.0%	3.0%	n/a
Part B	0.0%	0.2%	1.0%	1.3%	3.7%	n/a
Total	0.0%	0.2%	1.0%	0.7%	3.4%	n/a

Prior period adjustment: Rate Announcement 2021 vs. Advance Notice 2021

Part A	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%
Part B	0.0%	0.0%	0.0%	0.0%	-0.1%	1.5%
Total	0.0%	0.0%	0.0%	0.0%	-0.1%	0.8%