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Less is the New More with Medicare Advantage Supplemental Benefits in 2024

INTRODUCTION

Medicare Advantage Organizations (MAOs) face an inherent tension to grow despite financial constraints on margin. This pressure makes it difficult to invest in competitive benefit design elements that are known to drive growth, including supplemental benefits. Significant financial headwinds including lower premium rate increases, Star ratings programmatic changes, risk adjustment model changes, and the looming impact of the Inflation Reduction Act are resulting in MAOs taking a more critical evaluation and curation of their supplemental benefit portfolios.

On top of these financial challenges, the Centers for Medicare & Medicaid Services (CMS) has stated its intent to place greater scrutiny on supplemental benefits. Proposed regulations for Contract Year 2025 would require MAOs to (1) provide a mid-year notification to each enrollee of unused supplemental benefits (2) establish evidence that Special Supplemental Benefits for the Chronically Ill (SSBCI) improve or maintain beneficiary health. Approval of both proposals would add greater pressure on MAOs' selection and administration of supplemental benefits.

In anticipation of these changes, plans must shift their thinking on supplemental benefits

from viewing them primarily as a marketing tool to a strategic view that not only focuses on growth but also considers growth in the context of the value that these benefits bring in terms of member quality of care, retention, satisfaction and cost of care, while also considering operational burden.

The analyses in this paper challenge the notion that "more is better," revealing a shift in plan to move beyond offering the "most benefits" to offering the "right" (e.g., most valuable) strategic benefits for specific member populations.

This paper builds off of our [initial study of the 2023 landscape](#) and will address the following topics:

- Trends in supplemental benefit prevalence overall and by product (e.g., Individual HMO, Individual PPO and Special Needs Plans [SNP])
- Recent trends in SSBCI
- Themes by organization type (e.g., Nationals, Blues and Provider Sponsored)
- Relationship between an MAO's Star rating and its supplemental benefit offerings

Prevalence and Trends in Supplemental Benefits (Overall and By Product)

The Medicare Advantage (MA) market begins to show signs of saturation. Per Kaiser Family Foundation, [the average Medicare beneficiary in 2024 will have access to 43 MA plans](#), which is the same as 2023 and marks the first year that this number has not increased year-over-year (YoY).

As the MA market has become more saturated, it is harder for plans to offer differentiated supplemental benefits. Figure 1 shows a comparison of the “prevalence” of a benefit (defined as the percentage of Plan Benefit Packages [PBPs] that include a given benefit), change in prevalence over the previous three years, and most recent YOY change.

Figure 1: Current Prevalence and Trend in Supplemental Benefits

	Benefit Category	2024 Prevalence	3-Year CAGR (2021 – 2024)	2023-2024 Change (YoY)
Table Stakes Benefits	Vision	93%	↑ 0.3%	↑ 0.2%
	Hearing	91%	↑ 1.2%	↑ 0.6%
	Dental	91%	↑ 1.9%	↑ 0.3%
Emerging Table Stakes	Fitness	89%	↑ 0.9%	↓ 0.2%
	Over-the-Counter (OTC)	82%	↑ 3.6%	↑ 0.9%
	Home Health	79%	↑ 1.9%	↓ 3.1%
Additional Innovative Benefits	Meals	68%	↑ 8.1%	↑ 0.8%
	Enhanced Preventive ¹	67%	↑ 7.1%	↓ 2.7%
	Transportation	46%	↑ 1.7%	↓ 8.2%
	SSBCI ²	27%	*N/A	↑ 10.6%

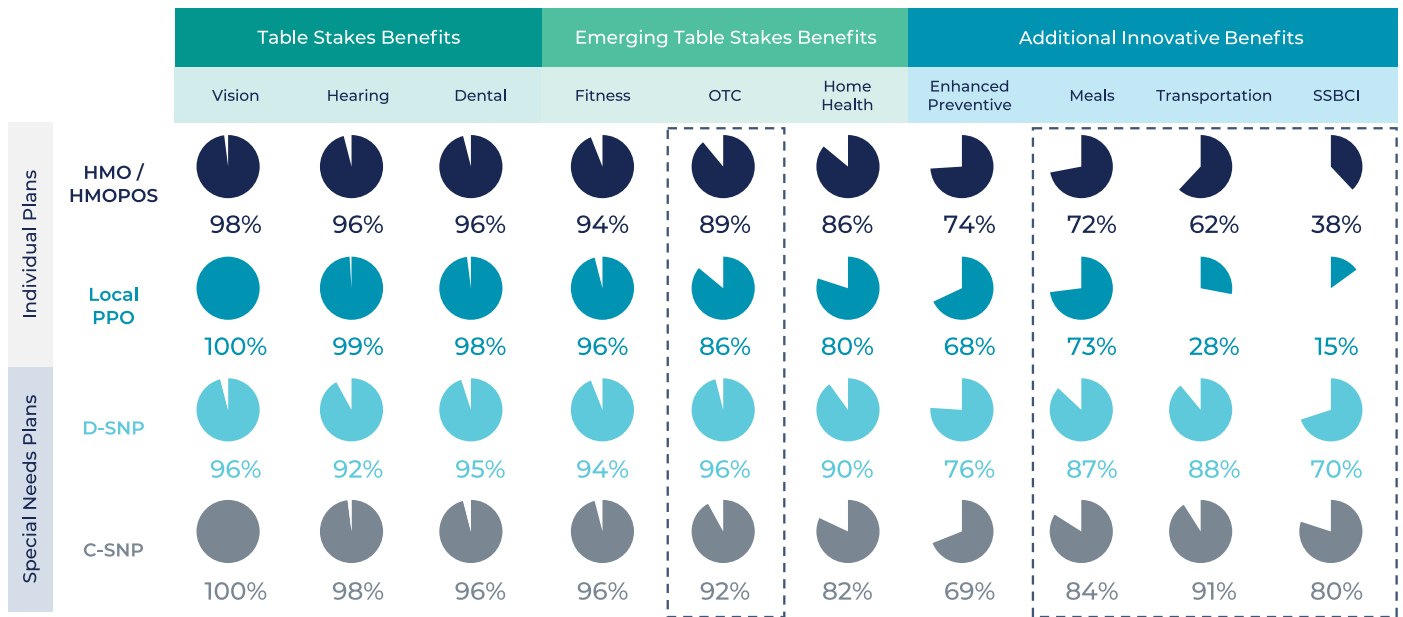
(1) Enhanced preventive represents an aggregation of multiple benefits, including Acupuncture, Additional Smoking and Tobacco Cessation Counseling, Adult Day Health Services, Alternative Therapies, Counseling Services, Enhanced Disease Management, Health Education, Medical Nutrition Therapy, Nutrition/Dietary Benefit, Re-Admission Prevention, Therapeutic Massage, Weight Management Programs, Wigs for Hair Loss Related to Chemotherapy (2) SSBCI data used in this analysis is 2023-2024

Dental, vision, and hearing remain “Table Stakes” benefits, as they are offered by more than 90% of MA plans in 2024 and have shown little change in prevalence. Fitness and Over-the-Counter (OTC) benefits continue to approach Table Stakes status and similarly have shown very little change in prevalence from 2023.

While there has been an overall increase in prevalence over the past three years of “Additional Innovative” benefits, often focused on addressing needs related to members’ Social Determinants of Health (SDoH), some of these Additional Innovative benefits have shown a decline in prevalence over the past year. This trend could be an indicator of plans focusing on depth of their Table Stakes and Emerging Table Stakes benefits to attract membership rather than the breadth of benefits available (i.e., “more is not always better”).

This trend likely reflects a strategic shift towards targeted benefit offerings for specific member segments or products, as revealed by analyzing supplemental benefit prevalence across product types. Figure 2 compares supplemental benefit prevalence in 2024 between Individual HMO Plans, Individual PPO Plans, Dual Special Needs Plans (D-SNP), and Chronic Special Needs Plans (C-SNPs).

Figure 2: 2024 Prevalence of Supplemental Benefits by Plan Type (Individual vs. SNP)



(1) The following plan types were excluded from this analysis: 1876 Cost, MMP HMO/HMOPOS, MSA, National PACE, PFFS, Regional PPO, “Other Plans”.

There is little difference in prevalence in the Table Stakes benefit category by product type, further evidence that these benefits have reached market saturation and are foundational across most MA product types.

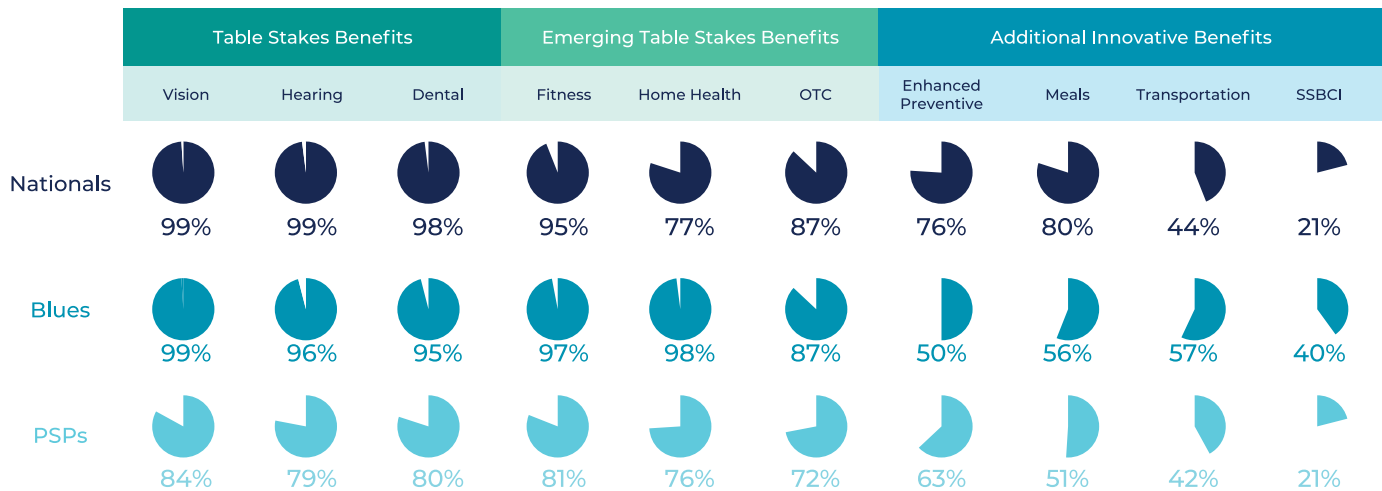
Outside of the Table Stakes category, there are differences in prevalence of certain benefits for SNPs compared to non-SNP products. For example, there is a slightly higher prevalence of OTC benefits in SNPs, likely to address barriers that dually-eligible beneficiaries may face with respect to income to spend on OTC products. The greatest differences are seen in the Additional Innovative Benefit categories.

While there is limited difference in prevalence between HMO and PPO products for most benefits, there is a material difference in the prevalence of the transportation and SSBCI benefits, which may indicate that HMOs are targeting a higher risk / sicker membership base than PPO.

Supplemental Benefit Prevalence by Plan Type

Figure 3 shows a comparison of supplemental benefit prevalence by plan type, defined as Nationals, Blues, and Provider Sponsored Plans (PSPs).

Figure 3: 2024 Prevalence of Supplemental Benefit by MAO Type



Both Nationals and Blues have a high prevalence of supplemental benefits across Table Stakes categories, offering dental, vision and hearing in at least 98% (Nationals) or 96% (Blues) of their plans. PSPs lag both Nationals and Blues in the prevalence of benefits across nearly all categories. Enhanced preventive is the only benefit type offered more frequently by PSPs than Blues.

We see the greatest variation in benefit prevalence in benefit offerings not considered Table Stakes. The variation seen in this benefit category is likely a reflection of the nascent nature of these benefits as plans are still working to determine the holistic value of these benefits. It may also reflect differences in the types of populations (e.g., demographic and geographic) that these unique plan types serve.

Trends in SSBCI

Special Supplemental Benefits for the Chronically Ill (SSBCI) were introduced in 2020 to provide MAOs the flexibility to offer a broader range of supplemental benefits to members with certain chronic illnesses. These benefits have seen consistent growth since their introduction.

Figure 4: Trends in SSBCI Benefit Offering

Benefit	2023 <i>(count of plans)</i>	2024 <i>(count of plans)</i>	'23-'24 Growth (YoY)
Non-Primarily Health Related Food and Produce	1,118	1,356	↑ 21%
General Supports for Living	597	954	↑ 60%
Transportation for Non-Medical Needs	565	642	↑ 14%
Non-Primarily Health Related Pest Control	384	331	↓ 14%
Non-Primarily Health Related Home Delivered Meals	411	299	↓ 27%
Social Needs Benefit	411	270	↓ 34%
Indoor Air Quality Equipment and Services	293	222	↓ 24%
Services Supporting Self-Direction	213	174	↓ 18%
Complementary Therapies	209	149	↓ 29%
Structural Home Modifications	51	18	↓ 65%
All SSBCI Benefits	1,401	1,557	↑ 11%

Even within the more specialized supplemental benefits, we are seeing a reinforcement of the “more is not better” approach as plans double down on a few select benefits that will drive the most impact for members with chronic illness while decreasing investment in most SSBCI benefits. We expect this trend and focus on select benefits to persist in future years given the recent proposed rules requiring plans to provide evidence supporting the efficacy of offered SSBCI benefits to improve health outcomes for their chronically ill populations.

Supplemental Benefits and Star Ratings

Given that MAOs with higher Star ratings receive more premium to invest in benefits via greater Quality Bonus Payment (QBP) percentage and higher rebate percentage, we wanted to explore the relationship between a plan's Star rating and the number and type of supplemental benefits offered.

Figure 5: Prevalence of Supplemental Benefit by Overall Star Rating

		Average Number of Supplemental Benefits Per Plan				2021-2024 CAGR	2023-2024 Change (YoY)
		2021	2022	2023	2024		
Stars ¹	3.5 & Below	25	29	30	30	↑ 5.7%	No Change
	4 – 4.5	25	27	29	30	↑ 6.3%	↑ 2.2%
	5	26	27	29	31	↑ 5.8%	↑ 8.3%

(1) Calculation excludes health plans that do not qualify for Star ratings

Interestingly, there is little variation in the number of supplemental benefits offered by plans with different Star ratings (shown in Figure 5). While there is little difference in the *quantity* of supplemental benefits offered by plans with higher Star ratings, we do note a difference in the *quality* or type of supplemental benefits offered by higher Star rated plans.

Figure 6: 2024 Prevalence of Supplemental Benefit by Star Ratings

		Table Stakes Benefits				Emerging Table Stakes Benefits			Additional Innovative Benefits			
		Vision	Hearing	Prev. Dental	Comp. Dental	Fitness	Home Health	OTC	Enhanced Prev.	Meals	Transportation	SSBCI
Stars ¹	3.5 & Below	98.4%	96.8%	94.0%	86.8%	96.5%	93.4%	83.3%	67.5%	67.0%	48.1%	27.5%
	4 – 4.5	99.3%	97.3%	97.3%	94.4%	95.6%	75.8%	89.2%	74.2%	79.9%	44.6%	24.7%
	5	100%	100%	97.9%	96.0%	84.9%	87.0%	93.4%	71.2%	64.6%	68.5%	36.0%
	All Plans	99.0%	97.2%	96.4%	91.5%	95.3%	83.8%	87.2%	72.3%	73.6%	48.6%	27.2%

(1) Calculation excludes health plans that do not qualify for Star ratings

Figure 6 shows the prevalence of different types of supplemental benefits by a plan's Star rating. Nearly all 4+ Star rated plans offer the Table Stakes benefits of vision, hearing, and dental, while the offer rates for those benefits are slightly lower for plans below a 4 Star rating.

In the Emerging Table Stakes and Innovative benefit categories, the relationship between benefits and Star ratings is less clear, as we see variable prevalence of benefits within higher rated plans compared to lower rated plans. In general, there is a greater prevalence of these benefits in higher Star rated plans, which supports the premise that higher rated plans can fund these benefits given the QBP and rebate advantage from these higher ratings; however, it is not a uniform finding across all benefits. This variability supports the premise that “more is not always better” and that plans must choose benefits strategically based on their membership needs.

Rethinking “More Is Not Always Better”: Implications for Health Plans

The MA market has been an enrollment and financial growth engine for many organizations; however, numerous factors including a more restrictive regulatory environment, increased competition, the eligible MA population skewing older, and a [slowing of growth rates for the population aging into Medicare through 2030](#) are likely to challenge the future sustainability of this line of business. In light of these challenges and with likely less funding available in the bid, plans must take an increasingly strategic view of their supplemental benefit strategy to remain competitive and sustain market performance.

In recent years, MAOs have had a ‘growth at all cost’ mentality to capture business in this ever-expanding MA market, which often translated to trying to offer the greatest number of supplemental benefits for membership capture. As many of these benefits reach a saturation point, it becomes difficult to differentiate solely on the quantity of benefits. It thus becomes more important to ensure that benefits are comprehensive in the “Table Stakes” category with a more selective and strategic focus on Emerging Table Stakes and Additional Innovative benefits to align with target populations.

MAOs should consider the following:

Align Benefits to Member Needs and Product

Rather than trying to offer all benefits in any one product, MAOs should ensure that they have a clear understanding of each product’s target demographic to inform which benefits are more valuable for a given member cohort. This alignment will result in different benefit strategies for HMO vs. PPO and D-SNP vs. C-SNP and allow MAOs to avoid spending on benefits that are less valuable to a given population.

Analyze Benefits’ Value Proposition

MAOs should take a data-driven approach to understand the value that each supplemental benefit delivers to the plan’s membership (e.g., improved health outcomes, medical cost reduction, increased member satisfaction, retention). Results from this value proposition analysis can support the segmentation and alignment of benefits to select member populations and ensure benefits are deployed in the most beneficial and cost effective manner.

Prepare for Regulatory Changes Impacting Benefits

Because benefits are funded through Federal dollars (via the rebate), CMS has signaled that it will require greater reporting and transparency in the utilization and value derived from benefits. The regulations in the proposed [policy and technical changes for](#)

[Contract Year \(CY\) 2025](#) related to supplemental benefit reporting and requirements for demonstrating the efficacy of SSBCI benefits are examples of policymaking to support this intent. If finalized, these proposals will have [significant operational implications for health plans](#), which are exacerbated by the greater number of benefits offered by plans, supporting the theme that “more is not always better” and highlighting the need for MAOs to be strategic in their benefit choices.

**Begin Long-Term
Planning To
Address MA Shifts**

As the MA market continues to evolve, plans must begin to prepare for how these shifts may impact benefit design and supplemental benefit selection. While recent MA growth has been driven by seniors aging into Medicare, “older” seniors will begin to comprise an increasing proportion of MA beneficiaries. These members will have different medical and social determinant needs, requiring a shift in the type of supplemental benefits offered. In addition, as MA penetration reaches a plateau in urban geographies, growth will be driven in rural geographies. Members in these markets will have different needs (e.g., transportation, in-home care) which must be accounted for in benefit selection, strategy, and delivery.

HealthScape Can Help

In today’s evolving Medicare landscape, emerging trends in supplemental benefits offer a powerful, nuanced lever for MAOs to drive strategic growth and performance optimization. Our team has partnered with health plans across the country to unlock the full potential of supplemental benefits to ensure health plans shift from offering “the most benefits” to offering the “right” benefits.

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