

# Compliance 101

## Medicare rewards and incentives programs: A quick history



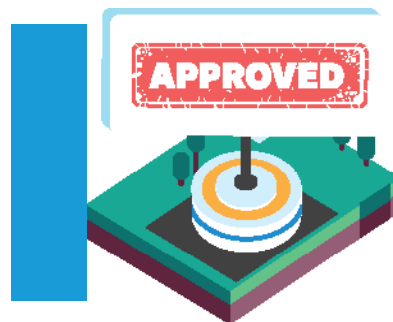
Historically, Medicare Advantage (MA) plans have been able to offer limited rewards and incentives to members in order to encourage them to receive preventive care services in accordance with guidelines set forth in Chapter 3 of the Medicare Managed Care Manual.

In May of 2014, CMS released final regulations that provide MA plans much more flexibility in implementing rewards and incentives programs for members. Further, On December 4, 2014, CMS issued additional detailed guidance regarding rewards and incentives programs (“RI Programs”).

Under the regulations and guidance, MA plans are allowed to create programs that provide members rewards and incentives for participating in activities focused on promoting improved health, preventing injuries and illness, and promoting efficient use of health care resources, defined in the guidance as “Preventive Services.”

### Up next: Medicaid

In addition to Medicare liberalization, most state Medicaid agencies have also expanded flexibility in this space by loosening rules related to R/I programs. Some states have even gone further and now require R/I programs to be offered by MCO Plans, and look for such programs when considering plans for awarding contracts.

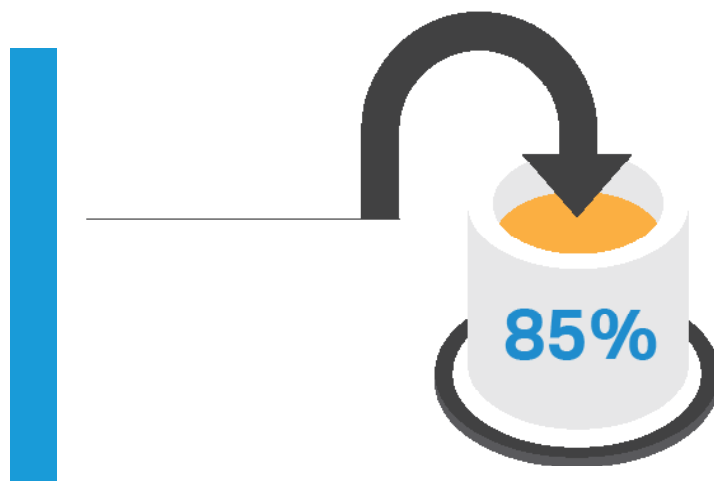


### A permissible rewards and incentives program must:

- (1) be offered in relation to an entire service or activity, which an MA plan can divide across a series that amounts to a service or activity;
- (2) be of a value that is expected to impact member behavior but not exceed the value of the Preventive Service the member is receiving;
- (3) otherwise comply with all relevant fraud and abuse laws, including the AKS and CMP;
- (4) be designed so that all members can earn rewards; and
- (5) not discriminate based on a variety of demographic facts and health status, including disability, chronic diseases, institutional status, or frailty. The rewards and incentives offered may not be cash or other monetary rebates and may only be offered to current members, not potential members.

### Optimize the MLR Numerator

Even more good news for plans looking to incorporate rewards and incentives into their engagement programs is the Medical Loss Ratio (MLR). This rule requires that Medicare and Medicaid plans spend a minimum amount of their revenue on health care services, covered benefits and quality improvement efforts. However, regulations are clear that rewards and incentives cost should be classified as a quality improvement effort and thus positively impacts a plan's MLR Ratio.



**To speak directly to our compliance experts about how to incorporate rewards and incentives expenditures into your program budget, contact us.**