

Congress of the United States
Washington, DC 20515

April 16, 2025

The Honorable Gene L. Dodaro
Comptroller General of the United States
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Comptroller General Dodaro:

The Medicare Advantage (MA) program has grown significantly in recent years and, in 2024, provided Medicare coverage to approximately 33 million (54 percent of) Medicare beneficiaries. In addition, the Medicare program paid MA organizations approximately \$455 billion in 2023, which underscores the importance of ensuring that MA plans use Medicare funding efficiently.¹

Medical Loss Ratio (MLR) requirements and the oversight and enforcement of these requirements by the Centers for Medicare & Medicaid Services (CMS) promote accountability and efficiency of MA program expenditures. Under MLR requirements, large group health insurers such as Medicare Advantage Organizations (MAOs) are required to spend at least 85 percent of their revenue on health care for their enrolled beneficiaries. MAOs that report spending less than 85 percent of their revenue on health care are subject to financial and other penalties.

The acquisition of related businesses such as health care providers by MAOs could undermine the effectiveness of MLR requirements. A recent study suggested that MAOs may be able to circumvent MLR requirements through payments for medical expenses to related businesses such as health care providers.² This is because payments to a related business are considered medical expenses for purposes of calculating the MLR, even though a portion of these payments may ultimately be profits for the MAO. MAOs' provider acquisitions in recent years further increase the potential for MAOs to circumvent MLR requirements in this manner.³

CMS oversight and enforcement of MLR reporting requirements may partially mitigate the risk that MAOs may circumvent these requirements through payments to related businesses. Effective in 2023, CMS reinstated requirements that MAOs report the underlying data used to

¹ Medicare Payment Advisory Commission. *Report to the Congress: Medicare Payment Policy*. Washington, DC: March 2024. The \$455 billion in payments to MA organizations do not include payments for Part D drug plans.

² Frank, Richard G. and Conrad Milhaupt. *Medicare Advantage spending, medical loss ratios, and related businesses: An initial investigation*. Los Angeles, CA: <https://www.brookings.edu/articles/medicare-advantage-spending-medical-loss-ratios-and-related-businesses-an-initial-investigation/> (March 2023).

³ Frank and Milhaupt, 2023.

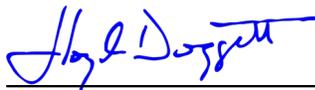
calculate and verify their reported MLR.⁴ However, it is unclear how effective these new requirements will be.

We would like to better understand payments to businesses under common ownership with MAOs and CMS's oversight of MLR requirements. To the extent that data are available and reliable, we request that GAO conduct the work necessary to

- Describe the current ownership structures of major MAOs, including parent companies and companies under common ownership.
- Describe trends in MAO spending on medical services and supplemental benefits.
- Describe trends in MAO parent organizations' payments to businesses under common ownership such as providers of medical services and supplemental benefits.
- Quantify MAO revenues that flow to related businesses, both in dollar terms and as a percentage of revenues.
- Describe trends in MAO parent organizations' acquisitions of providers.
- Describe the payment and other arrangements between MAOs and their network providers, including any differences in arrangements between providers owned by related businesses and those that are not.
- Examine CMS oversight of MLR reporting by MAOs.

Thank you for your attention to this important matter. If you have any questions about this request, please contact Afton Cissell (Afton.Cissell@mail.house.gov) with Rep. Doggett and McLean Piner (McLean.Piner@mail.house.gov) with Rep. Murphy.

Sincerely,



Lloyd Doggett
Member of Congress



Gregory F. Murphy, M.D.
Member of Congress

⁴ *Medicare Program: Contract Year 2023 Policy and Technical Changes to the Medicare Advantage and Medicare Prescription Drug Benefit Programs*, 87 Fed. Reg. 27,704, 27, 899 (May 9, 2022).