SPARKNEURO

A Large Problem: Undiagnosed Dementia in Medicare Advantage

The Underlying Issue

Across the United states, an alarming 40% to 60% of dementia cases go undiagnosed[1]. This lack of diagnosis significantly impacts individuals and their families, leaving them vulnerable without essential support and care. In addition to the human cost, there are substantial financial ramifications for healthcare payers and providers, particularly within value-based care models, such as Medicare Advantage.

Within the Medicare Advantage population, an estimated 10% of individuals aged 65 and over are affected by dementia[2]. However, only 6.5% are officially diagnosed[3], leaving a gap of 3.5% with *undiagnosed* dementia (Figure 1). This means that 35% of those suffering from dementia within Medicare Advantage plans are not receiving the diagnosis or care they need.

This issue becomes even more pronounced among older members. Of all Medicare Advantage patients between ages 80 and 84, 7.0% have undiagnosed dementia[3].

Figure 1. Expected and diagnosed prevalence of dementia in Medicare Advantage

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2. Manly JJ, Jones RN, Langa KM, et al. Estimating the Prevalence of Dementia and Mild Cognitive Impairment in the US: The 2016 Health and Retirement Study Harmonized Cognitive Assessment Protocol Project. *JAMA Neurol*.
3. Jutkowitz E, Bynum JPW, Mitchell SL, et al. Diagnosed prevalence of Alzheimer's disease and related dementias in Medicare Advantage plans. *Alzheimer's & Dementia: Diagnosis, Assessment & Disease Monitoring*. 2020;12(1). doi:10.1002/dad2.12048

Financial Implications and Care Impact

Failure to diagnose dementia negatively impacts quality of care, cost of care, member satisfaction, and health outcomes. For Medicare Advantage, in particular, the problem has an additional major financial impact. These plans operate on a value-based care model where funding is aligned with patient needs. Without accurate diagnoses, plans miss out on critical funding necessary for providing appropriate care.

The business model of Medicare Advantage is such that plans are funded by the government according to the level of health risks among the patients they manage. For a dementia patient, the cost of care is higher, therefore more funding is needed to manage their care appropriately. Yet with such a large portion of the population undiagnosed and unaccounted for, payers and providers don't receive the money necessary to provide the appropriate level of care. This results in a combination of poorer care for patients and weaker finances for the organizations.

How it Works

The Centers for Medicare and Medicaid services (CMS) applies a risk-adjustment model (HCC; Hierarchical Condition Categories) to each enrolled Medicare Advantage member. This establishes the funding that Medicare Advantage payers receive from the government to care for their members.

$12K Base Rate
X 0.341 RAF Score
= **~$4K Lost Revenue**

For one patient with undiagnosed dementia

Specifically, the Medicare Advantage plan receives a benchmark rate of about $12,000 for each member they have under their care. However, if a member is diagnosed with dementia, a Risk Adjustment Factor (RAF) of 0.341 is applied, increasing the payment by about $4,000 per dementia patient per year. This translates to about 33% more yearly funding for diagnosed dementia patients to compensate for the additional resources associated with caring for them.

How it Scales

Let's look at how those numbers add up. For a medicare advantage plan with 100,000 enrolled members, the 3,500 members (3.5%) with undiagnosed dementia represents $14 million in missed revenue each year. Moreover, across the entire population of 31 million adults enrolled in Medicare Advantage in 2023[4], payers are missing about $3.7 billion in yearly funding associated with undiagnosed dementia. As enrollment increases, the cost of dementia underdiagnosis for Medicare Advantage plans will exceed $5 billion by 2030.

Regardless of whether or not a patient is diagnosed, their care needs are the same. The challenge is that without the diagnosis, funding from CMS for that additional care is missing. Payers and providers aren't compensated accordingly and ultimately patients and their families lose out.

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The health and economic benefits of diagnosing dementia

Diagnosing dementia improves health and economic outcomes. Modifiable risk factors alone account for 40% of dementias[5], meaning that cognitive abilities can be preserved or their decline slowed. Care plans can be developed for identified dementia cases, leading to lower hospitalization rates[6], and reduced physical and emotional stress[7]. Additionally, creating care plans for dementia patients increases member satisfaction by 5%[6]. Finally, diagnosing dementia increases CMS funding earned by the plans to properly care for their members.

4. Reasons Why Medicare Advantage Enrollment is Growing and Why It Matters. *https://www.kff.org/medicare/issue-brief/a-snapshot-of-sources-of-coverage-among-medicare-beneficiaries/*. Published online 2024.
5. Livingston G, Huntley J, Sommerlad A, et al. Dementia prevention, intervention, and care: 2020 report of the Lancet Commission. *The Lancet*. 2020;396(10248):413-446. doi:10.1016/S0140-6736(20)30367-6
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