Impact of CMS 2022 Advance Notice on Medicare Advantage Plans

Presented By:

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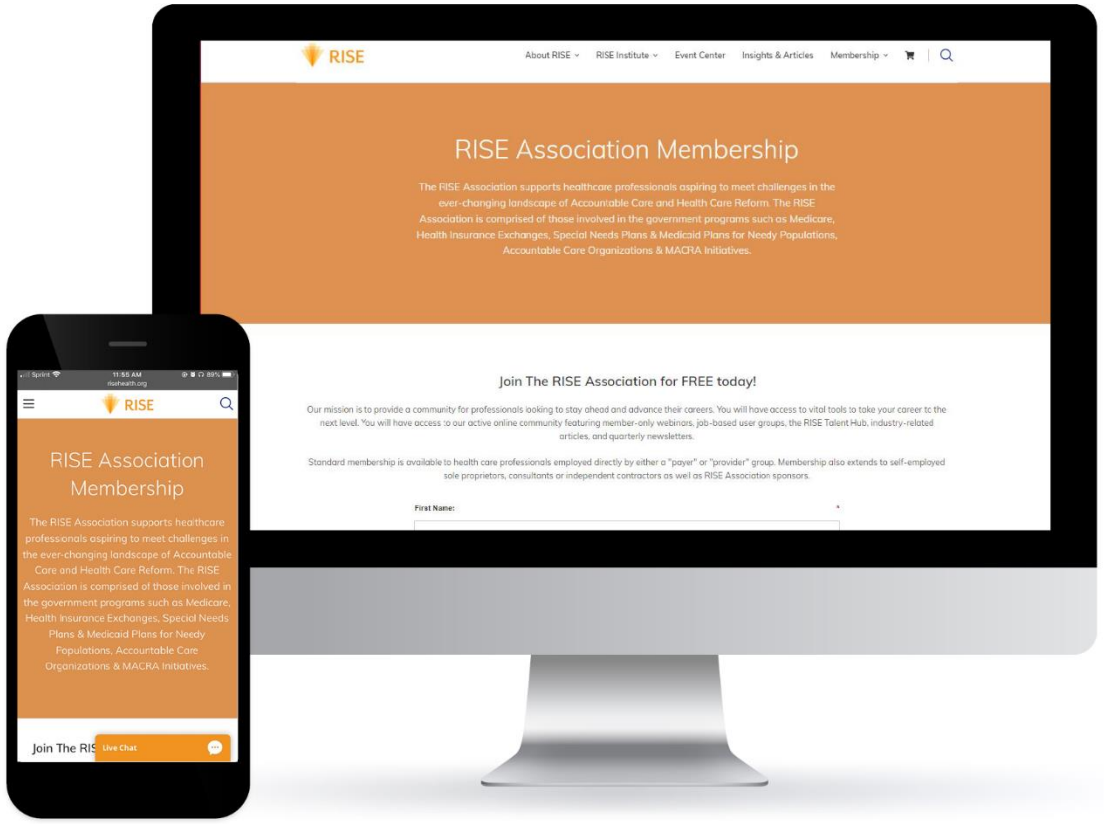

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58B

Medical
Events

Today's Agenda

Advance Rate Notice

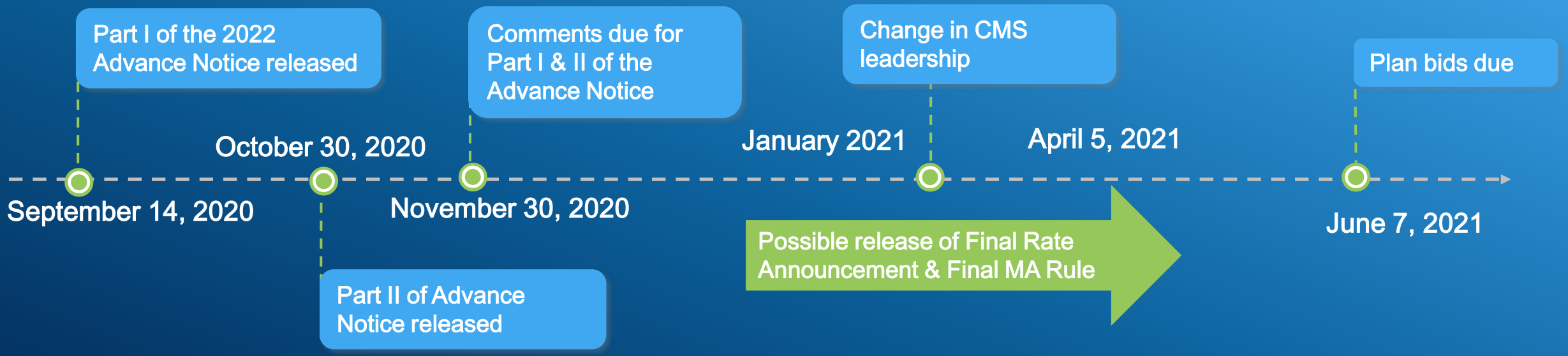
Rules & Regulations

Potential Impact of COVID-19

Star Ratings Update

CMS May Modify Timeline Due to COVID-19

CMS' consideration of publishing of the Final Rate Announcement in January rather than in April, could allow plan sponsors additional time to plan for the impact of payment adjustments on 2022 bids in light of uncertainties associated with COVID-19.



CMS: Centers for Medicare and Medicaid Services; MA: Medicare Advantage

Advance Rate Notice

Key Plan Payment Impacts

4.07 to 4.55% Δes to MA growth rate is the main driver that determines plan payment impacts

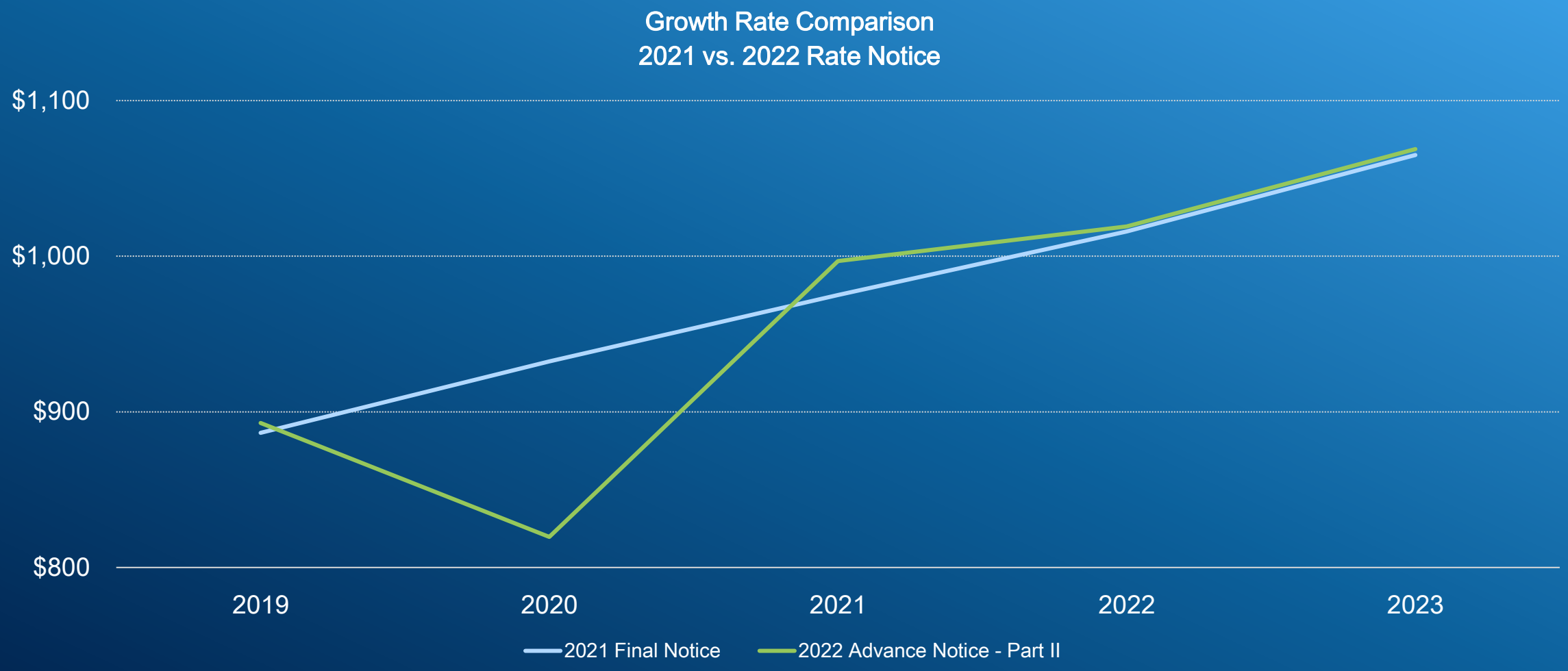
Year-to-Year Percent Change in Impact	2021 Rate Announcement	2022 Advance Notice
MA Growth Rate	4.07%	4.55%
Rebasing/Re-pricing	-0.35%	TBD*
Change in Star Ratings	0.23%	-0.34%
MA Coding Intensity Adjustment	0.0%	0.0%
Risk Model Revision	0.25%	0.25%
Encounter Data Transition	0.0%	0.0%
Normalization	-2.54%	-1.64%
Expected Average Change in Revenue	**1.66%**	**2.82%****

*Rebasing/re-pricing impact is dependent on the final average geographic adjustment index and will be available with the publication of the CY 2022 Rate Announcement
**This does not include the adjustment for the underlying coding trend

CMS: Centers for Medicare and Medicaid Services; CY: Calendar Year; MA: Medicare Advantage

2022 Spending Predictions

CMS predicts that 2022 spending will return to levels that the 2021 Final Notice Predicted



Payment Year 2022: Summary of Key Proposals

Medicare Advantage Proposals

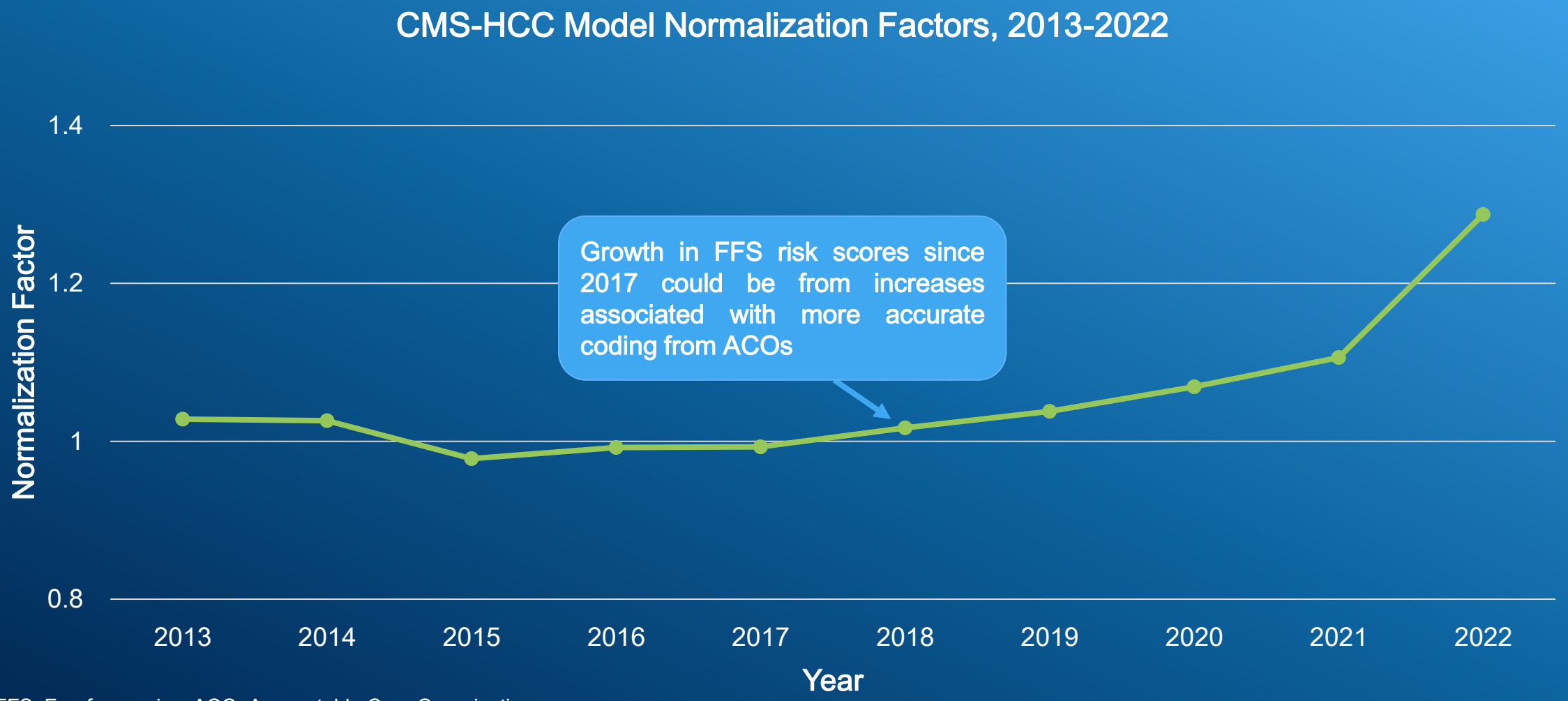
- Continues the phase-in of the APCC CMS-HCC model
- Increases use of encounter data to 100% of risk score
- Updates methodology for excluding kidney acquisition costs from MA benchmarks
- Continues to use five years of historical data to calculate ESRD payment rates
- Continues to waive EGWP bid requirements
- Continues frailty adjustment for PACE organizations and FIDE SNPs

Medicare Part D Proposals

- Increases use of encounter data to 100% of risk score
- Estimates new RxHCC model using FFS and MA encounter data
- Maintains dispensing fees and vaccine administration fees for applicable drugs in the coverage gap

APCC: Alternative Payment Condition Count; MA: Medicare Advantage; ESRD: End-Stage Renal Disease; EGWP: Employer Group Waiver Program; PACE: Program of All Inclusive Care for the Elderly; FIDE SNP: Fully Integrated Dual Eligible Special Needs Plan; HCC: Hierarchical Condition Count

Proposed Normalization Factor Increase in 2021 Estimated to Reduce Payments by -1.64%



FFS: Fee-for-service; ACO: Accountable Care Organization

Rules & Regulations

CMS to Address Outstanding Proposals in Subsequent Rule Making

Several key proposals remain outstanding that may include:

Specialty Tier: Changing Tier Structure	Real-Time Benefit Tools: Promoting Transparency
CMS proposes to allow Part D plans to offer a second, preferred specialty tier that would offer lower cost sharing than the current specialty tier. It is unclear what impact a second preferred specialty tier would have on plan actuarial value. CMS estimates that this change will have no material impact on Part D program costs.	CMS proposes to require Part D plan sponsors to implement RTBTs that would be accessible to beneficiaries beginning on January 1, 2022. These tools would be required to display real-time patient cost-sharing values as well as information on lower-cost therapeutic alternatives, including formulary coverage, tier placement, and any utilization management requirements.

RTBT: Real-Time Benefit Tools; CMS: Centers for Medicare and Medicaid Services

Potential Impact of COVID-19 Pandemic on Utilization and Risk Adjustment

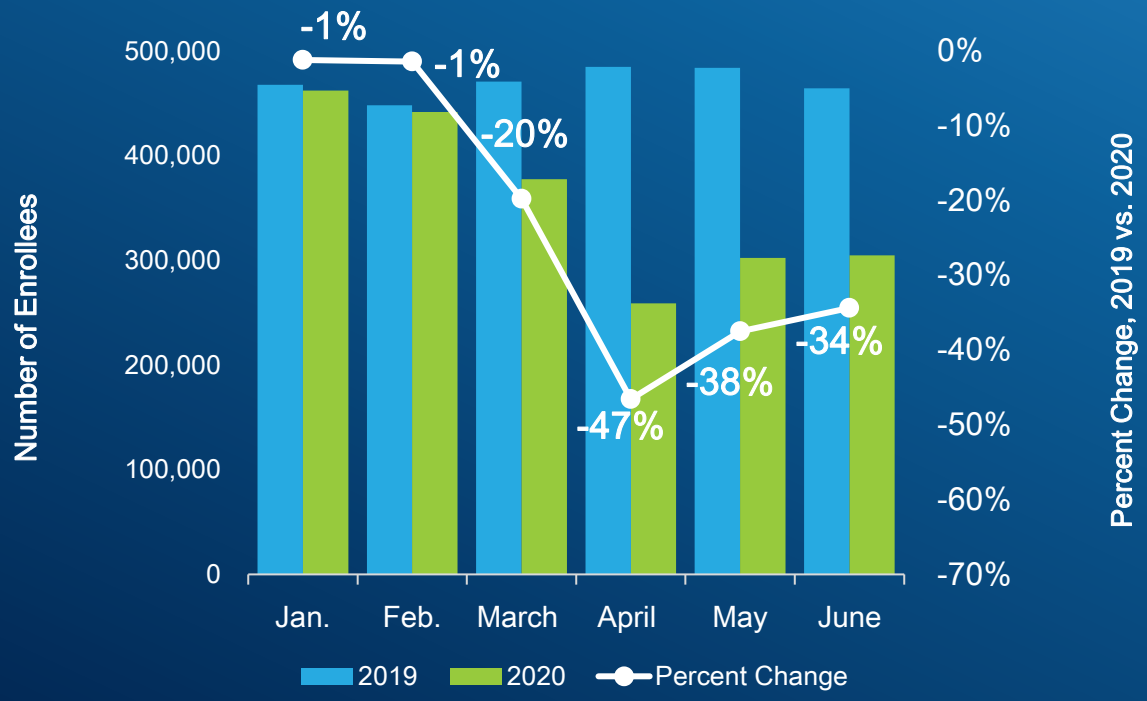
MA Plans Could Receive Lower Risk Scores in 2021 Due to COVID-19 Pandemic

On April 10, CMS began allowing MA organizations to submit diagnoses from telehealth visits for risk adjustment.

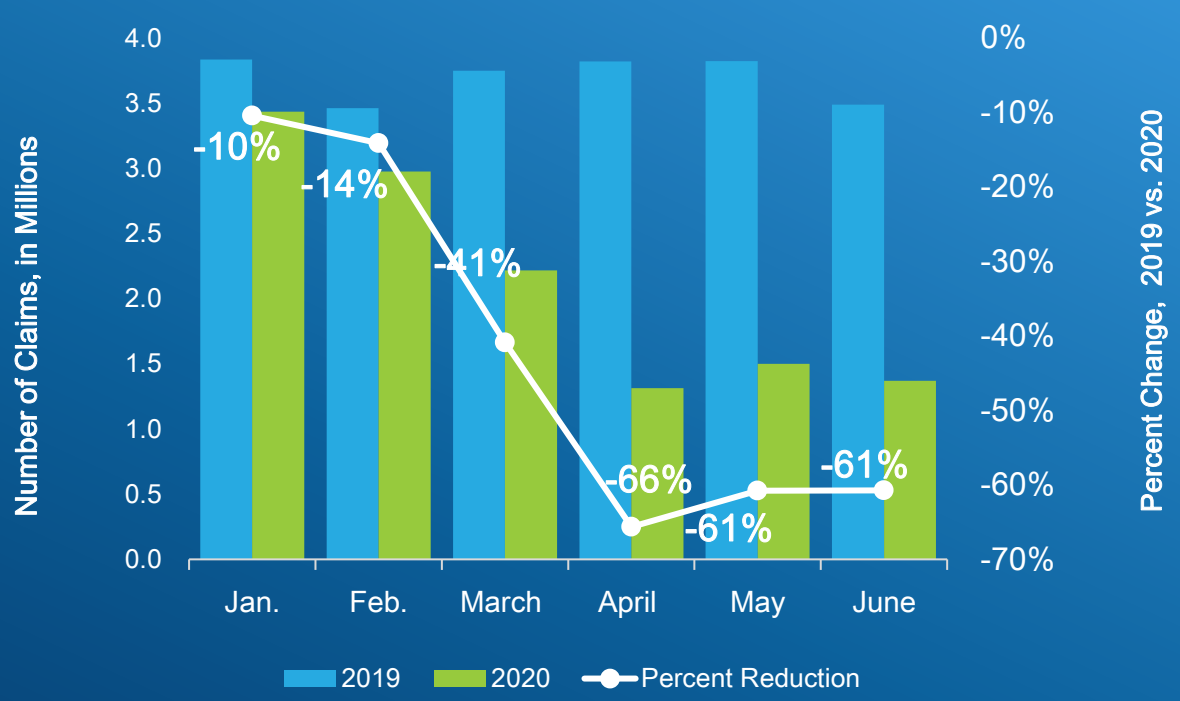
Claims Analysis

Although claims increased after April, they are still significantly lower than last year.

Number of Enrollees with at Least 1 Claim, and Percent Change, 2019 vs. 2020

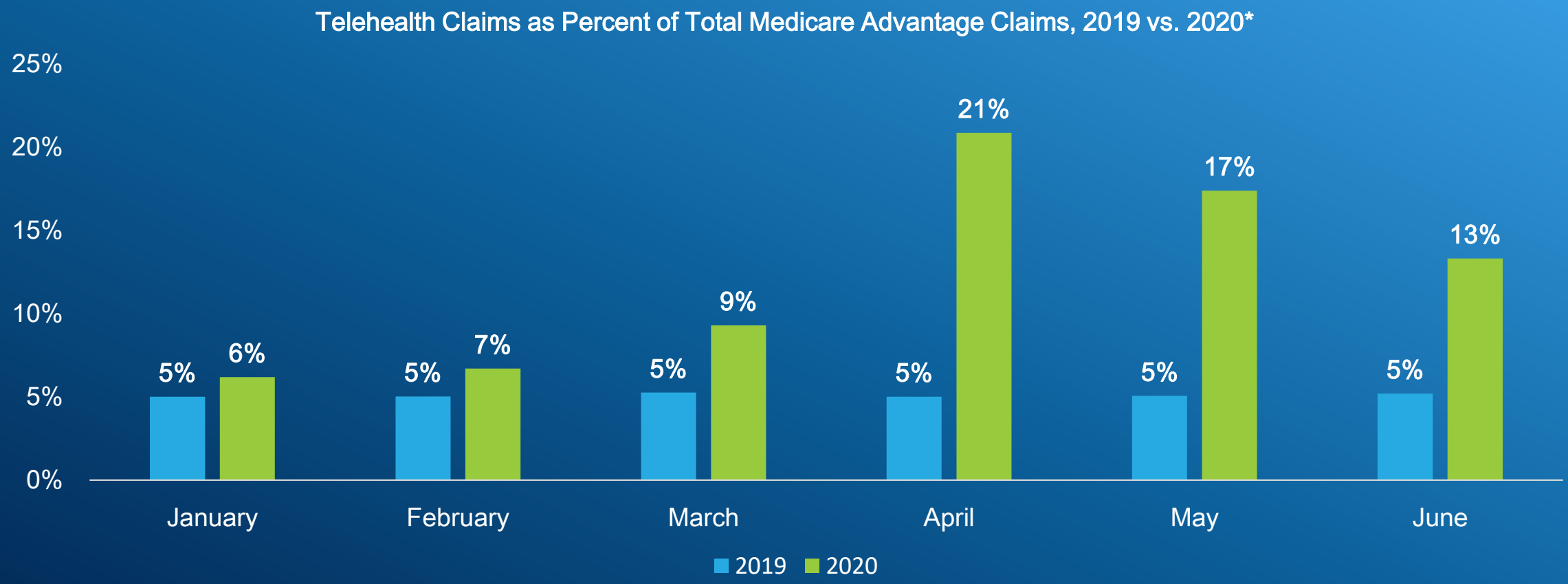


Total Number of Claims and Percent Change in Claims, 2019 vs. 2020



Increase in Telehealth claims

Telehealth claims have been higher in 2020 than they were in 2019:



*Note: Lower utilization in June 2020 is likely attributed to claims lag/limited data availability at the time of the analysis.
As of October 9, 2020, 30% of June 2020 claims were available.
PHE: Public Health Emergency

Risk Score Impact Scenarios Show Decrease of 6.3%-9.6% Below Anticipated Pre-COVID

Avalere modeled three 2021 risk score impact scenarios to compare to estimated scores without the COVID-19 pandemic:

	Baseline (Mid-Year 2020) Risk Score*	Initial 2021 Risk Score**	Mid-Year 2021 Risk Score Impact Scenarios		
			Low	Medium	High
Assumed Reduction in Claims Compared to the Mid-Year 2020 Baseline, July- December 2020	N/A	N/A	50%	65%	80%
Estimated Risk Score	1.000	0.965	0.937	0.923	0.904
Percent Decrease in Risk Score Due to Pandemic	N/A	-3.50%	-6.30%	-7.70%	-9.60%
Percent Decrease in Payment	N/A	-2.39%	-4.20%	-5.05%	-6.14%

*Note: Risk scores are standardized to equal a 1.000 for the baseline. **Uses diagnoses from July 2019 to June 2020.

Star Ratings & Display Measures Update

Impact of Star Rating Program Changes

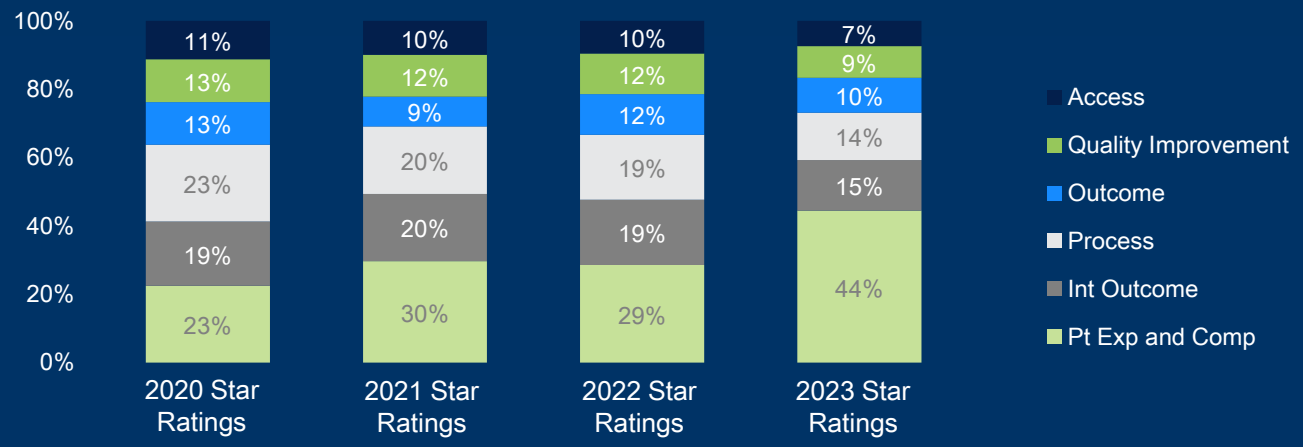
In the 2021 MA Part D final rule, CMS finalized two updates to the Star Ratings methodology that will substantially affect program costs.

Together, these two updates will net an aggregate savings of $4.1B.

Increasing the Weight of Patient Experience Measures

Beginning with 2023 Star Ratings, patient complaint/experience measure weights will increase from 2 to 4.

- CMS expects this change to increase overall ratings, particularly for lower-rated plans as they tend to perform well on these measures
- CMS estimates this policy will increase overall costs to Medicare by $1.5B from 2024 through 2030



Removing Outliers From Cut-Point Calculations

Beginning with 2024 Star Ratings, Tukey outer fence outlier deletion will exclude outliers from cut-point calculations for non-CAHPS® measures.

- Excluding outliers will further increase point stability
- As outliers tend to be on the lower end of measure scores, exclusion is expected to increase cut-points
- CMS estimates $5.7B in aggregate savings between 2025 and 2030

*Values in the graph above are rounded to the nearest percentage
MA: Medicare Advantage; CMS: Centers for Medicaid and Medicare Services; CAHPS®: Consumer Assessment of Healthcare Providers and Systems

COVID-19 Star Ratings Impact

CMS has issued a series of interim final rules that modified MA QBP requirements due to the ongoing public health emergency. In the April 6 Interim Final Rule, CMS modified Star Ratings calculations in several ways.

Star Ratings Modifications

Modifies reporting requirements for 2021 and 2022 and MA Star Rating calculations by:

1. Suspending HEDIS® and CAHPS® reporting requirements for 2019
2. Removing measures calculated based on HOS data collections with earlier values that are not affected by the PHE for 2022
3. Removing guardrails for 2022 Star Ratings and delays them until 2023
4. Expanding hold harmless provision for Part C and D improvement measures

2021 Star Ratings Measures Using Prior Year Data

The following measures used 2020 Star Ratings measure data for 2021 Star Ratings calculations:

Part C Measures (21 of 32 Measures)

C01: Breast Cancer Screening
C02: Colorectal Cancer Screening
C03: Annual Flu Vaccine
C07: Adult BMI Assessment
C09: Care for Older Adults – Medication Review
C10: Care for Older Adults – Functional Status Assessment
C11: Care for Older Adults – Pain Assessment
C12: Osteoporosis Management in Women who had a Fracture
C13: Diabetes Care – Eye Exam
C14: Diabetes Care – Kidney Disease Monitoring
C15: Diabetes Care – Blood Sugar Controlled
C16: Rheumatoid Arthritis Management
C19: Medication Reconciliation Post-Discharge
C20: Statin Therapy for Patients with Cardiovascular Disease
C21: Getting Needed Care
C22: Getting Appointments and Care Quickly
C23: Customer Service
C24: Rating of Health Care Quality
C25: Rating of Health Plan
C26: Care Coordination

Part D Measures (2 of 14 Measures)

D07: Rating of Drug Plan
D08: Getting Needed Prescription Drugs

CMS: Centers for Medicaid and Medicare Services; MA: Medicare Advantage; QBP: Quality Bonus Payment; HEDIS®: Healthcare Effectiveness Data and Information Set; CAHPS®: Consumer Assessment of Healthcare Providers and Systems; HOS: Health Outcomes Survey

Extreme & Uncontrollable Circumstances Policy

In the August 25 Interim Final Rule (IFC), CMS modified the application of the extreme and uncontrollable circumstances (EUC) policy to address the unintended impact of the public health emergency on 2022 Star Ratings.

As of July 28, counties in 51 out of 55 states/territories have been declared FEMA-designated Individual Assistance (IA) areas for 2020 due to COVID-19

- Under the existing EUC policy, contracts with 60% or more of their enrollees in these IA areas would have been excluded from non-CAHPS® cut-point and Reward Factor calculations for 2022 Star Ratings
- Exclusion of contracts on this scale would have prevented reliable measure-level cut-point calculations for non-CAHPS® measures and performance summary and variance threshold calculations for the Reward Factor Federal Emergency Management Agency

The IFC Makes the Following Modifications to the EUC Policy for 2022 Star Ratings:

- **Removes the 60% rule:** All contracts will be included in cut-point and Reward Factor calculations
- **Maintains the 25% rule:** CMS will choose the higher of measure-level 2022 Star Ratings or 2021 Star Ratings

FEMA: Federal Emergency Management Agency

Star Rating Measure Changes

2022 Star Ratings

Retired Measures

- Adult BMI Assessment
- Appeals Auto Forward (Part D)
- Appeals Upheld (Part D)
- For 2024 Star Ratings, COA: Functional Status Assessment will return

Telehealth Measure Changes

- Removed denominator restriction allowing only one outpatient visit to be telehealth, telephone visit, e-visit or virtual check-in when identifying ART, CBP, CDC and/or SPC
- Clarified services during telephone visit, e-visit or virtual check-in meets numerator indicators for COA

Retired Display Page Measures

- Timely Receipt of Appeals
- Timely Effectuation of Appeals
- DDI
- APD – Community Only Residents
- Use of Opioids at High Dosage and from Multiple Providers in Persons Without Cancer

2023 and Beyond Star Ratings

Proposed New measures

- TRC with weight of 1
- FMC with weight of 1
- IOP-LD will be added to the 2023 display page

Measure Weight Changes

- SUPD changes from a weight of 3 to 1
- Patient Experience/Complaints and Access measures increase from 2 to 4

Returning Measures

- CBP is returning for 2023 Star Ratings with a weight of 1

BMI: Body Mass Index; ART: Disease-Modifying Anti-Rheumatic Drug Therapy for Rheumatoid Arthritis; CBP: Controlling High Blood Pressure; CDC: Comprehensive Diabetes Care; SPC: Statin Therapy for Patients with Cardiovascular Disease; DDI: Drug-Drug Interactions; APD: Antipsychotic Use in Persons with Dementia – Community Only Residents; TRC: Transitions of Care; FMC: Follow-up after Emergency Department Visit for Patient with Multiple Chronic Conditions; IOP-LD: Initial Opioid Prescribing for Long Duration; ART: Disease-Modifying Anti-Rheumatic Drug Therapy for Rheumatoid Arthritis ; OTO: Osteoporosis Testing in Older Women ; PCR: Plan All-Case Readmission; CBP: Controlling High Blood Pressure; SUPD: Statin Use in Persons with Diabetes

Call To Action

Estimate your initial risk scores for 2021 so that you are not surprised when the January MMR is received

Initiate activities to assess and improve performance on patient experience and access to measures

Focus on EDS submissions

EDS: Encounter Data Submission; CMS: Centers for Medicare and Medicaid Services

If you are interested in receiving a personalized analysis detailing how the proposed CMS 2022 changes may affect your health plan's continued growth and financial performance, contact us today.

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