

# CAPITOL STREET

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June 14, 2024

## CMS Helps Some MA Plans By Recalculating Stars

Revised Bids Due June 28

Relevant Companies

UNITEDHEALTH GROUP®



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### »» Our Take & Next Up

**CMS announced late yesterday it will recalculate star ratings, after the Wall Street Journal ([here](#)) earlier had announced agency update.** The agency released a two-page memo ([here](#)) that notes it will do just that, and plans with higher star ratings will be allowed to submit a revised bid to CMS. Overall, while this is helpful for some plans, the outlook for 2025 is still challenging, due to v28 phase-in, the second year in a row of rate cuts, and other headwinds (supplemental benefits, prior auth, new marketing guidelines etc).

### »» Key Points

**CMS has recalculated Star Ratings for contracts under revised 2024 cut points that apply the guardrail policy based on the actual 2023 cut points.** The cut points are ranges of scores for each individual star rating measure that determine the star rating for that measure. When CMS calculated the 2024 Star Ratings, they simulated the cut points for 2023 by applying a methodology called Tukey to remove outliers from the cut points, which had the impact of raising the simulated 2023 cut points compared to the actual 2023 cut points, due to lower outliers being removed from the cut points. As a result, the guardrail policy that restricted how much the cut points could *increase* from one year to the next was violated, and some plans saw reductions in their star ratings as a result because of increases in the 2024 cut points. The court ruled in both the SCAN and Elevance decision that CMS must use the actual 2023 cut points and not the simulated 2023 cut points in applying the guardrail policy.

**Rebidding starts with bids due June 28.** The revised Star Ratings are available to individual plans in the Health Plan Management System (HPMS) ([here](#)). Plans that have an increase in their Star Ratings have until June 28, 2024 to submit a revised bid, benefit package, and formulary to CMS. Plans who want to change their formulary must inform CMS by June 18, 2024.

**Based on estimates produced by Milliman prior to the release of the memo, the changes could be as follows:**

- 76 MA contracts, representing 44 parent organizations and nearly 3.5 M members, would gain 0.5 stars
- 53 contracts: Increased payment from higher star rating, either through benchmark or rebate percentage, ~3 M members

- 8 contracts: 5 stars instead of 4.5 stars, 340,000 members - these plans would now be eligible for the 5-star special election period
- 15 contracts: 3 stars instead of 2.5 stars, 140,000 members - these plans would not be at risk for contract determination (which happens if a plan has a star rating of less than 3 stars for 3 consecutive years)

**Plans will have an opportunity to add benefits that they reduced from their 2024 benefits.** The most likely candidates for enhancement would be the 'table stakes' benefits, such as dental/vision/hearing.

**What's the impact?** While the higher star ratings provide some relief for plans, most enrollees are in plans that would not have a higher star rating due to these changes. As such, the revised star ratings may not make a substantial change to concerns that have been raised by plans about challenges for 2025. No plan is penalized in this exercise.

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