CAPITOL STREET

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MA 2024: Plans & VBC Providers Cheer 3 Year Risk Model Phase-In

CMS Part D & MA Rule Due This Week, Pending MA Legislation Looms

Relevant Companies

CMS released the final Medicare Advantage and Part D rules on March 31 (here) where the agency finalized the 2024 proposed risk adjustment model, but offered a phase-in. The new risk adjustment model – eliminating ~2,000 diagnosis codes -- is intended to reflect more current costs associated with various diseases, conditions, and demographic characteristics, used the ICD-10 classification system that has been in use for payment since 2015 and included revisions designed to reduce the sensitivity of the model to coding variation.

Our Take & Next Up

The final notice is inline with our expectations: We said (a) risk model delay or (b) phase-in was the most likely outcome in the final rule given the dramatic nature of a new model and limited time for plans to adapt. This is clearly good news for MA plans and value based providers. The effort to reduce upcoding and dampen risk score growth will continue as Congress grapples with ways to rein in Medicare costs.

Additional catalysts to watch

(1) The final 2024 Changes to the Medicare Advantage, Medicare Prescription Drug Benefit, Medicare Cost Plan Programs, Medicare Overpayment Provisions of the Affordable Care Act, and PACE (here) rule could be any day now, possibly April 3 or 4. *We published an analysis on Dec 15, 2022*. For instance, CMS proposed that the MA star rating policy would save $25 B over ten.

(2) Legislation introduced last week by Sen. Cassidy (R-LA) is something we covered in a MA FAQ on March 28. A Senate MA upcoding bill would improve RA under MA by using two years of diagnostic data starting in 2024. There would be a provision excluding diagnoses collected from chart reviews and HRAs. The bill would likely be bipartisan and bicameral. It's early days but we could see something move on this front; if it saves dollars and could be packaged with other deficit-reducing provisions (i.e., site neutral for hospitals etc).

(3) Any new CMMI models coming down the pike, as CMMI has stated publically it will release a few brand new models in 2023.

Key Points

Positively for plans & providers, CMS will phase-in the risk model (originally -2.27%) over 3 years (2024-26). The risk score trend is 3.30% under the 2024 risk adjustment model and 5.00% under the current risk adjustment model.CMS will blend the 2024 risk scores using 67% of the risk scores under the current 2020 risk adjustment model and 33% of the risk scores under the finalized 2024 risk adjustment model. For 2025, risk scores will be calculated as a blend of 33% of the risk scores calculated with the 2020 model and 67% of the risk scores calculated with the 2024 model, and for CY 2026, 100% of the risk scores will be calculated with the 2024 model.

The effective growth rate increased from updated data and assumptions (+2.28% from +2.09% proposed), also welcome news It is the current estimate of the growth in benchmarks used to determine payment for MA plans. The growth rate is largely driven by the growth in Medicare FFS per capita costs, as estimated by the Office of the Actuary.

Graduate medical education (GME/IME) will also be phased-in over three years. Included in the 2024 growth rate estimate is a technical adjustment to the per capita cost calculations related to indirect and direct medical education costs associated with services furnished to MA enrollees. This adjustment will be phased in over three years, and CMS will apply 33% of the adjustment in 2024.

Impact	2024 Advance Notice	2024 Rate Announcement
Effective Growth Rate	2.09%	2.28%
Rebasing/Re-pricing	N/A	0.00%
Change in Star Ratings	-1.24%	-1.24%
Medicare Advantage Coding Pattern Adjustment	0%	0%
Risk Model Revision and Normalization	-3.12%	-2.16%
MA risk score trend	3.30%	4.44%
Expected Average Change in Revenue	**-2.27 %**	**-1.12%**

SOURCE: CMS, Capitol Street, 2023

Give the controversial nature of the rate notice & final rates, CMS published FAQs. This is uncommon for the agency to do. See here as it's worth a read. One Q that stands out: "Has CMS phased-in updates to the risk adjustment model before? Yes, CMS has phased in risk adjustment model updates in the past. For example, CMS phased in the 2014 model, which included clinical reclassifications like the 2024 model, the transition from the Risk Adjustment. Processing System (RAPS) to encounter data, and, per statute, the changes mandated in the 21st Century Cures Act."

Inflation Reduction Act (IRA) Updates for CY 2024 were also finalized.
Part D changes are below.

- Cost sharing for Part D drugs will be eliminated for beneficiaries in the catastrophic phase
- The low-income subsidy program (LIS) under Part D will increase the income limits for the full LIS benefit from 135% of the FPL to 150%.
- The deductible will continue not to apply to any Part D covered insulin product. Also, in the initial coverage phase and the coverage gap phase, cost sharing must not exceed $35 for a month's supply of each covered insulin product.

- The deductible will continue not to apply to any adult vaccine recommended by the Advisory Committee on Immunization Practices (ACIP).
- The base beneficiary premium (BBP) growth will be held to no more than 6% by statute.

Background

MA '24 BACKGROUND.

See brief summary of two key CMS regulations released Jan/Feb below.

2024 MA advanced notice proposed -2.27% (here) on Feb 1. The growth rate fell to 2.09% from 4%+ in prior years. Star ratings at -1.24% also is a reduction not seen over the past several rate cycles. The risk model is a significant negative. We think that the rates will improve because Congress likes to use savings for other priorities. Congressionally, Congress may take $10 B+ from plans in 2H23 to fund other priorities, as Congress gets into balanced budget mode.

RADV rules are manageable for MA plans, VBC providers and we await the start of 2018 audits (which could be ASAP). On Jan. 30, CMS finalized the long-awaited risk adjustment data validation regulations (here). CMS will not apply the FFSA (as CMS had proposed), which means that the plan community may engage in litigation, likely at a later da tie if government recoupments are required. MA plans argued against the FFSA being removed and wanted a double-digit adjuster. CMS will not adopt specific sampling or extrapolated audit methodology but will rely on any statistically valid method that is determined to be suited to a particular audit.

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