

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

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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 publicly 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 ...

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