



Overview of the CY 2024 Advance Notice

Prepared for Better Medicare Alliance

Avalere Health | Part of Fishawack Health
February 8, 2023

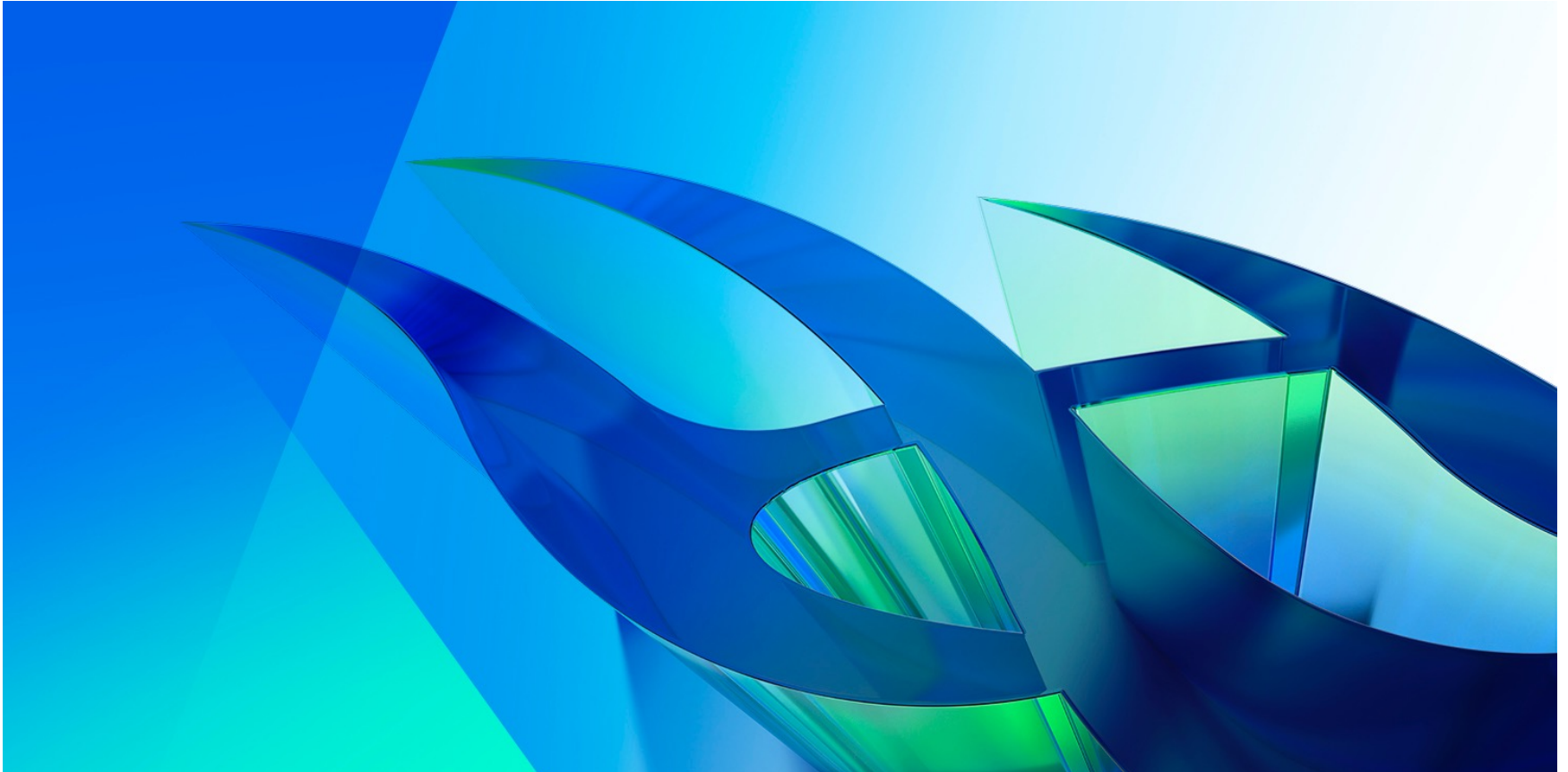
The Advance Notice and Proposed Part C and D Rule Are Released Annually by CMS

Advance Notice of Methodological Changes for MA Capitation Rates and Part C and Part D Payment Policies

- Annual regulatory policy document that establishes payment and coverage policies for MA and Part D plans for the upcoming plan year
- Comments are due March 3
- As per the statute the Final Rate Notice must be released by the first Monday in April (April 3)

Policy and Technical Changes to the Medicare Advantage and Medicare Prescription Drug Benefit Programs Proposed Rule

- Focuses on technical changes to the MA and Part D programs
- The MA provisions include new requirements for prior authorization, health equity-related changes, plan marketing, and inclusion of behavioral health providers. The rule also proposes modifying how Star Ratings are calculated and restricting the conditions under which a plan can appeal its Star Rating
- Comments are due February 13



CY 2024 Advance Notice Details

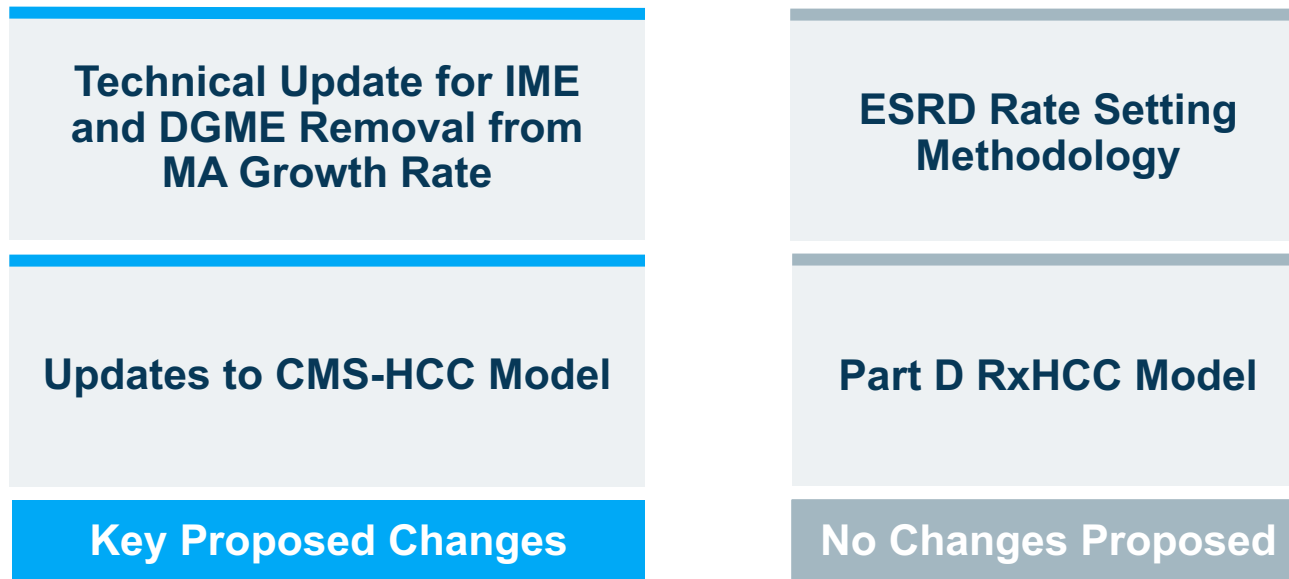
MA Program Highlights

Year-to-Year Percent Change in Impact	2022 Rate Announcement	2023 Rate Announcement	2024 Advance Notice
Effective Growth Rate	5.59%	4.88%	2.09%
Rebasing/Re-Pricing Change to payments due to updating benchmark county rates	0.16%	0.39%	TBD*
Change in Star Ratings Change in proportion of plan payments attributed to star ratings	-0.28%	0.54%	-1.24%
MA Coding Intensity Adjustment Reduction to MA risk scores beyond the statutory minimum of 5.9%	0%	0%	0%
Risk Model Revision	0.25%	0.0%	-3.12%
Normalization Change to MA plan payments due to applying normalization to beneficiaries' risk scores to ensure that the average score is 1.0	-1.64%	-0.81%	
Expected Average Change in Revenue	4.08%**	5.00%**	-2.27%**

* Rebasing/re-pricing impact is dependent on the final average geographic adjustment index and will be available with the publication of the CY 2024 Rate Announcement.

** This does not include the MA risk score trend. In 2024, CMS estimates a risk score growth of 3.30%, not accounting for normalization and MA coding adjustments. In previous rate notices, CMS estimated average risk score increases of 3.50% for 2023 and 3.45% for 2022.

Advance Notice Includes an Array of Technical Changes to for MA and Part D Programs



CMS is also seeking stakeholder input on the new approach to quality measures and opportunities to advance health equity in MA and D.

CMS Proposes a One-Time Change of the MA Growth Rate for the Removal of IME and DGME Costs

Until 2023, CMS included MA-related IME and DGME in the calculation of the FFS per capita baseline costs, or the USPPC, which informs the MA growth rate.

For 2024, CMS is proposing a one-time change to remove MA-related medical education costs from historical costs used for their projection of the non-ESRD FFS USPPC.

The removal of IME and DGME will lower the FFS spending and the corresponding FFS growth rate for 2024 by 2.13%. The MA growth rate will be reduced by 1.06%.

CMS Proposes a Clinical Reclassification of the HCCs Using the ICD-10-CM Codes for the Risk Adjustment Model

CMS assessed conditions that are coded with more frequency in MA compared to FFS and is proposing to add additional constraints and to remove several HCCs, in addition to renumbering HCCs.

ICD-10 Codes

- CMS proposes a revised CMS-HCC model with a clinical reclassification of HCCs based on ICD-10 codes.

Removal of Codes

- CMS assessed conditions that are coded with more frequency in MA compared to FFS
- CMS proposes to remove certain diagnoses from the CMS-HCC model.

Payment HCCs

- The number of payment HCCs will increase from 86 to 115 due to changes in the structure and clinical specificity of codes changing from ICD-9 to ICD-10 and changes in clinical concepts for certain conditions.

CMS estimates that the risk adjustment changes, combined with the proposed normalization factor, will result in a 3.12% reduction to 2024 plan payments.

CMS's Proposal Would Result in the Removal of Over 2,269 Unique ICD-10 Codes from the CMS-HCC Model

As CMS based its proposal on an assessment of the conditions more frequently coded in MA than in FFS, the proposal effectively operates as a coding intensity adjustment.

Avalere conducted an analysis of the preliminary ICD-10 to HCC mappings to identify the top 10 conditions affected, available at [avalere.com](https://www.avalere.com).

Among the top conditions impacted are:

- Major depressive disorder
- Diabetes with chronic complications
- Vascular disease
- Rheumatoid arthritis and inflammatory connective tissue disease

CMS Is Proposing Additional Changes to Risk Adjustment Based on the New CMS-HCC Model

Calibration Years

Updating data years used to calibrate the model

- The current CMS-HCC risk adjustment model uses FFS claims for 2014 and 2015, which were based on ICD-9 codes, to calibrate the model.
- The proposed risk model will be calibrated using 2018 diagnoses and 2019 expenditures.

Denominator Year

Updating data years used to determine relative factors for risk scores

- Since the 2017 CMS-HCC model, the denominator year has been 2015.
- CMS will use 2020 as the denominator year for the proposed model (2019 diagnoses for a 2020 beneficiary cohort).
- The denominator year expenditure is \$10,402.34.

Because the new denominator year will be more recent than the previous denominator year, the normalization factor for 2024 is lower than it was for 2023.

CMS Is Not Proposing Changes to the Methodology for MA ESRD Payment Rates

CMS will continue to set MA ESRD payment rates on a state basis /

For 2024, CMS proposes to re-price ESRD historical claims from 2017-2021 based on the most recently available wage (FY 2023) and Geographic Practice Cost Indices (CY 2023). CMS will continue to use 5 years of historical claims data to calculate the AGA.

In response to stakeholder concerns, CMS conducted an analysis on the health equity impact of ESRD CBSA rates /

> In 2023, CMS considered and ultimately decided not to calculate ESRD rates at the CBSA level

A 2019 Avalere analysis found that MA ESRD payments were less than FFS costs in certain regions, especially urban areas with high concentrations of ESRD payments.

However, a CMS preliminary analysis found potential issues with reductions in rates for rural areas as well as payment impacts for medically underserved urban areas.

> In the 2024 Advance Notice, CMS describes its follow-up health equity analysis and the results in favor of ESRD state rates

CMS studied the CBSA rate changes based on the area deprivation index (ADI) for each county compared to the current state payment rates.

Compared to state rates, CMS found that CBSA payment rates decreased for areas with higher ADIs and increased for areas with lower ADIs.

CMS Is Considering Alignment of Quality Measures Across Its 20+ Quality-Rating and Value-Based Care Programs

CMS is considering including a “Universal Foundation” of quality measures as a core set of measures to be used across CMS programs, with individual programs adding other aligned or program-specific measures as needed.

The “Universal Foundation” would aim to:

1. Focus provider attention
2. Reduce provider burden
3. Allow for consistent stratification to identify disparities in care
4. Accelerate transition to interoperable, digital quality measures
5. Allow for cross-program comparisons to understand drivers of quality and equity improvement

On February 1, CMS published “Aligning Quality Measures across CMS – The Universal Foundation” in NEJM to further outline its vision for aligning quality measures.

CMS is soliciting feedback on the potential approach and core set of measures.

CMS Discussed the Possible Addition of Several New Star Ratings Measures for Future Years in MA

- 1 Chronic Pain Assessment and Follow-up
- 2 Cross-Cutting: Sexual Orientation and Gender Identity for HEDIS Measures
- 3 Cross-Cutting: Identifying Chronic Conditions in HEDIS Measures
- 4 Blood Pressure Control Measures
- 5 Kidney Health
- 6 Social Connection Screening and Intervention
- 7 Broadening the Mental Health Conditions Assessed by HOS
- 8 Measuring Access to Mental Health Care on HOS
- 9 Addressing Unmet Health-Related Social Needs on HOS

CMS also noted that it is testing modifications to CAHPS measures based on the field test results

CMS Is Also Considering Multiple Options for Advancing Health Equity in MA and Part D

Potential New HEDIS Measure: Screening and Referral to Services for Social Needs

CMS plans to submit the new HEDIS measure for review in early 2023.

Potential Changes to Star Ratings

CMS solicits feedback on the stratified reports. CMS also solicits comments on as additional measures or methodological changes which would advance health equity.

Proposed Health Equity Index

CMS notes that a new health equity index reward was proposed in the CY 2024 MA and Part D proposed rule and solicits comments.



Changes Made in the IRA That Are Effective in 2024 Are Being Implemented in the Notice

Benefit Design

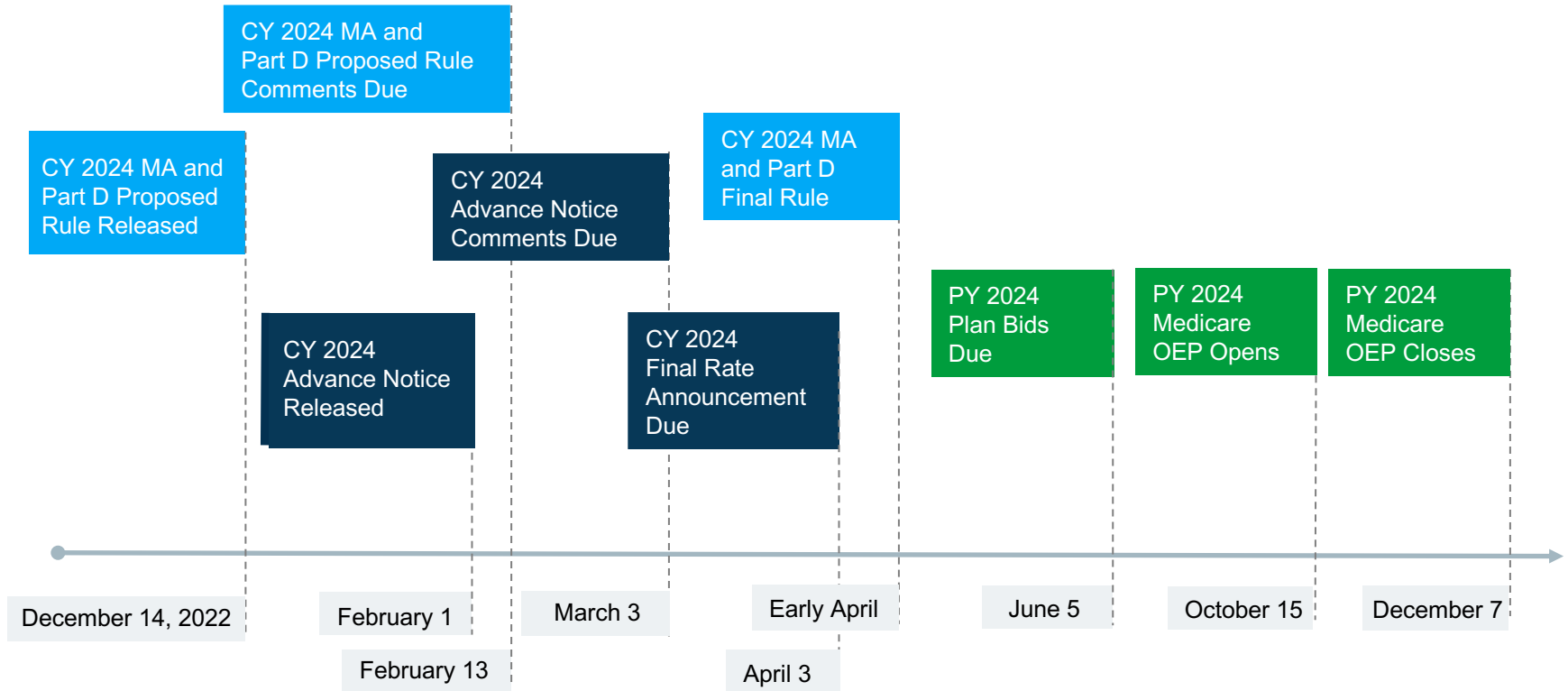
- Increases are larger than they were for 2023: 8.01% API in per capita Part D expenditures for 2024
- For 2023, the API was 5.08%
- The API will affect OOP costs and the rate at which beneficiaries move through the benefit

Implementation of the IRA

- Elimination of the 5% beneficiary coinsurance in the catastrophic phase, to be covered by plan sponsors
- Implementation of the \$35 monthly copay cap for insulin (additional plan liability will not count as incurred cost toward the TrOOP)
- \$0 cost sharing for ACIP-recommended vaccines
- Expansion of the partial LIS to full LIS
- Implementation of premium stabilization, which will cap the Part D BBP at 6% growth from the previous year

CMS is proposing to continue using the 2023 RxHCC model, with no changes related to the IRA updates to the Part D benefit parameters.

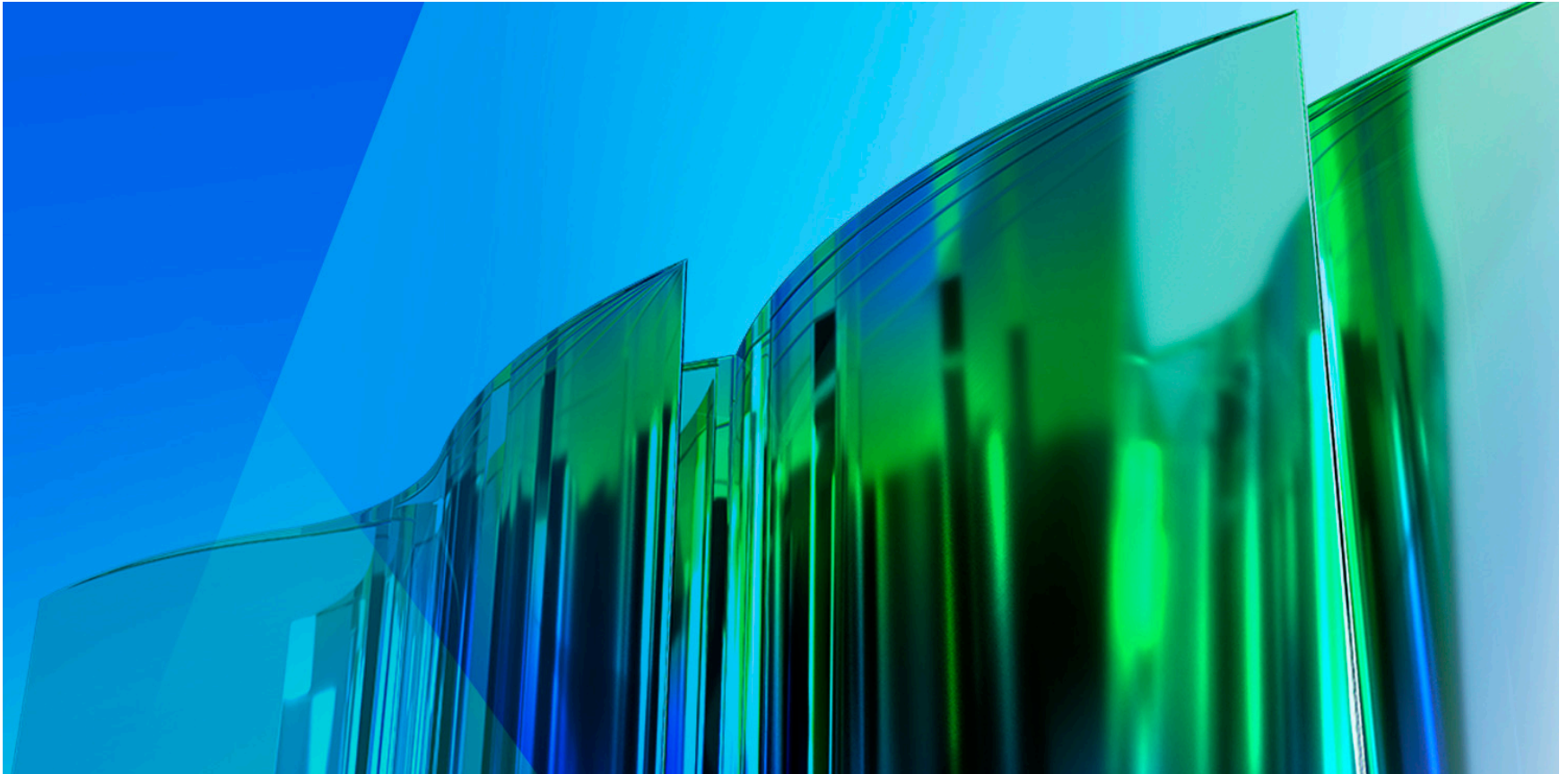
Key Policy Dates for Medicare Advantage



● CY 2024 Policy and Technical Changes to the MA and Medicare Prescription Drug Benefit Programs Proposed Rule

● CY 2024 Advance Notice of Methodological Changes for MA Capitation Rates and Part C and Part D Payment Policies

● Notable Deadlines



Questions?