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Summary of CY 2024 Medicare Advantage and Part D Advance Notice

On February 1, 2023, CMS issued the Advance Notice of Methodological Changes for Calendar Year (CY) 2024 for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies. The 2024 Advance Notice, an annual regulatory document that describes the agency's proposed payment and coverage policies for the next plan year, includes changes to the Medicare Advantage risk adjustment model along with CMS' projections of expected spending, among other proposals. CMS will accept comments on the Advance Notice through March 3 and publish the final Rate Announcement by April 3.

Medicare Advantage Details

The Advance Notice would result in an expected average change in Medicare Advantage revenue of -2.27%, a lower rate of growth compared to last year's net change of 5.00% (see table). This change is due to a lower effective growth rate for Medicare Advantage county benchmarks, the expiration of a COVID-related adjustment to the 2023 Star Ratings, and changes to the Medicare Advantage risk adjustment model.

Year-to-Year Percent Change in Impact	2023 Rate Announcement	2024 Advance Notice
Effective Growth Rate	4.88%	2.09%
Rebasing/Re-Pricing	0.39%	TBD*
Change in Star Ratings	0.54%	-1.24%
Medicare Advantage Coding Intensity Adjustment	0.00%	0.00%
Risk Model Revision & Normalization	-0.81%	-3.12%
Risk Score Growth	3.50%	3.30%
Expected Average Change in Revenue	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
** Does not include the adjustment for the underlying coding trend

Highlights of the Advance Notice include:

Growth Rate: CMS noted that growth rate is driven primarily by the growth of Fee-For-Service (FFS) per capita costs. In addition, it includes a proposed one-time technical correction to account for the removal of graduate medical education costs. CMS previously included these costs in its calculation of the growth rate, and the removal of these costs lowers the FFS spending growth rate for 2024 by 2.13%.

Star Ratings: CMS noted an overall average decrease in health plans' Star Ratings as the 2023 Ratings no longer adjust for extreme and uncontrollable circumstances due to COVID-19 for most measures.

Risk Adjustment Model: CMS is proposing to update the Medicare Advantage CMS-Hierarchical Condition Category (HCC) risk adjustment model (excluding PACE). CMS estimates that the combined impact of risk adjustment changes, including the proposed normalization factor, will result in a 3.12% reduction to 2024 health plan payments. These updates include:

A clinical reclassification of the HCCs using the ICD-10-CM codes: CMS assessed conditions that are coded with more frequency in Medicare Advantage compared to FFS. As a result of this assessment, CMS is proposing to add additional constraints and remove several HCCs to reduce the impact of coding intensity on risk scores. Changes include:

- Implementing a model that uses ICD-10 codes to create HCCs for the first time
- Focusing constraints and removals of HCC codes focused on diagnostic categories known as Principle 10
- Increasing the number of payment HCCs (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)
- Renumbering HCCs
    - **Updated data years used for calibrating the model:** The proposed CMS-HCC risk adjustment model will be calibrated using 2018 diagnoses and 2019 expenditures. The current CMS-HCC model uses FFS claims for 2014 and 2015 and are based on ICD-9 codes.
    - **Updated denominator year used for determining the average per capita predicted expenditures:** CMS will use 2020 as the denominator year for the proposed risk adjustment model (2019 diagnoses for a 2020 cohort of beneficiaries). The denominator year for the proposed model will be updated to 2020, and the denominator is $10,402.34. The denominator year has been 2015 since this CMS-HCC model was implemented for PY 2017. Because CMS is using a more recent denominator year, the normalization factor is lower for 2024 than it was for 2023.

Updates to Star Ratings Program: CMS discussed several potential new measures* to be added to the Star Ratings Program in the future, including: Health Equity (MA and Part D), Chronic Pain Assessment and Follow-up, Cross-Cutting: Sexual Orientation and Gender Identity for HEDIS Measures, Cross-Cutting: Identifying Chronic Conditions in HEDIS Measures, Blood Pressure Control Measures, Kidney Health, Social Connection Screening and Intervention, Broadening the Mental Health Conditions Assessed by Health Outcomes Survey (HOS), Measuring Access to Mental Health Care on HOS, and 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.

- To continue to align quality measures across CMS's 20+ quality-rating and value-based care programs, CMS provided details on measures to be included in "Universal Foundation," a building block to which programs will continue to add aligned measures. CMS is soliciting feedback on the proposed approach and core set of measures. On February 1, CMS published "Aligning Quality Measures across CMS – The Universal Foundation" on the New England Journal of Medicine to further outline its vision.

*Measures proposed are in Medicare Advantage, unless otherwise noted

End-Stage Renal Disease (ESRD) Payment Models: CMS also assessed and calculated developing rates at geographic level but did not propose changes to the methodology used to set the Medicare Advantage ESRD rates. CMS will continue to use statewide Medicare Advantage ESRD rates.

Part D Details

CMS will adjust the 2024 benefit design parameters by 8.01% and implement a number of Part D benefit-related Inflation Reduction Act (IRA) updates for CY 2024. Highlights from the Part D payment policy updates are as follows:

Adjustments to the CY 2024 Part D Benefit Design Parameters: Increases are more significant than they were for 2023: 8.01% Annual Percentage Increase (API) in per capita Part D expenditures for 2024, compared to last year's 5.08% API. This increase affects beneficiary out-of-pocket (OOP) costs and the rate at which beneficiaries move through the benefit. The document proposes the following changes to 2024 standard benefit parameters:

- Increase the deductible from $505 to $545
- Increase the initial coverage limit from $4,660 to $5,030
- Increase the True Out-of-Pocket (TrOOP) threshold from $7,400 to $8,000

IRA Updates for 2024: CMS proposes implementing policies required under the IRA primarily designed to lower out-of-pocket costs for beneficiaries. Highlights include:

- Elimination of the 5% beneficiary coinsurance cost sharing in the benefit's 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 TrOOP)
- $0 cost sharing for Advisory Committee on Immunization Practices-recommended vaccines
- Expansion of the partial low-income subsidy (LIS) to full LIS
- Implementation of premium stabilization, which will cap the Part D base beneficiary premium (BBP) at 6% growth from the previous year

Part D Risk Adjustment Model: CMS is proposing to continue using the 2023 Part D risk adjustment (RxHCC) model and make no changes to reflect the IRA-related updates to the Part D benefit parameters in 2024, given the time needed to update the RxHCC model.