Summary of 2024 Medicare Advantage and Part D Rate Announcement

Overview

On March 31, CMS released the Calendar Year (CY) 2024 Rate Announcement. This regulatory document establishes payment policies for Medicare Advantage (MA) and Part D plans for the coming year and summarizes comments regarding MA capitation rates, Star Ratings, risk adjustment factors and methodologies, and Part D benefit parameters that were received in response to the CY 2024 Advance Notice.

Medicare Advantage Details

Relative to 2023, CMS projects that the fee-for-service (FFS) growth rate (which is the basis for MA benchmarks) will increase by 2.28%, 0.19 percentage points higher than the Advance Notice's estimate of 2.09% (see table below). The net change in plan revenue is expected to be -1.12%, a decrease compared to the CY 2023 net change of 5.00%.

Year-to-Year Percent Change in Impact	2024 Advance Notice	2024 Rate Announcement
Effective Growth Rate	2.09%	2.28%
Rebasing/Re-Pricing	TBD*	0.00%
Change in Star Ratings	-1.24%	-1.24%
Medicare Advantage Coding Intensity Adjustment	0%	0%
Risk Model Revision and Normalization	-3.12%	-2.16%
Risk Score Trend**	3.30%	4.44%
Expected Average Change in Revenue	-2.27%***	-1.12%***

* Rebasing/re-pricing impact is dependent on finalization of the average geographic adjustment index, which was not available with the publication of the CY 2024 Advance Notice.
**Average increase in MA risk scores, calculated using the risk adjustment model, or the blend of the risk adjustment models, that will be used in the upcoming year.
*** Does not include the adjustment for the underlying coding trend.

Changes from the Advance Notice include:

- **Risk Adjustment Model**: CMS finalized the update to the MA CMS-Hierarchical Condition Category (HCC) risk adjustment model (excluding the Program of All-Inclusive Care for the Elderly [PACE]) but will phase in these changes over 3 years. This update is a clinical reclassification of the HCCs using the ICD-10-CM codes. After assessing conditions that are coded with more frequency in MA than FFS, CMS added additional constraints and removed several HCCs, and diagnosis codes, to reduce the impact of coding intensity on risk scores. Beginning in CY 2024, risk scores will be calculated with blend of 67% of risk scores using the 2020 model and 33% using the updated 2024 model. For CY 2025, the blend will be 33% of risk scores using the 2020 model and 67% using the updated 2024 model. For 2026 and beyond, 100% of risk scores will be calculated using the updated 2024 model.

- **Technical Update to Medical Education Payments in the Non-ESRD United States Per Capita Cost (USPCC) Baseline:** CMS finalized the removal of MA-related medical education costs from the historical and projected expenditures supporting the final estimates of the non-end-stage renal disease FFS USPCCs. This will be phased in over 3 years beginning in the CY 2024 ratebook and ending in 2026 when 100% of the value will be applied.
- **Frailty Adjustment for Fully Integrated Dual Eligible Special Needs Plans (FIDE SNPs):** CMS finalized the frailty factors that do not include the Consumer Assessment of Healthcare Providers and Systems survey weight. CMS will implement the FIDE SNP frailty factors consistent with the updated CMS-HCC risk adjustment model for CY 2024 and will also blend in over 3 years.

Other highlights from the document include:

- **Growth Rate**: Between 2023 and 2024, CMS estimates that FFS per capita costs will increase by 2.28%. CMS adjusts for county-level relative costs when calculating the benchmarks and some county benchmarks are capped at pre-ACA amounts. CMS' estimate of the USPCC for 2024 was 2.4% less than what it had projected in the 2022 Rate Announcement. This difference is due to lower morbidity following COVID-19, a greater share of dual beneficiaries in MA, and lower spending due to the shift of knee and hip replacements from inpatient to outpatient setting.
- **Star Ratings**: According to CMS, Star Ratings were expected to decrease because the adjustments for uncontrollable circumstances due to the COVID-19 public health emergency were not included in the 2023 Star Ratings for most measures and there were additional methodological changes from the prior year.

Part D Details

As discussed in the Advance Notice, CMS will increase the 2024 benefit design parameters by 8.01% and implement Part D benefit-related Inflation Reduction Act (IRA) updates for CY 2024. Highlights from the Part D payment policy updates include:

- **Adjustments to the Part D Benefit Design Parameters:** CMS finalized a deductible increase of $40, to $545. The initial coverage limit will also increase by $380, to $5,040, and the true out-of-pocket threshold will increase by $600, to $8,000.
- **IRA Updates:** The Final Notice included details on Part D redesign-related provisions including:
    - Eliminating cost-sharing for beneficiaries in the catastrophic phase of the Part D benefit starting in CY 2024.
    - Eliminating cost-sharing for patients for Advisory Committee on Immunization Practices-recommended vaccines (including vaccine administration and dispensing fees) for beneficiaries in the initial coverage and coverage gap phases. Additionally, the Part D deductible will not apply to these products.
    - Eliminating the partial low-income subsidy (LIS) and increasing the income limits for the full LIS benefit to 150% of the Federal Poverty Level (FPL), from 135% of the FPL.

    - Eliminating the deductible for insulin products and capping cost sharing in the initial coverage and coverage gap phases to $35 for a month's supply.
- **Hierarchical Condition Category (RxHCC) Risk Adjustment Model Updates:** CMS will continue to use the 2023 RxHCC model for non-PACE organizations to adjust direct subsidy payments for Part D benefits. For PACE organizations, CMS will continue to use the 2020 RxHCC risk adjustment model to calculate Part D risk scores for 2024. CMS will continue to calculate Part D risk scores for non-PACE organizations using only risk adjustment-eligible diagnoses from encounter data and FFS claims. For PACE organizations, CMS will continue to pool risk adjustment-eligible diagnoses from encounter data, Risk Adjustment Payment System data, and FFS claims.

Star Ratings: CMS noted an average decrease of 1.24% in plans' Star Ratings, as it no longer adjusts for extreme and uncontrollable circumstances due to COVID-19. As the Advance Notice did not propose changes to the Star Ratings, CMS did not finalize any changes to the program.

- **Universal Foundation:** CMS is considering a "Universal Foundation," or subset of measures that are aligned across programs. The agency noted overwhelming support from commenters on streamlining quality measures across federal and private payer programs. The comments were mixed on measures included in Universal Foundation, and a small number of commenters recommended a variety of different measures to be included. CMS did not propose changes but will take comments into consideration in future rulemaking.
- **Potential New Measures:** Advanced Notice commenters generally supported measure concepts in Health Equity (MA and Part D); Chronic Pain Assessment and Follow-up (MA); Cross-Cutting: Sexual Orientation and Gender Identity for HEDIS Measures (MA); Cross-Cutting: Identifying Chronic Conditions in HEDIS Measures (MA); Blood Pressure Control Measures (MA); Kidney Health (MA); Social Connection Screening and Intervention (MA;, and Measuring Access to Mental Health Care on Health Outcomes Survey (MA). CMS received mixed feedback regarding Broadening the Mental Health Conditions Assessed by Health Outcomes Survey (HOS) (MA) and Addressing Unmet Health-Related Social Needs on HOS (MA). CMS has shared feedback with the National Committee for Quality Assurance and will continue to evaluate opportunities to incorporate these measures into the Star Ratings program in the future.