



Overview of the CY 2024 MA and Part D Rate Announcement

Avalere Health | Part of Fishawack Health
April 6, 2023

The MA and Part D Rate Notice and Final 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 were due March 3
- The Final Rate Notice was released on March 31

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 proposed modifying how Star Ratings are calculated and restricting the conditions under which a plan can appeal its rating
- Comments were due February 13
- The Final Rule was released on April 5

CMS released the MA and Part D Final Rule on April 5. Stakeholders should understand the combined impact of the Rate Notice and Final Rule.



CY 2024 Rate Announcement Details

MA Program Highlights

Year-to-Year Percent Change in Impact	2022 Rate Announcement	2023 Rate Announcement	2024 Advance Notice	2024 Rate Announcement
Effective Growth Rate	5.59%	4.88%	2.09%	2.28%
Rebasing/Re-Pricing Change to payments due to updating benchmark county rates	0.16%	0.39%	TBD*	0.00%
Change in Star Ratings Change in proportion of plan payments attributed to star ratings	-0.28%	0.54%	-1.24%	-1.24%
MA Coding Intensity Adjustment Reduction to MA risk scores beyond the statutory minimum of 5.9%	0%	0%	0%	0%
Risk Model Revision	0.25%	0.0%	-3.12%	-2.16%
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%**	-1.12%**

* Rebasing/re-pricing impact is dependent on the final average geographic adjustment index, which was not available with the publication of the CY 2024 Advance Notice.

** This does not include the MA risk score trend. For the 2024 Final Rate Announcement, CMS estimates a risk score growth of 4.44%, not accounting for normalization and MA coding adjustments, based on the risk adjustment model that will be used in CY 2024. In the advance notice, CMS estimated a risk score growth of 3.30% for the 2024 Advance Notice. In previous rate notices, CMS estimated average risk score increases of 3.50% for 2023 and 3.45% for 2022.

As Part of the Final Rate Notice, CMS Updated Its Assumptions and Projections Regarding FFS Spending

Effective Growth Rate: Although CMS will phase in the removal of medical education costs over 3 years (instead of 1 as originally proposed), the CY 2024 effective growth rate remains low, at 2.28%. CMS notes that the change from the Advance Notice is due to the following reasons:

1

COVID-19 Impact: The modeling has been updated to account for the effect of COVID-related deaths on morbidity, which has reduced Medicare spending by more than previously projected.

2

Dual-Eligible MA Enrollment: The modeling has been modified to account for a greater share of dual-eligible beneficiaries enrolling in MA.

3

Joint Replacement Surgeries: The modeling now explicitly accounts for the shift of hip and knee replacement surgeries from the inpatient to the outpatient setting.

These factors, combined with the gradual exclusion of medical education costs, resulted in a slightly higher FFS growth rate than the Advance Notice.

CMS Finalized 2 Major Proposals and Will Be Phased In

The 2 major provisions from the Advance Notice were finalized and will be phased in over 3 years.

Finalizing Changes to the CMS-HCC Risk Adjustment Model

Adding Technical Updates for IME and DGME Removal from MA Growth Rate

Phase-In Schedules /

	2024	2025	2026
Current Model (V20)	67%	33%	0%
Updated Model (V24)	33%	67%	100%

	2024	2025	2026
Technical Adjustment to the USPCCs	33%	67%	100%

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

ICD-10 Codes

- CMS revised the CMS-HCC model with a clinical reclassification of HCCs based on ICD-10 codes.
- CMS assessed 9 conditions that are coded with more frequency in MA compared to FFS.

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.

Phase-In Schedule: Over the 3-year phase-in period, CMS will blend the risk scores from the V20 and V24 models as follows:

	2024	2025	2026
Current Model (V24)	67%	33%	0%
Updated Model (V28)	33%	67%	100%

CMS noted the updated risk adjustment model will improve MA payment accuracy and is an essential part of its responsibility to effectively run the MA program and steward the Medicare program.

CMS Finalized the Removal of IME and DGME Costs; the Impact Will Be Phased In Over 3 Years

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 finalized MA-related medical education costs from historical costs used for their projection of the non-ESRD FFS USPPC.

Unlike the Advance Notice, which proposed a one-time change to the MA growth rate, the final rate notice will implement the change over 3 years, beginning in CY 2024.

As finalized, the 33% implementation of the removal of IME and DGME costs will lower the FFS growth rate for 2024 by 0.86%, as opposed to a full reduction of 2.58%. The MA growth rate will be reduced by 0.42%, as opposed to 1.27%.

CMS Will Increase Part D Benefit Parameters and Implement IRA Updates for CY 2024

The annual percentage increase for the 2024 benefit design parameters will be 8.01%.

CY 2024 Benefit Parameters

- Deductible: \$545, an increase of \$40
- ICL: \$5,040, an increase of \$380
- TrOOP: \$8,000, an increase of \$600

CY 2024 IRA Updates

- Elimination of beneficiary cost-sharing in the catastrophic phase
- Elimination of patient cost-sharing for ACIP-recommended vaccines. Part D deductible will not be applicable
- Expansion of the full LIS benefit to 150% of FPL
- Elimination of the deductible for insulin products with a \$35 monthly OOP cap during the initial coverage and coverage gap phases

RxHCC Updates

- Continuation of prior methodology:
 - 2023 RxHCC model for non-PACE
 - 2020 RxHCC model for PACE organizations
 - Only diagnoses from encounter data and FFS claims will be used for non-PACE risk scores
 - Diagnoses from encounter data, FFS claims, and RAPS data will be used for PACE risk scores

CMS did not make any changes to the Part D risk adjustment model, despite changes to Part D made in the IRA. Payment accuracy to plans may be impacted.



Questions?

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