

Wakely Review of 2023 Advance Notice

2/22/2022

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Welcome

This Webinar is a summary of several proposed rules, including the 2023 Advance Rate Announcement from CMS and Related public information. It is aimed at helping MA and PD plans understand the impact of these changes and identify opportunities for 2023 bids.

Caveats, Limitations, and Disclosures

The purpose of this webinar and accompanying slide deck is to educate Wakely clients and other interested parties on the impact of several key provisions impacting 2023 Medicare Advantage and Part D bids, including the Advance Rate Notice, and information presented during the November 18, 2021 Office of the Actuary user group call.

The webinar is not intended to be a comprehensive summary of all issues raised in these documents, and does not constitute legal advice. Our comments represent our interpretations and opinions on the actuarial implications of these documents. Wakely does not warrant that the impacts presented will be achieved, nor that CMS will ultimately interpret the provisions in the same manner.

Depending on the slide, our comments may reflect a nationwide perspective, or be illustrative. Individual plan impact of the new and revised rules can vary, often significantly, from the results we discuss.

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Status of Key Releases for 2022

Released

Document Title	Release Date	Main Topics
OACT User Group Agenda	11/18/2021	<i>Proposed 2023 BPT Changes and Instruction Changes</i>
Advance Notice	2/2/2022	Risk Adjustment Models, Growth Rate, FFS Norm., Stars Changes <i>Comment Deadline: 3/4/2022</i>
Final Part D Bidding Instructions	2/3/2022	Meaningful Difference; Copay Limits

Not yet released

Document Title	Potential Release Date	Main Topics
Part C Benefit Review	?	MOOP & Cost Sharing Limits; TBC
Final Announcement	4/4/2022	
BPT and PBP Software	2/22/2022 [1] 4/8/2022	
Bid Instructions	2/22/2022 [1] 4/8/2022	
FFS projections by service category	4/9/2022	
Beneficiary File	4/13/2022	

[1] Beta version

Growth Rate

■ Growth Rate

- FFS: +4.84% (Final 2022 was +5.47%)
- Total (FFS + MA): +4.25%

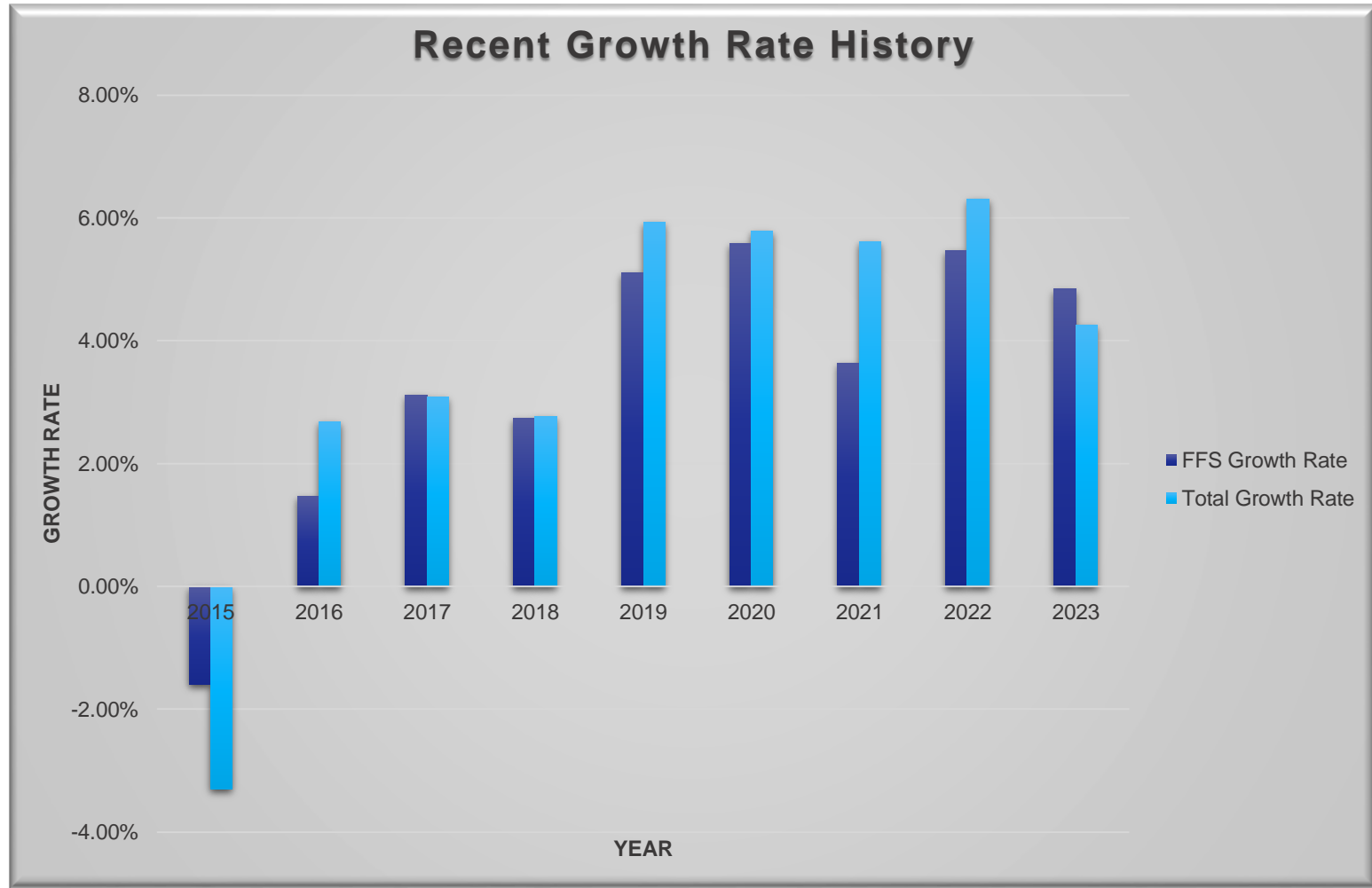
	Total USPCC – Non-ESRD	FFS USPCC – Non-ESRD	FFS Dialysis-only ESRD USPCC
Current projected 2023 USPCC	\$1,132.48	\$1,078.12	\$8,990.48
Prior projected 2022 USPCC	\$1,086.33	\$1,028.38	\$8,515.64
Percent increase	4.25%	4.84%	5.58%

Growth Rate - FFS USPCC Restatements

Year	Current	Prior	Restatement
2020	\$848.64	\$832.18	2.0%
2021	\$939.23	\$929.69	1.0%
2022	\$1,022.07	\$1,028.38	-0.6%
2023	\$1,078.12	\$1,056.60	2.0%
2023/2020	1.270	1.270	

- CMS states the following COVID-related items are incorporated in FFS projections:
 - COVID-19 vaccine with no cost sharing allowed
 - Utilization of services (presumably both deferred services and pent-up demand)
 - Changes to MA coverage created by COVID-related legislation
 - Prohibition on charging cost sharing in excess of Medicare FFS for COVID testing services during the public health emergency and vaccine cost and administration.
 - Prohibition on utilization management requirements related to COVID lab testing and testing-related services.
- During the February 4, 2022 CMS Stakeholder call, an estimate of the 2023 cost of COVID Vaccine was provided in the following components:
 - 52% of beneficiaries are expected to receive the vaccine.
 - Each user will need an average of 1.4 doses.
 - The cost per dosage is \$104.
 - This translates to about \$6.31 PMPM, which is lower than the \$7.63 estimate included in the 2022 growth rate.

Growth Rate - History



Wakely Estimated Change in Risk Adjusted Benchmark Revenue

2022 to 2023	
Growth Rate	4.83%
Applicable %	0.16%
Star Rating/Quality Bonus	0.49%
KAC/DGME	0.21%
Benchmark Cap	-0.23%
Total Benchmark Change	5.48%

Item	2022	2023	2023/2022
1.0 MA Benchmark [1]	\$1,069.61	\$1,128.26	5.48%
Raw Risk Adjustment Factor [2]	1.0000	1.0000	0.00%
FFS Normalization	1.1180	1.1270	-0.80%
MA Coding Pattern Adjustment	0.9410	0.9410	0.00%
RAF after FFS Norm & Coding Pattern	0.8417	0.8350	-0.80%
Risk-Adjusted Benchmark	\$900.28	\$942.05	4.64%
Assumed Risk-Adjusted Bid [3]	\$720.22	\$753.64	4.64%
Savings (Benchmark less bid)	\$180.06	\$188.41	4.64%
Rebate [4]	\$118.48	\$127.04	7.22%
Risk-Adjusted Bid + Rebate	\$838.70	\$880.68	5.01%
[1] Based on nationwide average MA enrollment by county as of January 2022			
[2] Assumed no trend in risk scores			
[3] Bid set at 80% of risk-adjusted benchmark			
[4] 65.8% for 2022 and 67.4% for 2023			

Benchmark Trends – County Level Variation

- Change in benchmarks can vary significantly depending on geographic area and star rating.

Rank	State	Change
1	MI	7.5%
2	DC	7.5%
3	KS	7.2%
4	AZ	7.0%
5	NY	7.0%
46	MT	4.3%
47	VT	4.3%
48	NH	4.1%
49	SD	4.0%
50	CO	3.8%

- CMS intends to rebase county level FFS rates for 2023 using claims data from 2016 to 2020.

Part C Risk Adjustment Model and FFS Normalization

Risk Score Model Changes

- For Part C risk scores, CMS proposes to continue use of the 2020 CMS-HCC model based on encounter data submission (EDS) model. This is the same model used for 2022.

FFS Normalization Trends

- CMS is proposing to exclude 2021 risk scores (2020 diagnosis data) from the calculation of the 2023 Part C FFS normalization factor. Instead they plan to continue to use 2016 – 2020 risk scores to calculate the slope.
- The proposed Part C FFS Normalization factor is 1.1270.

Year	CY2023 FFS Normalization Factor Risk Scores [1]
2016	1.019
2017	1.030
2018	1.048
2019	1.063
2020	1.078
2021	1.051
[1] Based on 2020 CMS-HCC model	

Part D and ESRD Risk Adjustment Model and FFS Normalization

Risk Score Model Changes

- CMS is proposing a significant update to the ESRD-Dialysis and ESRD-Functioning Graft models for CY2023. Some highlights include updating the clinical version from 21 to 24, new model segments for dual beneficiaries, and updating the data years. This will have a potential negative impact to overall scores.
- CMS is also proposing a new RxHCC model for PY2023 to reflect transition to ICD-10 and addition of new and correction of existing HCCs. This is will have a potential negative impact to overall scores.

FFS Normalization Trends

- ESRD: Like Part C, CMS proposes to use data years 2016 through 2020 to calculate the slope. The FFS normalization factors for the new ESRD Dialysis and Functioning Graft risk models reflect four years of trend from 2019 to 2023, and are proposed to be 1.034 and 1.048, respectively.
- Part D: The proposed Part D FFS Normalization is 1.050 and assumes four years of trend. Note, because the risk scores used to calculate the slope are based on both MA and FFS risk scores, there is a one year lag of available data. As a result, it was not necessary for CMS to consider the impact of COVID-19.

Advance Notice – ESRD

- Risk model update will drive reduction in revenue
- CMS did an analysis on using ESRD rates at a geographical level smaller than state, but no change in 2023
- ESRD membership growing following the open enrollment rule change, from 0.65% to close to 1.0%
- ESRD Dialysis Only Growth Rates vary significantly year to year
- Mandatory and Voluntary MOOPS raised in 2021 to account for ESRD members. No change in 2022, no word on 2023

CMS Projected ESRD Enrollment by Source				
Year	FFS	Open Enrollment	Existing/Non-Specific Growth	MA ESRD/ All MA
2020	399,000	0	140,000	0.65%
2021	373,000	41,500	144,500	0.83%
2022	358,000	62,250	150,750	0.91%
2023	353,000	73,317	157,683	0.96%

Year	Growth Rate
2023 (Proposed)	5.58%
2022	5.00%
2021	4.04%
2020	-0.48%
2019	9.81%
2018	1.57%

Advance Notice – EGWPs

- Continue to waive bid tool requirement
- Continue payment methodology implemented in 2022 Rate Announcement
- Early preview of bid-to-benchmark ratios provides using January 2022 provided – final ratios will use February 2022 enrollment

Applicable Percentage	2022 Bid to Benchmark Ratio	2023 Bid to Benchmark Ratio Preview	Difference
0.95	83.0%	80.8%	-2.2%
1	82.6%	79.9%	-2.7%
1.075	82.6%	79.9%	-2.7%
1.15	82.9%	79.9%	-3.0%

Notable items from OACT User Group Call

■ Related Parties

- Propose to require that all related party data be submitted to CMS as supporting documentation for bid
- Benefits and non-benefit expense would be reported in BPT consistent with contractual arrangement
- Input claim benefit field on BPTs should include providers with the same TIN (formerly not defined as related party)

■ Gain/Loss Margin for CY2023

- Proposing to replace previous aggregate MA gain/loss margin requirements with a requirement to support margin that falls outside of a specified range. (0% - 5.5%)
- Threshold for bid specific high margin requiring supporting documentation proposed to drop from 12% to 11%

Notable item from 2023 Policy and Technical Changes

- Attainment of the Maximum Out-of-Pocket Limit
 - CMS proposing to change guidance around Medicaid paid amounts or unpaid amounts towards the MOOP limit
 - Proposed rule will specify that MOOP limit calculation is based on accrual of all cost-sharing in the plan benefit, regardless of if it is paid by beneficiary, Medicaid, other secondary insurance or remains unpaid
 - This would shift costs from other sources to plan paid, impacting plans with higher DE# membership the most
 - Wakely estimated this impact using DSNP products:

	Net Paid PMPM	Member Premium
2022 Filed BPT Amount	\$1,029.44	\$32.91
BPT amount assuming state-paid cost sharing counts toward MOOP	\$1,052.93	\$47.60
Total Change	\$23.50	\$14.69
Percentage Change	2.3%	44.6%

Major Changes to the Stars Program

Upcoming changes to be aware of

- **CAHPS Weights** = Increased weighting of CAHPS measures from 2x to 4x
 - **\$100K increase** in MAO revenue – *varies significantly client to client*
- **Return to normal scoring methodology post COVID**
 - **\$3.15B decrease** in MAO revenue – *based on the current impact of EUC protections*
- **Tukey Outlier Distribution** = More aggressive cut points on HEDIS and Pharmacy Measures as outlier plans are removed
 - **\$1.0B decrease** in MAO revenue
- **Replace of measures from hybrid to Digital**



Advanced Notice Proposed Changes

Changes Supporting Health Equity

- **Stratified reporting** – expanded to more measures based on gender, LIS status, Dual status, and age group.
- **Health Equity Index** – summarize contract quality performance among those beneficiaries with social risk factors, and aggregate this information into a single score.
- **Additional Measures related to Health Equity** – CMS is further considering adding the following measures to the Star Rating Program to address the needs of those with Social Risk Factors.
 - Measure of Contracts' Assessment of Beneficiary Needs
 - Screening and Referral to Services for Social Needs



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Thank You