Session 45PD, Staying Ahead of the Star Rating Curve

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2018 SOA Health Meeting

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Session 45 Staying Ahead of the Star Rating Curve
June 25, 2018
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Staying Ahead of the Star Rating Curve

An Actuary’s Guide to Medicare Advantage Star Ratings

Presented By:
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Suzanna-Grace Sayre FSA, MAAA
Dani Beierle ASA, MAAA
Star Rating Overview

• CMS incentivizes Medicare Advantage Organizations ("MAOs") to improve quality of healthcare and pharmacy services delivered to beneficiaries via the Star Rating program
  • 5-10% increase in MA benchmarks for 4.0+ Star performance
  • Rebate % scales up with Star Rating performance
• Strong Star Rating performance enables MAOs to improve and differentiate benefit packages
• Star rating performance is oftentimes a pivotal determinant of competitive position in the marketplace

Operational Imperative

• MAOs have weathered the storm of 6 years of ACA-driven payment cuts and several risk adjustment model recalibrations
• Star rating performance is arguably the most important operational imperative for MAOs
## Payments for Quality

How Star Ratings impact the payments for a Medicare Advantage plan

<table>
<thead>
<tr>
<th>Plan Rating</th>
<th>Bonus Payment</th>
<th>New Benchmark</th>
<th>Rebate Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0</td>
<td>5%</td>
<td>105% of Benchmark</td>
<td>70%</td>
</tr>
<tr>
<td>4.5</td>
<td>5%</td>
<td>105% of Benchmark</td>
<td>70%</td>
</tr>
<tr>
<td>4.0</td>
<td>5%</td>
<td>105% of Benchmark</td>
<td>65%</td>
</tr>
<tr>
<td>3.5</td>
<td>0%</td>
<td>Benchmark</td>
<td>65%</td>
</tr>
<tr>
<td>3.0</td>
<td>0%</td>
<td>Benchmark</td>
<td>50%</td>
</tr>
<tr>
<td>New Plans under New MAOs</td>
<td>3.5%</td>
<td>103.5% of Benchmark</td>
<td>65%</td>
</tr>
<tr>
<td>Plans Not Reporting</td>
<td>0%</td>
<td>Benchmark</td>
<td>50%</td>
</tr>
</tbody>
</table>
Payments for Quality
How Star Ratings impact the payments for a Medicare Advantage plan

Sample Calculation for Plan H1111-111-000

<table>
<thead>
<tr>
<th></th>
<th>Original Values</th>
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<th>3.5 Stars</th>
<th>4.0 Stars</th>
<th>4.5 Stars</th>
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<tr>
<td>Risk Score</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
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<tr>
<td>Benchmark</td>
<td>900</td>
<td>900</td>
<td>900</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td>=900*105%</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>=945</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
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<td>=900*105%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Bid</td>
<td>800</td>
<td>800</td>
<td>800</td>
<td>800</td>
<td>800</td>
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<tr>
<td>Gross Rebate</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>145</td>
<td>145</td>
</tr>
<tr>
<td>Rebate Percentage</td>
<td>50%</td>
<td>65%</td>
<td>65%</td>
<td>70%</td>
<td></td>
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<tr>
<td>Plan Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>=800*1.0 +</td>
<td>=800*1.0 +</td>
<td>=800*1.0 +</td>
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<tr>
<td></td>
<td>($900 - $800)*50%*1.0</td>
<td>($900 - $800)*65%*1.0</td>
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<td></td>
<td>=850 PMPM</td>
<td>=865 PMPM</td>
<td>=894.25 PMPM</td>
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</table>

Plan Revenue (PMPM)

Payments for Quality
How Star Ratings impact the payments for a Medicare Advantage plan

Plan Star Rating

3.0 3.5 4.0 4.5
$850.00 $865.00 $894.25 $901.50

Plan Revenue

(PMPM)
Star Ratings Increase the amount of benefits that can be provided

Issuer Cost to Provide Medicare Benefits

@ 3.0 Stars
- Portion of Savings to be Used for Enhanced Benefits and reduced Premium: 50%
- Savings Retained by CMS: 50%

@ 3.5 Stars
- Portion of Savings to be used for Enhanced Benefits: 65%
- Savings Retained by CMS: 35%
### Star Ratings Increase the amount of benefits that can be provided

<table>
<thead>
<tr>
<th>Member Months</th>
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<tbody>
<tr>
<td>Risk Score*(1-MSP factor)</td>
<td>1.00</td>
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#### CMS Benchmark

<table>
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<tr>
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<tbody>
<tr>
<td>Standardized Benchmark Rate</td>
<td>$900</td>
<td>$900</td>
<td>$945</td>
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<tr>
<td>Risk-Adjusted Benchmark Rate</td>
<td>$900</td>
<td>$900</td>
<td>$945</td>
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#### Plan Bid

<table>
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<th>3.0 Stars</th>
<th>3.5 Stars</th>
<th>4.0 Stars</th>
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<tr>
<td>Basic Claims Cost</td>
<td>$750</td>
<td>$750</td>
<td>$750</td>
</tr>
<tr>
<td>Total Basic Admin</td>
<td>$30</td>
<td>$30</td>
<td>$30</td>
</tr>
<tr>
<td>Margin</td>
<td>$20</td>
<td>$20</td>
<td>$20</td>
</tr>
<tr>
<td>Risk-Adjusted Plan Bid (Revenue Requirement)</td>
<td>$800</td>
<td>$800</td>
<td>$800</td>
</tr>
<tr>
<td>Standardized Bid (1.0 Risk Score)</td>
<td>$800</td>
<td>$800</td>
<td>$800</td>
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</table>

#### Rebate Calculation

<table>
<thead>
<tr>
<th></th>
<th>3.0 Stars</th>
<th>3.5 Stars</th>
<th>4.0 Stars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Savings</td>
<td>$100</td>
<td>$100</td>
<td>$145</td>
</tr>
<tr>
<td>Plan Rebate %</td>
<td>50.0%</td>
<td>65.0%</td>
<td>65.0%</td>
</tr>
<tr>
<td>Plan Rebate Revenue</td>
<td>$50</td>
<td>$65</td>
<td>$94</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>3.0 Stars</th>
<th>3.5 Stars</th>
<th>4.0 Stars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part C Rebates Deployed to Reduce A/B Cost Sharing and Mand Suppl Benefits</td>
<td>$50</td>
<td>$65</td>
<td>$94</td>
</tr>
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</table>

#### Total Supplemental Benefits Offered

<table>
<thead>
<tr>
<th></th>
<th>3.0 Stars</th>
<th>3.5 Stars</th>
<th>4.0 Stars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppl Claims Cost</td>
<td>$46.88</td>
<td>$60.94</td>
<td>$88.36</td>
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<tr>
<td>Total Supplemental Admin</td>
<td>$1.88</td>
<td>$2.44</td>
<td>$3.53</td>
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<tr>
<td>Suppl Margin</td>
<td>$1.25</td>
<td>$1.63</td>
<td>$2.36</td>
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<tr>
<td>MA Supplemental Benefits Revenue Requirement</td>
<td>$50</td>
<td>$65</td>
<td>$94</td>
</tr>
</tbody>
</table>
ACA Benchmark Caps

Over **700 counties** were “capped” in both 2018 and 2019 before any Quality Bonus Payments. For these counties, star rating will *not* impact their benchmarks.

More counties still will not receive the full amount of the Quality Bonus.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>43550</td>
<td>MI</td>
<td>MASON</td>
<td>$828.23</td>
<td>$893.12</td>
<td>$807.31</td>
<td>$842.06</td>
<td>($20.92)</td>
<td>($51.06)</td>
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<tr>
<td>38290</td>
<td>KY</td>
<td>ROCKCASTLE</td>
<td>$899.30</td>
<td>$923.06</td>
<td>$828.04</td>
<td>$877.20</td>
<td>($71.26)</td>
<td>($45.86)</td>
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<tr>
<td>18974</td>
<td>AL</td>
<td>COFFEE</td>
<td>$840.93</td>
<td>$902.15</td>
<td>$826.80</td>
<td>$876.13</td>
<td>($14.13)</td>
<td>($26.02)</td>
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<tr>
<td>65190</td>
<td>AL</td>
<td>DEKALB</td>
<td>$836.39</td>
<td>$952.36</td>
<td>$786.27</td>
<td>$828.14</td>
<td>($50.12)</td>
<td>($124.22)</td>
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<tr>
<td>14440</td>
<td>IN</td>
<td>SPENCER</td>
<td>$871.28</td>
<td>$902.15</td>
<td>$830.29</td>
<td>$876.13</td>
<td>($40.99)</td>
<td>($15.64)</td>
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<tr>
<td>46150</td>
<td>MO</td>
<td>RIPLEY</td>
<td>$872.65</td>
<td>$933.81</td>
<td>$830.18</td>
<td>$879.40</td>
<td>($42.47)</td>
<td>($54.41)</td>
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<tr>
<td>50360</td>
<td>KY</td>
<td>BATH</td>
<td>$866.89</td>
<td>$943.53</td>
<td>$820.69</td>
<td>$877.70</td>
<td>($46.20)</td>
<td>($65.83)</td>
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<tr>
<td>37760</td>
<td>PA</td>
<td>JUNIATA</td>
<td>$852.39</td>
<td>$884.41</td>
<td>$792.92</td>
<td>$839.32</td>
<td>($59.47)</td>
<td>($45.09)</td>
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<tr>
<td>39100</td>
<td>GA</td>
<td>UPSON</td>
<td>$870.88</td>
<td>$914.81</td>
<td>$820.32</td>
<td>$868.67</td>
<td>($50.56)</td>
<td>($46.14)</td>
</tr>
<tr>
<td>26130</td>
<td>WI</td>
<td>ONEIDA</td>
<td>$879.81</td>
<td>$909.73</td>
<td>$828.34</td>
<td>$877.42</td>
<td>($51.47)</td>
<td>($32.31)</td>
</tr>
</tbody>
</table>
Year over Year Trends in Star Ratings

Percent of Contracts at each Star Rating

Percent of Membership at each Star Rating
Challenges

- Lack of timely data-driven insight into how competing MAOs are performing
- CMS reporting lag limits visibility
- Simplified quality measure cut-point projections
- New Crosswalk Restrictions (Final Rule)
- Driving organizational focus on the importance of star ratings
Star Rating Tiers

Source: CMS published 2018 Technical notes
Measure Categories

Priorities of the Star Rating System

Outcomes

Intermediate Outcomes

Process

Access

Patient Experience
Measure Data Sources

Source: CMS published 2018 Technical notes
Calculating Star Ratings

The following slides walk through the clustering methodology used to assign each measure’s star ratings.

The next step then is to aggregate each measure’s star ratings to determine a contract’s Summary part C, D, and Overall Star Ratings. This process is also shown in the following slides.
Step 1: Gather Data and run Clustering Methodology

The **clustering methodology** used to create measure cutpoints is done so that the scores in the same Star Rating level are as similar as possible and the scores in different Star Rating levels are as different as possible.

*Source: CMS published 2018 Technical notes*
Step 2: Assign Measure Level Stars

Because the clustering methodology is dependent on every contract’s measure value, cutpoints can change significantly year to year.

This can make targeting a specific measure star rating a difficult task.

<table>
<thead>
<tr>
<th>Star Rating</th>
<th>PY 2017 Cutpoints</th>
<th>PY 2018 Cutpoints</th>
<th>PY 2019 Cutpoints</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>&lt; 39%</td>
<td>&lt; 43%</td>
<td>&lt; 56%</td>
</tr>
<tr>
<td>2</td>
<td>≥ 39% to &lt; 63%</td>
<td>≥ 43% to &lt; 63%</td>
<td>≥ 56% to &lt; 70%</td>
</tr>
<tr>
<td>3</td>
<td>≥ 63% to &lt; 74%</td>
<td>≥ 63% to &lt; 69%</td>
<td>≥ 70% to &lt; 78%</td>
</tr>
<tr>
<td>4</td>
<td>≥ 74% to &lt; 80%</td>
<td>≥ 69% to &lt; 76%</td>
<td>≥ 78% to &lt; 84%</td>
</tr>
<tr>
<td>5</td>
<td>≥ 80%</td>
<td>≥ 76%</td>
<td>≥ 84%</td>
</tr>
</tbody>
</table>
Step 3: Weight each C and D measure to an overall

<table>
<thead>
<tr>
<th>Category</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Improvement</td>
<td>5</td>
</tr>
<tr>
<td>Outcomes and Intermediate Outcomes</td>
<td>3</td>
</tr>
<tr>
<td>Patient Experience/Complaints and Access</td>
<td>1.5</td>
</tr>
<tr>
<td>Process</td>
<td>1</td>
</tr>
<tr>
<td>New Measures</td>
<td>1</td>
</tr>
</tbody>
</table>

**Weight each C and D measure** to get a preliminary Overall Star Rating both with and without Quality Improvement Measures.

Each measure receives a **weighting based on the category it falls under**. **Improvement measures** are given the highest weight of 5 and **Process Measures and New measures** are given the lowest weight of 1.

**Quality Improvement Measures** cannot hurt a high performing contract (Hold Harmless Provision).
Additional Adjustments

CAI and Reward factors

The following are additional adjustments applied to the Raw Overall and Summary star ratings to Calculate Final Overall and Summary Star Ratings.

**Reward Factor**
- Rewards contracts for having **consistency** and **low variability** among their measure level results.

**Categorical Adjustment Index**
- Adjusts for contracts that have a higher than average **Low Income and Disabled Population**
- This is a **temporary adjustment** until a more permanent solution is established.
Step 4: Calculate the Reward Factor

**Mean** is the weighted average of all C and D measures, pulled from the previous step. Each contract's mean is then compared to all other contracts to determine its percentile.

**Variability** is the weighted variance of all measures across a contract. The variance is also compared to all other contracts to determine a percentile.

These two percentiles are then categorized into **“Low”, “Medium”, or “High”** to determine a reward factor. This factor is added to the Overall Star Rating.
Step 5: Add in the Categorical Adjustment Index

The Categorical Adjustment Index (CAI) is meant to help adequately compensate contracts that serve a larger portion of the Low Income and Disabled Population.

Contracts are grouped into LIS/DE Groups and Disability Groups based on their percentage of LIS/DE members and percentage of Disabled members.

From there, Contracts receive an additive adjustment based on the group intersection they fall into.
Timing
Payment Year 2020

2017
• Data for actual Star measures is collected

2019
• Calendar Year 2019 Stars are in place. Members enrolling in MA plans for the coverage year 2019 will see this star rating.

2020
• Plan Year 2020 payments are determined based on Calendar Year 2019 Star Ratings

October 2018
• CMS Report Card for Calendar Year 2019 Stars is released

June 2019
• Bids are submitted for the 2020 payment year
Timing
What if I made a change today?!

June 25th, 2018
- SOA Health Meeting – “wow, our organization needs to work on our quality star ratings!”

January 1st, 2019
- Initiative in place to improve all measures

October 2020
- CMS releases Report Card
- You got 5 stars, good job!

2022
- Payments for star ratings and data collected in 2019
Star Rating Changes in Payment Year 2019

CMS will adjust the 2019 Star Ratings to take into account the effects of natural disasters that occurred during the 2017 performance period. These include:

- Hurricane Harvey
- Hurricane Irma
- Hurricane Maria
- Wildfires in California

CMS will use the higher of 2018 or the adjusted 2019 Star Ratings for each CAHPS measure, as well as allowances related to HOS adjustments.
Star Measure Changes in 2019

**New Measures**
- Statin Therapy for Patients with Cardiovascular Disease
  - Part C
  - Weight of 1 in the first year, 3 in subsequent years
- Statin Use in Persons with Diabetes
  - Part D
  - Weight of 1

**Changes to Measures**
- Improvement Measures
  - Part C & D
- Medication Adherence
  - Part D
- Expansion of data sources used to identify excluded ESRD beneficiaries
- MPF Price Accuracy
  - Part D
- Changes to factors and the claims included
- Members Choosing to Leave the Plan
  - Part C & D
- Expansion of member exclusions

**Removal of Measures**
- Beneficiary Access and Performance Problems
  - Part C & D
- Reducing the Risk of Falling
  - Part C
- Temporary Removal
- Intend to add back in 2021 Star Ratings
Upcoming Changes to Star Ratings

Payment Year 2020

• CAHPS measure weights will increase from 1.5 to 2.0
• For consolidated contracts, the overall star rating will be a weighted average of each contract star rating based on enrollment

Payment Year 2021

• For the first and second years following contract consolidations, star rating treatment will be based on the enrollment-weighted mean of the measure scores of the surviving and consumed contracts

Payment Year 2022

• Proposed changes will begin for measure data collected starting in 2019 (impacting payment year 2022)
• Measures will be removed if there is either a change in clinical guidelines or reliability issues
• To add new measures, CMS will request feedback via the advance and final Call Letter, and new measures will be incorporated into the display page for at least two years before being added to the Star Rating calculation (consistent with current practice but is now required)
Contract Consolidation

New rules for determining star ratings for consolidated contract

- Starting in **Payment Year 2020**, Contracts that consolidate will receive the **weighted average star rating** for the purposes of determining rebate percentage and quality bonus payments in the first year that they consolidate.
- **Later years** will be determined by combining measure level scores and determining a combined contract star rating.
- The **situation shown to the right** still creates a **favorable result** for the two contracts consolidating, however there are also situations in which consolidating could actually worsen the payment status for the two contracts.
CMS Guidance on Benefit Design Flexibility

- CMS Guidance released April 2018
  - Reinterpretation of the Benefit Uniformity Requirement
  - Reinterpretation of the definition of “Primarily Health Related” for supplemental benefits
- Together, these reinterpretations broaden the options available to MA plans in designing benefit packages for 2019 and beyond
- With the added flexibility, MAOs will be able to:
  - Tailor benefits to promote clinical and care management goals for beneficiaries afflicted with specific conditions (e.g. reduced PCP copays for diabetics)
  - Offer an expanded menu of supplemental benefits (e.g. bathroom safety devices)
  - Tailor benefits to improve specific measures and improve overall Star Rating
Sample Strategy

1. Identify Performance Deficiency
2. Adapt Benefits to Reduce Barriers and/or improve compliance
3. Improve Measure Performance
4. Increase CMS revenue
Polling Question

Have you worked on Medicare Advantage Stars operations and improvement initiatives at your organization?

- Yes - I live and breath stars: 8%
- Yes - but only at cursory level: 42%
- No - but I like to consider myself a star performer: 50%
Polling Question

What was the first year when star ratings impacted Medicare Advantage payments?
Polling Question

What is your organization's largest challenge/frustration with the Star Rating program?

- Being evaluated against a moving target (cut-points, measure weight changes, measure changes) 36%
- Timing lag between performance and impact on revenue 36%
- Insufficient adjustment for socioeconomic challenges 9%
- Historical contract consolidations for purpose of increasing quality bonus payments 0%
- Driving organizational focus on the importance of star ratings 18%
- No challenges - this star rating stuff is easy breezy 0%