

# Issue Brief

FEDERAL ISSUE BRIEF



Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

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## CMS Issues Calendar Year (CY) 2024 Advance Notice for the Medicare Advantage (MA) and Part D Prescription Drug Programs

The Centers for Medicare and Medicaid Services (CMS) have issued planned changes in the Medicare Advantage (MA) capitation rate methodology and risk adjustment methodology applied under Part C for CY 2024. Also included is a discussion of the annual adjustments for CY 2024 to the Medicare Part D benefit parameters for the defined standard benefit, including those necessitated by the **Inflation Reduction Act of 2022** (IRA). CMS says it will announce the MA capitation rates and final payment policies for CY 2024 no later than Monday, April 3, 2023.

A comment period ending March 3 is provided. A copy of the 139-page document is available at: <https://www.cms.gov/files/document/2024-advance-notice.pdf> and selecting "2024 Advance Notice."

### Net Payment Impact

The chart below indicates the expected impact of the proposed policy changes on MA plan payments relative to last year. The chart is from CMS' fact sheet accompanying the notice.

#### Year-to-Year Percentage Change in Payment

Impact	2024 Advance Notice
Effective Growth Rate	2.09%
Rebasing/Re-pricing	TBD
Change in Star Ratings	-1.24%
MA Coding Pattern Adjustment	0.00%
Risk Model Revision and Normalization	-3.12%
MA risk score trend	3.30%
<b>Expected Average Change in Revenue</b>	<b>1.03%</b>

### Preliminary Estimates of the National Per Capita Growth Percentage and the National Medicare Fee-for-Service Growth Percentage for Calendar Year 2024

Each year in the Advance Notice, CMS updates its historical estimates of per capita Medicare costs based on recent data, and provides an estimate for an additional projection year.

Specifically, CMS provides estimates of three separate United States Per Capita Costs (USPCCs).

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## Non-ESRD

- **FFS USPCC:** the USPCC for Medicare Fee-for-Service (FFS) aged/disabled beneficiaries except those beneficiaries who are in End Stage Renal Disease (ESRD) status for payment purposes, i.e., those beneficiaries who are in dialysis, transplant, or functioning graft status.
- **Total USPCC:** the USPCC for Medicare Part C and FFS beneficiaries except those beneficiaries who are in ESRD status for payment purposes.

## ESRD

- **FFS Dialysis ESRD USPCC:** the USPCC for beneficiaries in FFS with ESRD who are in dialysis status (i.e., "Dialysis ESRD").

## Growth Rates

The effective growth rate reflects the current estimate of the growth in benchmarks used to determine payment for Medicare Advantage plans. This growth rate is largely driven by the growth in Medicare Fee-For-Service (FFS) per capita costs, as estimated by the Office of the Actuary. Included in the 2024 growth rate estimate is a proposed technical correction to the per capita cost calculations related to indirect and direct medical education costs associated with services furnished to MA enrollees; this correction results in a one-time adjustment to the growth rates.

CY 2021 is the base year for the Medicare Advantage experience reflected in the Advance Notice 2024 baseline. The 2022 and 2023 risk-adjusted benchmarks, bids, and rebates are estimated based on the growth rates that are derived from the summarized 2022 and 2023 bids and using plans' projections of enrollment and risk scores.

The Medicare FFS unit cost increases supporting the USPCCs for 2022–2024 will be available on the CMS website at: <https://www.cms.gov/Medicare/HealthPlans/MedicareAdvtgSpecRateStats/FFS-Trends>.

CMS is proposing to remove MA-related IME and DGME costs from the historical and projected expenditures supporting the non-ESRD FFS USPCCs beginning with the CY 2024 rate-book.

The effects of the proposed change on the USPCCs include:

- First, the proposed change lowers the 2024 non-ESRD FFS USPCC and the corresponding non-ESRD FFS growth percentage by 2.13 percent. This growth percentage is used in the calculation of the specified amount for all counties.
- Second, the proposed change lowers the 2024 non-ESRD Total USPCC and the corresponding MA growth percentage by 1.06 percent. This growth percentage is used in the calculation of the applicable amounts which serve as a cap on the specified amount for a subset of affected counties.
- The proposed change is not expected to have any impact on the 2024 dialysis ESRD USPCC.

## Part C Risk Adjustment Model Revision

CMS is proposing a revised Part C risk adjustment model. The proposed model includes important technical updates, including restructured condition categories using the *International Classification of Diseases (ICD)-10* classification system (instead of the ICD-9 classification system), and updated underlying FFS data years (from 2014 diagnoses and 2015 expenditures to 2018 diagnoses and 2019

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expenditures), as well as revisions focused on conditions that are subject to more coding variation. The proposed new risk adjustment model reflects more current costs associated with various diseases, conditions, and demographic characteristics, takes into account the ICD-10 diagnostic classification system that has been in use for medical payment since 2015, and includes revisions designed to reduce the sensitivity of the model to coding variation.

### **Inflation Reduction Act of 2022 (IRA) Updates for 2024**

The IRA made several amendments and additions to the standard Part D drug benefit . The Part D benefit-related IRA updates that will be in place for CY 2024 and that are described in the Advance Notice include:

- Beginning in CY 2024, cost-sharing for Part D drugs will be eliminated for beneficiaries in the catastrophic phase of coverage.
- Beginning in CY 2024, the Low-Income Subsidy program (LIS) under Part D will be expanded so that beneficiaries who earn between 135 and 150 percent of the federal poverty level and meet statutory resource limit requirements will receive the full LIS subsidies that were prior to 2024 only available to beneficiaries earning less than 135 percent of the federal poverty level.
- During CY 2024, Part D plans must not apply the deductible to any Part D covered insulin product and must charge no more than \$35 per month's supply of a covered insulin product in the initial coverage phase and the coverage gap phase.
- During CY 2024, Part D plans must not apply the deductible to an adult vaccine recommended by the Advisory Committee on Immunization Practices and must charge no cost-sharing at any point in the benefit for such vaccines.
- Beginning in CY 2024, the growth in the Base Beneficiary Premium will be capped at 6 percent.
- The Base Beneficiary Premium for Part D is limited to the lesser of a 6% annual increase, or the amount that would otherwise apply under the prior methodology had the IRA not been enacted.

Please note that IRA provisions that take effect in 2025 and beyond will be addressed in future Advance Notices and Rate Announcements.

### **Part C and D Star Ratings**

Star Ratings updates for CY 2024 include providing the list of eligible disasters for adjustment, non-substantive updates to several measure specifications, and the list of measures included in the Part C and D Improvement measures and Categorical Adjustment Index for the 2024 Star Ratings to be issued later this year.

### **Comment**

The notice is highly technical and detailed. It is too simple to just assume that the estimated increase in revenue is going to be 1.09 percent as noted in the chart above.

While the notice is quite technical, it is well written explaining the changes being finalized.