Issue Brief

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Advance Notice of Methodological Changes for CY 2020 for Medicare Advantage Capitation Rates, Part C and Part D Payment Policies and 2020 Draft Call Letter

The Centers for Medicare & Medicaid Services released proposed changes that "will take significant steps in continuing the agency's efforts to maximize competition among Medicare Advantage and Part D plans. These proposals will increase plan choices and benefits and include important actions to address the opioid crisis." These changes, which CMS calls Part II, are detailed in a 210-page document available at https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Advance2020Part2.pdf.

CMS released Part I of the Advance Notice on Dec. 20, 2018. CMS will accept comments on all proposals in Part I and Part II through Friday, March 1, 2019, before publishing the final Rate Announcement and Call Letter by April 1, 2019.

In addition, CMS has provided a fact sheet summarizing the changes being proposed. A copy of the fact sheet is at https://www.cms.gov/newsroom/fact-sheets/2020-medicare-advantage-and-part-d-advance-notice-part-ii-and-draft-call-letter.

The following are abstracts from both the Part II letter and its complementing fact sheet.

THE LETTER STATES:

"On Dec. 20, 2018, we released for comment proposed changes to the Part C risk adjustment model used to pay for aged and disabled beneficiaries with a comment deadline of Feb. 19, 2019. We are extending this deadline and are continuing to solicit comment on those proposed changes until Friday, March 1, 2019. In accordance with Section 1853(b)(2) of the Social Security Act, we are now notifying you of additional planned changes in the MA capitation rate methodology and risk adjustment methodology applied under Part C of the Medicare statute for CY 2020. Also included with this notice are proposed changes in the payment methodology for CY 2020 for Part D and annual adjustments for CY 2020 to the Medicare PartD benefit parameters for the defined standard benefit. For 2020, CMS will announce the MA capitation rates and final payment policies on Monday, April 1, 2019, in accordance with the timetable required by Section 1853(b), as established in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003."

Attachment I shows the preliminary estimates of the national per capita MA growth percentage and the national

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Medicare fee-for-service growth percentage, which are key factors in determining the MA capitation rates. Attachment II sets forth changes in the Part C payment methodology for CY 2020. Attachment III sets forth the changes in the Part D payment methodology for CY 2020. Attachment IV presents the annual adjustments for CY 2020 to the Medicare Part D benefit parameters for the defined standard benefit. Attachment V presents the preliminary risk adjustment factors.

Attachment VI provides the draft CY 2020 Call Letter for MA organizations; Section 1876 cost-based contractors; prescription drug plan (PDP) sponsors; demonstrations; Programs of All-Inclusive Care for the Elderly (PACE) organizations; Medicare-Medicaid Plans (MMPs); and employer and union-sponsored MA or Part D group plans, including both employer/union-only group health plans and direct contract plans. The draft CY 2020 Call Letter contains proposals relating to the quality rating system and information these plan sponsor organizations will find useful as they prepare their bids for the new contract year. In addition, the draft CY 2020 Call Letter includes draft bid and operational guidance for plans.

THE FACT SHEET

Net Payment Impact

The chart below indicates the expected impact of the proposed policy changes on plan payments relative to last year.

Year-to-Year Percentage Change in Payment[1]	
Impact	**2020 Advance Notice**
Effective Growth Rate	4.59%
Rebasing/Re-pricing	TBD[2]
Change in Star Ratings	-0.14%
Medicare Advantage coding intensity adjustment	0.0%
Risk Model Revision	0.28%
Encounter Data Transition	-0.06%
Employer Group Waiver Plan Payment Policy	0.0%
Normalization	-3.08%
Expected Average Change in Revenue	**1.59%**

[1]*The Expected Average Change in Revenue reported above does not include an adjustment for underlying coding trend. For 2020, CMS expects the underlying coding trend to increase risk scores, on average, by 3.3 percent.*

[2]*Rebasing/re-pricing impact is dependent on finalization of average geographic adjustment index and will be available with the publication of the 2020 Rate Announcement*

2020 Part C Risk Adjustment Model Proposals

CMS is proposing changes to the CMS – Hierarchical Condition Category (HCC) Risk Adjustment model that is used to pay for beneficiaries enrolled in Medicare Advantage plans. The 21st Century Cures Act requires CMS to make adjustments to the risk adjustment model to take into account the number of conditions an individual beneficiary may have, and to make an additional adjustment as the number of conditions increases. For 2020, CMS is proposing to implement the model

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proposed, but not finalized in the 2019 Rate Announcement. This model adds variables that count the number of conditions a beneficiary may have that are in the risk adjustment model ("payment conditions"). In addition to the proposed model, CMS is presenting an alternate Payment Condition Count model that is similar, but also includes additional condition categories not in the current risk adjustment model for pressure ulcers and dementia. CMS is soliciting comment on which version of the model to begin implementing with 2020 payments.

Further, the ***21st Century Cures Act*** requires that CMS fully phase in the required changes to the risk adjustment model by 2022. CMS is therefore proposing to begin the phase in of this new model in 2020, starting with a blend of 50 percent of the risk adjustment model first used for payment in 2017 and 50 percent of the new risk adjustment model proposed.

Using Encounter Data

The model proposed in Part I of the Advance Notice for 2020 builds upon the model being used for 2019 risk adjustment payments that includes technical updates such as calibrating the model with more recent data, selecting diagnoses with the same method used for encounter data, and including additional condition categories for mental health, substance use disorder, and chronic kidney disease.

For 2020, CMS proposes to calculate risk scores by adding 50 percent of the risk score calculated using diagnoses from encounter data, and 50 percent of the risk score calculated with diagnoses from Risk Adjustment Processing System inpatient diagnoses, and fee-for-service diagnoses.

Coding Pattern Adjustment

Each year, as required by law, CMS makes an adjustment to plan payments to reflect differences in diagnosis coding between Medicare Advantage organizations and FFS providers. In CY 2020, CMS proposes to apply a coding pattern adjustment of 5.9 percent, which is also the minimum adjustment for coding intensity required by the statute.

2020 DRAFT CALL LETTER

Improving Drug Utilization Review Controls (Opioids)

CMS is proposing a number of additional policies for 2020 to help Medicare plan sponsors prevent and combat prescription opioid overuse.

Star Ratings Enhancements

CMS is proposing a policy to adjust the 2020 Star Ratings in the event of extreme and uncontrollable circumstances, such as major hurricane weather events.

CMS is also proposing several measure updates and announcing the removal of three measures from the 2022 Star Ratings. CMS is proposing the removal of the following measures from the 2022 Star Ratings program due to the measures showing low statistical reliability:

- Adult BMI Assessment (Part C)
- Appeals Auto-Forward (Part D)
- Appeals Upheld (Part D)

CMS is proposing to temporarily remove the Controlling High Blood Pressure (Part C) measure from the 2020 and 2021 Star Ratings due to a substantive measure specification change to align with the release of new hypertension treatment guidelines from the American College of Cardiology and American Heart Association.

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Special Supplemental Benefits for the Chronically Ill

Analysis provided for MHA by Larry Goldberg, Goldberg Consulting

The ***Bipartisan Budget Act of 2018*** amended the statute to allow MA plans, beginning CY 2020, to offer non-primarily health related supplemental benefits to chronically ill enrollees. The law also permits the secretary, only with respect to supplemental benefits provided to a chronically ill enrollee under the new provision, to waive uniformity requirements, allowing MA plans to vary these supplemental benefits based on the individual enrollee's specific medical condition and needs. Special supplemental benefits for the chronically ill do not have to be uniform across the entire population of the chronically ill and may include, but are not limited to, transportation for non-medical needs, home-delivered meals (beyond the current allowable limited basis), food and produce. In the draft Call Letter, CMS provides guidance about these new special supplemental benefits for the chronically ill, including the definition of a chronic condition and how to submit these benefits in the MA bid. CMS is soliciting stakeholder feedback on this proposed guidance.

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