Understanding the 2020 Medicare Advantage Advance Notice – Part I
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Overview of current MA risk score model

2020 Advance Notice proposed changes

Implications to Medicare Advantage Organizations (MAOs) revenue

Timeline payment year 2020 CMS releases
Medicare Advantage Risk Adjustment

Raw Risk Score = Patient Demographic Score + Health Status

- CMS calculates factors for risk adjustment from Medicare Advantage and FFS claim data
- Plans submit claims experience and encounter data
- Prior year diagnoses are used for following year payments (i.e. 2018 dates of service determine 2019 CMS risk score and payment)

CMS-HCC model (Hierarchical Condition Categories)

- Demographic Score: Starting point is a demographic, Medicaid, originally disabled factor
- New enrollees only have this factor
- Health Status: Use inpatient and ambulatory prior year ICD-9 diagnoses
- Raw Risk Scores are adjusted by FFS normalization and coding pattern differences to Payment Risk Scores

RAPS and EDS overview

- Starting in 2008 CMS began effort to transition from Risk Adjustment Processing System (RAPS) to Encounter Data System (EDS)
- For payment year 2015 (2014 dates of service), EDS used as supplemental source of diagnoses to RAPS
- EDS transition began with payment year 2016 risk scores
Patient demographic coefficient estimated separately for each segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Criteria</th>
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</table>
| New enrollees            | • Less than 12 months of Part B enrollment in the data collection year  
                           | • Only receive patient demographic coefficient; No health status coefficient applied                                                      |
| Community continuing enrollees | • With 12 months of Part B enrollment in the data collection year residing in the community (in the payment month)  
                                     | • Six different segments: Aged/Disabled; Non-Dual/Full Dual/Partial Dual  
                                     | • Based on age as of February 1 of the payment year  
                                     | • Dual status based on the payment month                                                  |
| Institutional continuing enrollees | • In a long-term institutional facility (based on payment month)                                                                        |

Community and institutional segments have the same age/sex variables and HCCs, with some differing interactions terms.
## 2018 Data Submission and Payment Timeline

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td><strong>Initial Payment</strong></td>
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<tr>
<td>Dates of Service</td>
<td>7 8 9 10 11 12</td>
<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
<td>1 2 3 4 5 6 7 8</td>
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<tr>
<td>Submission Deadline</td>
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<tr>
<td>Payment Months</td>
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<tr>
<td><strong>Midyear Payment</strong></td>
<td>Dates of service for 2018 initial payment (RAPS)</td>
<td>Dates of service for 2018 mid-year payment (RAPS &amp; EDS)</td>
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<td>Payment Months</td>
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<tr>
<td>Midyear Sweep</td>
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<tr>
<td><strong>Final Payment</strong></td>
<td>Dates of service for 2018 final payment (RAPS &amp; EDS)</td>
<td>Dates of service for 2018 final payment (RAPS &amp; EDS)</td>
<td>Retroactive payments</td>
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<tr>
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<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
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<tr>
<td>Submission Deadline</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final Sweep</td>
<td></td>
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</tr>
</tbody>
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1. 9/1/17 is deadline to submit Jul 2016 – Jun 2017 dates of service diagnoses codes through RAPS to CMS for 2018 Initial Payment
2. 3/2/18 is deadline to submit Jan 2017 – Dec 2017 dates of service diagnoses codes through EDS/RAPS to CMS for 2018 Midyear Payment
3. 1/31/19 is deadline to submit Jan 2017 – Dec 2017 dates of service diagnoses codes through EDS/RAPS to CMS for 2018 Final Payment

M (Mid-year sweep) – additional payment in Aug 2018 to adjust prior 2018 payments, due to the diagnosis period being shifted forward by six months

F (Final sweep) – final true-up payment in Aug 2019 to adjust all 2018 payments, due to the run-out of diagnoses reporting*

* For PY 2017 RAPS submissions are due 5/4/2018 and EDS submissions are due 9/14/18, but that may not be the case for PY 2018
RAPS and EDS

Methodology

**RAPS**
- MAOs filter diagnosis codes based on CMS guidance
- MAOs compile filtered diagnosis codes in RAPS files and submit to CMS
- CMS reviews RAPS files for duplicates/errors but does not verify validity of filtering logic or resulting list of diagnosis codes
- CMS relies on Risk Adjustment Data Validation (RADV) audits to ensure submitted diagnosis codes are supported by patient charts

- **2016:** 90%
- **2017:** 75%
- **2018:** 85%
- **2019:** 75%

**EDS**
- MAO submits all unfiltered encounter data to CMS
- CMS applies filtering logic to extract valid diagnosis codes
- MAO needs to verify that data submitted is complete and accurate and that all appropriate diagnosis codes are being accepted for risk adjustment
- CMS filtering may exclude diagnoses that were previously included in RAPS
- Claims that are inconsistent with FFS coding standards may be excluded

- **2016:** 10%
- **2017:** 25%
- **2018:** 15%
- **2019:** 25%
Reason for proposed changes

**Rule Overview**

- **21st Century Cures Act**
  - Account for the number of diseases or conditions a beneficiary may have, making an adjustment as the number increases
  - Three year phase-in period from 2019 to 2021, fully implemented by 2022
  - Include the additional factors for substance use disorder, mental health, and chronic kidney disease diagnoses (Already implemented in payment year 2019)
- **EDS Transition**

**Impact**

- Improve risk adjustment by improving the accuracy of the predicted average costs of each risk score segment
- Improve prediction for high need beneficiaries with multiple chronic conditions
- EDS data can allow for improvements in quality measurement in MA by incorporating claims-based measure and comparing quality between MA and FFS Medicare programs
What are the proposed changes in the Advance Notice?

**Rule Overview**

- Encounter data-based (EDS) risk scores (50% weight)
- Proposed Payment Condition Count (PCC) model
- Using diagnoses from encounter data, FFS claims and RAPS inpatient records
- RAPS risk scores (50% weight)
- 2017 CMS-HCC model (used for PY17 and PY18)
- Using diagnoses from all RAPS records and FFS claims

**Impact**

- Varies based on the EDS/RAPS and PCC/2017 CMS-HCC model weightings
- Varies by plan population mix – winners and losers vary based on the MAOs mix in the impacted populations
- No impact to new enrollees
- Small changes in risk scores can have large impacts on plan reimbursement
Impact of including condition counts

**Rule Overview – 2 Models**

- Proposed Payment Condition Count (PCC) model
  - Coefficient added variable that counts the number of condition(s) a beneficiary has
  - Same model proposed in Part I of the 2019 Advance Notice, released December 27, 2017
  - Alternative PCC model: Same as PCC model except includes 3 additional HCCs for Dementia and Pressure Ulcers

**Impact¹**

- Little impact on overall average risk scores but variation by beneficiary:
  - 0-3 HCCs: No impact
  - 4-5 HCCs: Slightly lower
  - 6+ HCCs: Slightly higher
    - 10+ HCCs: Largest impact (only 3% of population)
- Minimal impact by gender, age group, race/ethnicity, census region, plan type (HMO, PPO, POS), EGWPs
- CMS estimated 1.1% increase in MA individual plans average risk score² but Avalere estimated a 0.6% increase


Risk score comparison of current vs proposed HCC model

Average risk scores by risk score model and HCC counts

V22: Payment year 2019 HCC model
V23: Proposed Payment Conditions Count (PCC) model
Payment Condition Count (PCC) model considerations

**Rule Overview**

- Started the count of conditions where the variable was positive and statistically significant in each segment; Capped the count variables at 10 conditions for each segment
- Required count variables to increase monotonically
- If the monotonicity requirement was violated the count variable was constrained to the next lowest count variable
- Cap where sample size is too small (< 1,000 beneficiaries)
- Separate coefficients for seven segment types (excluding new enrollees)

**Impact**

- Count floor (Between 4-6 depending on segment)
  - Helps to ensure stability between years
  - Encourages complete coding (avoids scenarios where reporting a diagnosis decreases the risk score)
- Count cap (10 for each segment)
  - Avoid wide swings in contract-level risk scores
  - Maintain meaningful cost prediction of the HCCs
Impact of transition to EDS

Rule Overview – EDS Transition

- Proposed 50% / 50% RAPS / EDS risk score model weighting
- Transition to EDS began in 2016 and expected to be 100% EDS for 2022 (same year expected as full transition to PCC model)

Impact

- Based on payment year 2017 risk scores, EDS risk scores are on average 2.5% lower than RAPS risk scores\(^1\)
  - General enrollment plans: 2.2% lower
  - Special Needs Plans (SNPs): 5.2% lower
- Risk score comparison: 89% had same Part C, 9% RAPS higher, 2% EDS higher
- Revenue impact will grow in future as EDS becomes larger portion of risk score and for SNPs where EDS risk scores are much lower than RAPS risk scores

Range of EDS/RAPS risk score differences

<table>
<thead>
<tr>
<th>PLAN TYPE</th>
<th>20TH</th>
<th>40TH</th>
<th>50TH</th>
<th>60TH</th>
<th>80TH</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL PLANS</td>
<td>-6.2%</td>
<td>-3.3%</td>
<td>-2.5%</td>
<td>-2.0%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>GENERAL ENROLLMENT</td>
<td>-5.6%</td>
<td>-2.5%</td>
<td>-2.2%</td>
<td>-1.8%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>SNP</td>
<td>-6.6%</td>
<td>-5.6%</td>
<td>-5.2%</td>
<td>-3.2%</td>
<td>-1.7%</td>
</tr>
</tbody>
</table>

Note: Our analysis included non-ESRD/non-hospice members who were enrolled with the plan during the entire calendar year 2016.

Comparison of EDS and RAPS Part C risk scores

Member-level comparison of EDS and RAPS Part C risk scores by plan type

MAOs best practices for EDS transition

- Reviewing differences between EDS and RAPS risk scores
  - What is accepted by CMS and what MAOs independently calculate

- Analyzing and understanding the drivers of risk scores
  - May include RAPS and EDS differences, submission timelines, acceptance rates and submission completeness

- Developing targets and goals
  - Monitoring risk scores with each submission and providing timely and complete revenue reports to management
  - Quantify and understand risk score results before submission deadlines

- Measure results

- Prioritizing issues and efforts that impact revenue
  - Focus on over- and under-submissions that map to HCCs
Timeline of PY2020 CMS releases

- MA Advance Notice – Part I released December 20, 2018
- Submit MA Advance Notice – Part I comments by February 19, 2019
- MA Advance Notice – Part II released by January 31, 2019
- Final rate announcement released by April 1, 2019
Questions?

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