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## CMS Issues CY 2024 Medicare Advantage Rate Announcement

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On Friday (March 31), the Centers for Medicare & Medicaid Services (CMS) issued the Calendar Year (CY) 2024 Medicare Advantage (MA) and Part D Rate Announcement, which includes a projected 3.32% payment bump for MA plans in CY 2024. CMS in the Rate Announcement finalized its controversial update to the MA risk adjustment model, but instead of implementing all of the changes in 2024, the agency said it will phase the changes in over a three-year period. Technical updates to medical education payments in the Non-End-Stage Renal Disease (ESRD) United States Per-Capita Cost (USPCC) baseline will also be phased in.

CMS said it extended the implementation timeline in response to feedback from plans and providers, but reiterated the agency's commitment to ensuring payments accurately reflect what it costs to care for beneficiaries and making the model less susceptible to discretionary coding and overpayment. CMS Administrator Chiquita Brooks-LaSure said in a press release, "Medicare should be providing equitable, high-quality affordable care that will be available for our children and grandchildren ... paying Medicare Advantage plans more accurately for the care they provide is how we ensure that people enrolled in Medicare Advantage, especially populations with the highest health disparities and people in underserved communities, can continue to access the care they deserve."

CMS responded to industry comments throughout the Rate Announcement, addressing criticism that the changes would negatively impact vulnerable populations such as dual-eligible beneficiaries and those with chronic conditions, disincentivize participation in value-based payment models, and lead to fewer benefits for beneficiaries, among other comments. CMS, however, said the policies are "commonsense, clinically-based technical updates that are crucial to ensuring that payments to MA organizations are up to date and reflect current diagnostic and expenditure trends," adding that they were "finalized using careful analyses, iterative clinical input, and with CMS' strategic pillars, especially our commitment to health equity, top of mind."

- [Press Release](#), [Fact Sheet](#), [Rate Notice](#)

### Summary of key provisions

**2024 payment rates.** CMS projected the Rate Notice will increase payments to MA and Part D plans in 2024 by 3.32%, or \$13.8 billion, compared with 2023. The final rate increase is up from the 1.03% bump CMS originally projected in the advance notice. CMS' final rate projection is based on the summation of a 2.28% effective growth rate; a -1.24% adjustment related to star ratings changes; a -2.16% cut related to changes to the revised risk adjustment model; and a 4.44% MA risk score trend, which is based on the average

increase in MA risk scores. The trend is based on MA risk scores over the most recently available three years and calculated using the 2024 risk adjustment model.

Table: Year-to-Year Percentage Change in Payment

	Effective Growth Rate	Rebasing/ Re-pricing	Change in Star Ratings	MA Coding Pattern Adjustment	Risk Model Revision and Normalization	MA risk score trend	Expected Average Change in Revenue
2024 Advance Notice (Proposed)	2.09%	N/A	-1.24%	0%	-3.12%	3.30%	1.03%
2024 Rate Announcement (Final)	2.28%	0.00%	-1.24%	0%	-2.16%	4.44%	3.32%

CMS also noted that the 2024 effective growth rate includes a technical adjustment to the per capita cost calculations that removes MA-related indirect medical education and direct graduate medical education costs from the historical and projected expenditures used in the non-ESRD USPC baseline, which will be phased in over three years. CMS said 33% of the medical education adjustment will be applied in 2024, rising to 67% in 2025 and 100% in 2026.

**MA risk adjustment model updates.** CMS finalized plans to update the MA, or Part C, risk adjustment model but will phase the changes in over a three-year period. Updates include:

- Using the Internal Classification of Diseases (ICD)-10 code classification system for condition categories, instead of ICD-9;
- Updating the fee-for-service data underlying the model from 2014 for diagnoses and 2015 for expenditures to 2018 for diagnosis and 2019 for expenditures; and
- Making certain clinical revisions, such as adding constraints and removing several Hierarchical Condition Categories (HCCs), which are categories of diagnosis codes, to reduce the effect of MA coding variation from FFS on risk scores.

CMS said remapping from the ICD-9 to ICD-10 diagnosis codes resulted in several mental health diagnosis codes for depression to be moved to non-payment HCCs. Similarly, CMS said certain diabetes codes were removed because they are not reliable predictors of cost. Overall, CMS said it will increase the number of payment HCCs from 86 to 115 and the number of non-payment HCCs from 118 to 151 due to newly created HCCs and splitting of existing HCCs. While the number of HCCs increased from the 2020 model to the 2024 model, CMS said the number of ICD-10 diagnosis codes mapped to an HCC for payment will decrease from 9,797 under the 2020 model to 7,770 under the 2024 model.

Table: Summary Statistics for the 2020 CMS-HCC and 2024 CMS-HCC Classifications

	Number included in 2020 CMS-HCC Model	Number included in 2024 CMS-HCC Model
<b>FY22/23 ICD-10 codes - total</b>	73,926	73,926
FY22/23 ICD-10 codes - codes mapped to payment HCCs	9,797 (13.3%)	7,770 (10.5%)
FY22/23 ICD-10 codes - codes mapped to non-payment HCCs	64,129 (86.7%)	66,156 (89.5%)
<b>HCCs - total</b>	204	266
HCCs - payment	86 (42.4%)	115 (43.2%)
HCCs - non-payment	118 (57.8%)	151 (56.8%)

While CMS finalized the updated risk adjustment model proposed in the CY 2024 Advance Notice, it said they would phase it in over three years due to stakeholder feedback:

- For the 2024 coverage year, the risk score trend will be calculated based on 67% of the current 2020 risk adjustment model and 33% of the new 2024 model.
- For the 2025 coverage year, the risk score trend will be calculated based on 67% of the 2024 model and 33% of the 2020 model.
- For the 2026 coverage year, the changes will be in full effect with 100% of the risk score trend being calculated off of the 2024 model.

**Inflation Reduction Act (IRA) updates.** The Rate Announcement also implements several changes to the Part D drug benefit required by the IRA. Beginning in 2024 CMS will:

- Eliminate cost-sharing for Part D drugs for beneficiaries in the catastrophic phase of coverage.
- Expand the Low-Income Subsidy program (LIS) under Part D so that beneficiaries who earn between 135% and 150% of the federal poverty level will receive the full LIS subsidies.
- Prohibit Part D plans from applying the deductible to any Part D covered insulin product and limit charges to \$35 per month's supply of a covered insulin product in the initial coverage phase and the coverage gap phase.
- Prohibit Part D plans from applying deductibles or charge cost-sharing for an adult vaccine recommended by the Advisory Committee on Immunization Practices (ACIP).
- Cap the growth in the Base Beneficiary Premium at 6%.

CMS said it will address IRA changes for 2025 and beyond in future Advance Notices and Rate Announcements.

**Star Ratings updates.** CMS also finalized several Star Ratings updates including, providing the list of disasters that are eligible for the extreme and uncontrollable circumstances adjustment, as well as the list of measures included in the Part C and D Improvement Measures and the Categorical Adjustment Index. CMS also reminded readers that they finalized the application of the Tukey outlier deletion for non-CAHPS measures beginning with the 2024 Star Ratings, as well as the addition of the Transitions of Care and Follow-up after Emergency Department Visit for Patients with Multiple Chronic Conditions measures to be

added to the 2024 Star Ratings, in previous rulemaking. Additionally, the Plan All-Cause Readmissions measure will be returned to the 2024 Star Ratings after being delayed due to the suspended collection of CAHPS and HEDIS data in 2020.

CMS also noted “overwhelming support” for CMS’ goal of aligning measures across federal and private payers, along with other efforts to streamline quality and performance metrics. CMS included a preliminary list of measures included in its adult “Universal Foundation” of quality measures, which is a core set of measures aligned across programs. The preliminary measures would include a focus on cancer screenings, immunizations, controlling blood pressure and diabetes, screening for depression and social drivers of health, among others. While CMS said there was general support for measures on social need screening and intervention, some commenters raised concerns about data collection issues. CMS said it will continue to collect and consider feedback on this effort, and noted that any changes to star ratings measures will be done through the rulemaking process.

Finally, CMS noted additions to the 2026 Star Ratings display page (using data from the 2024 measurement year), which would need to be adopted through rulemaking. This included a HEDIS Depression Screening and Follow-up for Adolescents and Adults measure and NCQA’s Adult Immunization Status measure. CMS also reiterated plans to implement web-based mode as well as wording clarifications in the 2024 CAHPS survey implementation used for the 2025 Star Ratings.

*If you have questions, please contact [Heather Meade](#) or [Heather Bell](#).*

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