INGENIX | CONSULTING

2012 Star Payment Guidelines

2012 Star Payment Guidelines Create Wider Divide Between High and Low MA Performers

In the wake of proposed changes to the Medicare Advantage (MA) and Medicare Prescription Drug Benefit Programs for the 2012 contract year, as well as announcements from the Centers for Medicare & Medicaid Services (CMS) regarding a quality bonus payment (QBP) demonstration project and revised quality star ratings, plans need to work quickly to both understand the changes and prepare an appropriate strategy in response.

The primary objectives of the proposed regulations to implement the Affordable Care Act (ACA), published Nov. 22, 2010,[1] include: clarifying program participation requirements (e.g., codifying CMS authority to negotiate plan bids); making changes to strengthen beneficiary protections; and identifying strong performers while removing consistently poor performers from the programs, according to experts from Ingenix Consulting, which sponsored a Dec. 2, 2010, Webinar, "Understanding the 2012 Star Payment Guidelines." The Webinar is part of an ongoing series of health care reform discussions hosted by Ingenix Consulting.

"These changes are in keeping with a more aggressive regulatory regime at CMS," said Eric Cahow, Senior Director, Health Care Solutions, Ingenix Consulting. However, although "the draft regulations are massive and the demonstration project may seem confusing, a lot of the changes in quality bonus payment methods are fundamentally friendly to most plans," Cahow said. "That's good news."

Quality Rating System Covers 53 Elements, Parts C and D

The five-star quality rating system is used both by CMS, to monitor plans and ensure that they meet Medicare's quality standards, and by Medicare beneficiaries, to compare the quality of care and customer service that Medicare health and drug plans have to offer.[2] CMS' star rating system considers 53 quality measures—36 for Part C and 17 for Part D—which include providing preventive services, managing chronic illness and keeping consumer complaints to a minimum.

1 CMS, "Medicare Program; Proposed Changes to the Medicare Advantage and the Medicare Prescription Drug benefit Programs for Contract Year 2012 and Other Proposed Changes," Federal Register (Nov. 22, 2010) (75 FR 71190).
2 CMS, "Medicare Announces Quality Bonus Payment Demonstration for Medicare Health Plans" (Nov. 10, 2010).

Significantly, Part D is included in the rating system, contrary to earlier indications that Part D might not be included, Cahow told attendees.

To calculate the quality rating, a "simple average of 51 of the 53 elements leads to a plan's base score," Cahow explained. Two Complaints Tracking Module (CTM) measures for Part D are excluded from the final calculation because they are from the same data source as the Part C CTM. For the purposes of quality bonus payments, half-star ratings are rounded down.

"Then, CMS adds in an integration factor, which essentially is a reward for plans that are consistently high performers across all measures," he said. CMS determines the integration factor by measuring the variance within plans and among measures, and then rates the level of variance relative to all other plans and rewards those with low variance.

It is important to note that the integration factor will help plans that are more consistently performing at higher levels. For example, Cahow said, one plan might have half measures rated as fives with other half measures rated as ones, while another plan might have every element rated as threes. Although both plans would have an average of three stars, "the integration factor would benefit the plan that had all threes," he indicated.

CMS also announced that beneficiaries would be granted a special election period allowing them to enroll in five-star plans at any time during the year.

Demonstration Project Details Different Incentive Scheme

The ACA also introduced QBPs into the MA program as part of the national strategy for implementing quality improvement in health care. CMS announced Nov. 10, 2010, that QBPs will be paid out under a demonstration project to accelerate QBPs for four- and five-star plans and added QBPs for three- and three and one-half-star plans to help accelerate quality improvements.

"The Demonstration Project tests whether providing scaled bonuses will lead to more rapid and larger year-to-year quality improvements in [MA] program quality scores, compared to the current law bonus structure," CMS stated.[3]

Further, QBPs for new and low-enrollment plans will differ somewhat from the ACA-specified levels to be consistent with the scaled bonuses under the demonstration project, according to CMS.[4] MA plans earning the highest performance rating (five stars) will be eligible to receive the highest bonus of 5 percent; any MA plan scoring three stars or higher also will qualify for a bonus in 2012.

All plans are automatically enrolled in the demonstration project and the payment system for 2012 will be rolled out under this umbrella. "Your bids over the next six months or so will be relevant to the demonstration project, which will run from 2012 to 2014," Cahow explained.

"There are a number of advantages that five-star plans will have under the demonstration project that are above and beyond what is described in the ACA legislation, which is slated to be implemented in 2015," remarked Cahow. "What I suspect will happen down the road is that CMS will observe plans' efforts and improvements, declare the demonstration project a success and institutionalize it after 2014, but that remains to be seen," he said.

To illustrate how the QBP under the demonstration project differs from current law, Cahow discussed a chart issued by CMS: "Proposed Demonstration Approach for QBP Increases" (see chart at right).[5] "Under current law, a plan with 3.5 stars would not be eligible for bonus payments, but under the demonstration project, that same plan is eligible for 3.5 percent in QBP. Five-star plans—of which there are currently only a total of three plans—get 5 percent right out of the gate," he said.

"Clearly, the demonstration project creates a softer landing than the current law," he told attendees. "I think that the way the demonstration project is structured now creates a positive environment for those plans that are really supportive of improved quality."

Cahow stated that the following MA payment rules are unchanged by the demonstration project:

- Methodology for tying the county benchmark to the average fee-for-service (FFS) cost in the county, where a county's FFS cost relative to all other counties determines whether the county benchmark is set at 95 percent, 100 percent, 107.5 percent or 115 percent of its average FFS cost
- Methodology for determining county transition periods for phasing-in of blended benchmarks
- Methodology for identifying "qualifying counties" that are eligible for a double bonus
- Rules for determining the level of MA beneficiary rebate, based on star ratings

During the Webinar, Ingenix Consulting Senior Consultant Jennifer Creighton also provided an overview of the two-step appeals process for QBP determination. MA organizations can receive a technical report explaining how their determination was made and may request an appeal if they believe that the determination was incorrect, she explained.

3 CMS Fact Sheet, "Proposed Changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Programs for Contract Year 2012 and Demonstration on Quality Bonus Payments" (Nov. 10, 2010).

4 *Id.*

5 *Id.*

Looking Ahead

Now that the proposed regulation's comment period has closed, plans must begin preparing their organizations for change and working on the 53 elements that will determine their star ratings, Cahow said. In addition, as plans develop strategies for the coming year and years, they need to be aware of the timing of their bids, because the advance notice of rates comes out on Feb. 21, 2011. "CMS will have to work very quickly to publish these regulations in advance of, or simultaneously with, the advance notice of rates and plans need to be ready for that," he said.

"Plans need to lay out a framework for these revised scenarios. It's akin to forestry, where you have the immediate crops that are ready to harvest now, but then you need to plant other crops today that will be ready in several years," Cahow advised. "It's an ongoing process."

Ingenix Consulting can leverage vast information and analytic resources to deliver data-driven recommendations that will best meet plans' needs for organizational and operational improvements during the demonstration project and beyond, Cahow stated.

"Because our consultants have sat where you are sitting now, we understand how your company works, what challenges the proposed regulations and the new star quality ratings will bring, and how to meet those challenges in an effective manner that will drive growth," he said.

Contact us today at 800.765.6834 or email connect@ingenix.com.

(Article originally published January 2011. Graphic updated in May 2011.)

Stars Data Sources—Parts C and D Combined

Data Source	Source	#	Description
CMS Admin	Ops	21	Call; Appeals (IRE); CTM; LIS, MARx, PDE
HEDIS	Claims & Charts	15	Clinical Serivce Delivery & Condition Control
CAHPS	Member Survey	11	Member Satisfaction, Care Accessibility & Network Navigation
HOS	Member Survey	6	Provider Practice Patterns

Quality Bonus Payment and Rebate

Stars	2012-2013	2014	2015	Rebate
<3	0.0%	0.0%	0.0%	50%
3	3.0%	3.0%	0.0%	55%
3.5	3.5%	3.5%	0.0%	65%
4	4.0%	5.0%	5.0%	65%
4.5	4.0%	5.0%	5.0%	70%
5	5.0%	5.0%	5.0%	70%

Payment Year to Measurement Year

Data Source	2012 Payment	2013 Payment	2014 Payment	2015 Payment
CMS Admin	2010	2011	2012	2013
HEDIS	2009	2010	2011	2012
CAHPS	2009	2010	2011	2012
HOS	2009	2010	2011	2012

Stars Calculation

- ❑ Calculated and paid on H contract level basis
- ❑ Un-weighted average of 51 measures + "integration" factor

Future Direction

- ❑ New measures to be clinical outcomes focused
- ❑ Clinical measures to be weighted more heavily than Ops (2x to 3x)
- ❑ Threatening to terminate low performing contracts (<2.5 Stars for 3 years)

‹ continued from front

INGENIX | CONSULTING

Corporate Headquarters
866-223-6738 | 12125 Technology Drive | Eden Prairie, MN 55344 | USA | ingenixconsulting.com

Ingenix and the Ingenix logo are registered trademarks of Ingenix, Inc. All other brand or product names are trademarks or registered marks of their respective owners. Because we are continuously improving our products and services, Ingenix reserves the right to change specifications without prior notice. Ingenix is an equal opportunity employer.

11-26287 05/11 Original © 2011 Ingenix. All Rights Reserved.