



Summary of 2021 Medicare Advantage and Part D Star Ratings

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On October 8, 2020, CMS published the 2021 Medicare Advantage (MA) and Part D Star Ratings. In addition, CMS published a Fact Sheet highlighting changes to contract performance and general observations in the new Star Ratings¹. This article summarizes Wakely's observations of changes in the published 2021 Star Ratings data. Further information on upcoming programmatic Star Rating changes can be found in a separate Wakely whitepaper².

Emerging Trends in 2021 Star Ratings Impacting Payment Year 2022

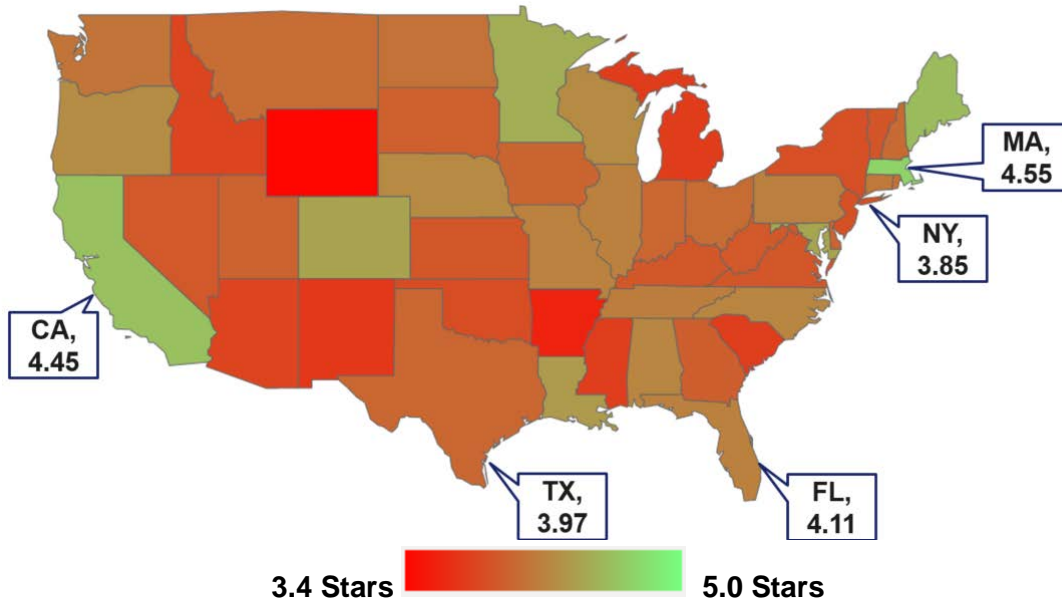
Wakely has identified several emerging trends in the 2021 Star Ratings. In addition, we continue to observe ongoing changes to the Star Ratings program. These observations are as follows:

- Although the percentage of members enrolled in a 4+ Star contract remains high, the enrollment percentage decreased overall from 79.9% in 2020 to 74.6% in 2021. This decline was consistent across all product types. The overall reduction of 4+ Star contracts will result in fewer plans receiving the quality bonus payment, which can be as high as 5-10% in non-ACA-capped counties depending on double-bonus eligibility. See the Appendix for more detail on the relationship between plan revenue and Star Ratings.
- Variation in Star Ratings is significant across geographic areas, but there is not a detectable regional trend emerging, as shown in Figure 1 below. However, markets with high Medicare Advantage penetration rates tend to have higher Overall Star Ratings, and a larger percentage of members enrolled in 4+-star plans. High-performing states are often driven by the presence of large, well-established Medicare Advantage organizations that consistently reach the 5-star threshold. Examples include Kaiser Permanente in California and Tufts Health Plan in Massachusetts. Kaiser alone accounts for nearly 74% of the overall MA enrollment in 5-star plans across the country.

¹ <https://www.cms.gov/files/document/2021starratingsfactsheet-10-13-2020.pdf>

² <https://wakely.com/blog/cms-proposes-additional-temporary-changes-medicare-advantage-star-rating-program>

Figure 1: Average 2021 Overall Star Ratings by State



- Contracts with more experience in the MA program continue to outperform newer entrants. In the Fact Sheet, CMS observed that Medicare Advantage contracts that have been around for ten (10) or more years account for nearly 80% of 4+-star plans despite accounting for around 65% of total contracts.³
- While around 75-80% of members have historically been enrolled in 4+ Star plans overall, this number has been significantly lower for members enrolled in Special Needs Plans (SNPs). This pattern continues with the 2021 Star Ratings. When we look at SNP enrollment within 4+ star plans compared to total SNP enrollment, less than 60% of SNP members are enrolled in 4+ Star plans, as shown in Table 1.

Table 1: Average 2021 Overall Star Ratings Weighted by SNP Enrollment⁴

Overall Star Rating	Percent of Total Enrollment
5 Stars	5.9%
4.5 Stars	14.8%
4 Stars	36.5%
3.5 Stars	31.8%
3 Stars	6.1%
2.5 Stars	0.2%
Not enough data	0.5%
Plan too new to be measured	4.1%
Total	100.0%

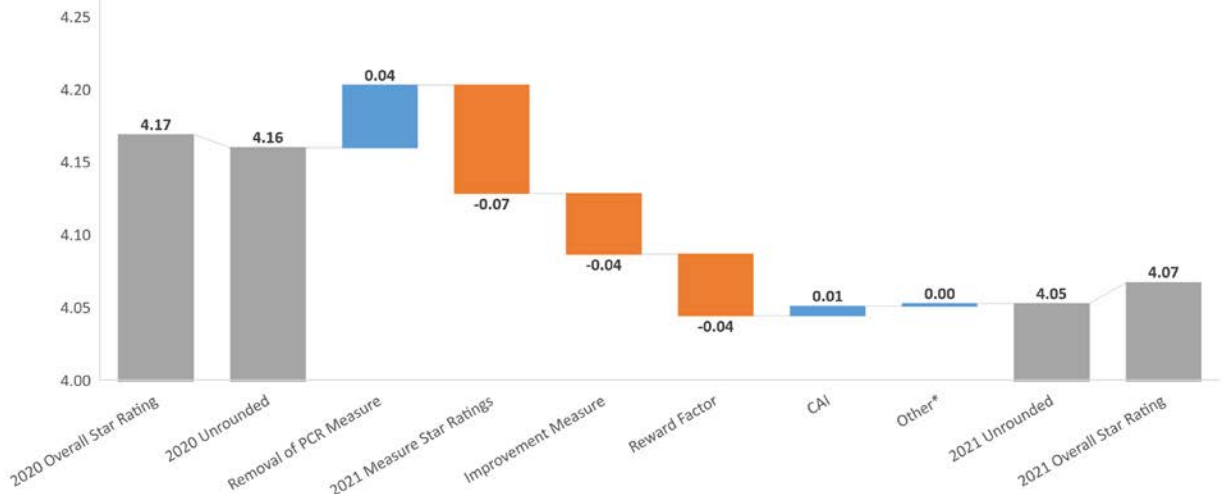
³ <https://www.cms.gov/files/document/2021starratingsfactsheet-10-13-2020.pdf>

⁴ Weighting uses Oct 2020 enrollment

Summary of Changes Impacting 2021 Star Ratings

Figure 2 below summarizes the changes to the Star Ratings program that had the largest impact on 2021 Star Ratings. Average Overall Star Ratings have decreased, 4.17 in the 2020 Star Ratings to 4.07 in the 2021 Star Ratings. This decrease of about 0.10 Stars is consistent between the rounded and unrounded Star Ratings.

Figure 2: Drivers of the Change in Overall Star Ratings from 2020 to 2021



Key drivers of this change include:

- The temporary removal of the Plan All-Cause Readmissions increased Overall Star Ratings by 0.04 on average. CMS is temporarily moving the Plan All-Cause Readmissions measure to the display page due to a substantive change in how the measure is calculated. Removing this measure has a favorable impact on Star Ratings as plans generally perform lower in this measure relative to other measures. This measure will remain on the display page for three (3) years and will return in the 2024 Star Ratings.
- Average measure level Star Rating changes dropped by 0.07 Stars between 2020 and 2021. This includes changes in measure level Star Ratings due to changing contract performance⁵ as well as changes in measure weights. CMS increased the weight of Patient Experience/Complaints and Access measure weights from 1.5 to 2 and Statin Use in Persons with Diabetes (SUPD) from 1 to 3.⁶
- This is additionally compounded by the Improvement Measure/Reward Factor, which quantifies the magnitude and direction of contract-level Stars changes. The lower Star Ratings (for non-

⁵ Changing performance was only for non-HEDIS and non-CAHPS measures within the 2021 Star Ratings. HEDIS and CAHPS measure level Star Ratings remained constant from 2020 to 2021.

⁶ <https://www.cms.gov/files/document/2021technotes20201001.pdf>

HEDIS and non-CAHPS measures), and thus lower Improvement Measure/Reward Factors, are due in large part to the measure level cut points outpacing performance improvement. This is especially true for the medication adherence and SUPD measures. These measures are all triple-weighted and have an outsized impact on the plan's Overall Star Rating.

Overall, we expect that the 0.1 lower average Star Ratings for 2021 will result in lower Medicare Advantage Payments in 2022 for many contracts, especially for those contracts dropping below 4.0 Stars.

Please contact Suzanna-Grace Sayre at SuzannaGrace.Sayre@wakely.com, Dani Cronick at Dani.Cronick@wakely.com, or Casey Gardner at Casey.Gardner@wakely.com with any questions or to follow up on any of the concepts presented here.

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Appendix: Star Rating Impact on Plan Revenue

The appendix is designed to give a brief background on some of the technical aspects of Medicare Advantage bids and how changes in quality star rating can impact a Medicare Advantage plan financially.

Table A1 below gives the breakdown of the Quality Bonus Payment and Rebate Percentage given at each quality star level, and Table A2 shows an example of a calculation for a plan's payment at both 3.0 Stars and 4.0 Stars. Note that this is a simplified view of payments and not an actual Medicare bid calculation.

Table A1: Quality Bonus and Rebate Percentages by Star Rating			
Plan Rating	Bonus Payment	Quality Bonus Adjusted Benchmark	Rebate Percentage
5.0	5.0%	105% of Benchmark	70%
4.5	5.0%	105% of Benchmark	70%
4.0	5.0%	105% of Benchmark	65%
3.5	0.0%	100% of Benchmark	65%
3.0	0.0%	100% of Benchmark	50%
New Plans under New MAOs	3.5%	103.5% of Benchmark	65%
Plans Not Reporting	0.0%	100% of Benchmark	50%

Moving from 3.0 to 4.0 Stars, Plan H1234-567-000 receives a 5% increase in Benchmark and retains 15% more gross rebate. This increases the plan's total revenue from \$850 PMPM to \$894.25 PMPM.

Table A2: Sample Calculation for Plan H1234-567-000			
	Original Values	Plan at 3.0 Stars	Plan at 4.0 Stars
Risk Score	1.1	1.1	1.1
Standardized Benchmark	900	900	=900*105%
			=945
Plan Benchmark		=900*1.1	=900*1.1*105%
<i>(at a 1.1 Risk Score)</i>		=990	=1,039.5
Standardized Bid	800	800	800
Plan Bid		=800*1.1	=800*1.1
<i>(at a 1.1 Risk Score)</i>		=880	=880
Savings		110	159.5
Rebate Percentage		50%	65%
Plan Revenue		=\$880 + \$110*50%	=\$880 + \$159.5*65%
		=\$935 PMPM	=\$983.68 PMPM