A SUMMARY AND ANALYSIS OF FEBRUARY 2015 CMS MEDICARE ADVANTAGE 2016 ADVANCE NOTICE

KEY HIGHLIGHTS

March 2015

PULSE8 INSIGHTS:

The 2014 CMS-HCC model removes are renders RAF impact to zero for mainstay opportunities of the 2013 model, e.g. Old MI, CKD Stages 1-3 and Diabetic Neuropathy.

EDS data workflows are new and not fully established thereby increasing the risk of data leaks and/or quality rejection. EDS data is filtered by CMS, not the plan – oversight/validation is a must.

RISK ADJUSTMENT METHODOLOGY CHANGES

CMS-HCC Risk Adjustment Model for CY 2016

For 2016 payment, CMS is proposing a transition to using only the 2014 CMS-HCC model in Part C payment for aged/disabled beneficiaries; the 2013 CMS-HCC model would be retired.

Encounter Data as a Risk Adjustment Diagnosis Source for 2016

RAPS and EDS Blended for 2016 Risk Score Calculation:

- *Primary Risk Score: 90% as calculated from 2015 DOS from RAPS and FFS*
- *Secondary Risk Score: 10% as calculated from 2015 DOS from EDS and FFS*

Alternate Methodology for Coding Pattern Adjustment

Extensive CMS morbidity comparison studies of demographically alike FFS and MA populations suggest, on average, overall risk parity; therefore, CMS is proposing a new Coding Pattern Adjustment calculation methodology that uses pre-2000, demographic risk score model as a primary adjustment variable.

Red Alert!

This proposed change in methodology would set future Coding Pattern Adjustment percentages to an extreme that would place plans in a "diagnosis capture for your financial life" scenario.

The proposed approach would calculate the Coding Pattern Adjustment by statistical delta analysis of:

- The MA to FFS risk score ratio using the demographic methodology (age, gender, Medicaid, and institutional status) AND
- The MA to FFS risk score ratio using the diagnostic methodology (CMS-HCC Model)

2016 Normalization for the CMS-HCC Model

The preliminary 2016 normalization factor, for the 2014 Part C CMS-HCC Model, is: 0.992.

PULSE8 INSIGHTS:

5 Star is now 3 classes:
- < 3.0 Stars: Losing
- 3.0 - 3.5 Stars: Not Winning
- >= 4.0 Stars: Winning

Pulse8 statisticians are hard at work determining which formerly pre-determined 4 Star threshold measures are likely to go up with this change in methodology.

What happens to your plans' Part C Summary and Overall Star Ratings with this new weighting system? How will this new weighting paradigm impact your quality program planning?

Medicare Advantage County Premium Benchmark Rates

The Advance Notice projects a 1.7 percent increase in county benchmarks which is offset by a 0.9 percent reduction due to the continued phase-in of the new methodology for MA benchmarks established in the Affordable Care Act ("ACA").

- It is important to note, however, that the 0.9 percent reduction is a national average. The effects of the reduction could be much more significant (reductions of up to 4 to 5 percent).

QUALITY MEASURES PROGRAMS

Quality Bonus Payment (QBP)

Star Rating 2016 QBP Threshold & Bonus Percentage

- Contract with less than 4 stars: 0% QBP
  5 Star is now 3 classes:
  < 3.0 Stars: Losing
  3.0 - 3.5 Stars: Not Winning
  >= 4.0 Stars: Winning
- Contract with greater than or equal to 4 stars: 5% QBP

5 Star Quality Rating System

Increased Data Integrity Validation

- Potential 1 Star penalty contracts submitting biased or erroneous data
- Impactful data validation program in development
- CY2017 for Stars program Data Integrity adjustments

Removal of 4 Star Threshold Pre-Determination

- All measures thresholds determined via analysis of post data collection results
- CMS 2015 simulations to determine impact of eliminating 4-star thresholds:
  - 83% of contracts would have no change in their overall rating.
  - 7% of contracts would go up 0.5 stars
  - 10% would go down by 0.5 stars.
  - Part C measures with pre-determined 4-star thresholds in 2015
    - 50% 4-star cut points would remain the same or go down
    - 50% 4-star cut points would up

Significant 2016 Star Ratings Measures Changes

- Add: Breast Cancer Screening (Part C).
- Drop: Cardiovascular Care: Cholesterol Screening; Diabetes Care: Cholesterol Screening; Diabetes Care: Cholesterol Controlled

PULSE8 INSIGHTS:

Re-assess your HRA program vis-à-vis CMS best practices task list and CMS endorsement of the CDC HRA methodology; start internal "tracking of subsequently provided care".

In-Home HRAs provide opportunity for Quality Measure improvement: Home environmental scan during HRA, with follow up installation of grab bars/railings/stair chairs directly impacts Risk of Falling Quality Measure.

4 Words:
Provider Master Data Management!

Get proactive on provider network set-up and maintenance.

Double down on provider engagement programs – plan/provider synergy is key to Value Model paradigm success!

Adjustment to Quality Measure Weights for Star Rating Calculation

CMS adjusting weights to specific measures as interim step to address an apparent disparity in Star Rating results in plans with high percentage Dual or LIS enrollees.

- Part C Measures w/ Star Rating Weight Value Drop: 1.0 to 0.5
  - Breast Cancer Screening
  - Colorectal Cancer Screening
  - Osteoporosis Management in Women who had a Fracture
  - Rheumatoid Arthritis Management
  - Reducing the Risk of Falling
- Part C Measures w/ Star Rating Weight Value Drop: 3.0 to 1.5
  - Diabetes Care – Blood Sugar Controlled

RECONSIDERATION OF IN-HOME ENROLLEE ASSESSMENTS (HRA)

CMS has seemingly pivoted to a positive take on the value of in-home enrollee assessments, more commonly known as Health Risk Assessments or HRAs: In past years CMS has openly considered invalidating in-home HRA clinical value.

The 2016 Advance Notice announces two-pronged approach that CMS will employ to evaluate MA plans' in-home HRA efforts:

1. Providing guidance on best practices for conducting in-home assessments
2. Tracking subsequently provided care

OVERSIGHT AND REGULATION OF PROVIDER NETWORK GOVERNANCE

Due to increased beneficiary dissatisfaction with provider network access, CMS is stepping up regulation and enforcement of bylaws related to MAO provider network governance:

- MAOs are required to establish and maintain a viable network of providers that has the capacity to serve the plan's membership.
- Regulate plan production of a proactive, structured process for members to reference true availability of contracted providers with current contact information (a "live" directory resource).
- CMS will initiate a three-pronged approach to monitor compliance with the regulations, including:
  - Direct monitoring of online provider directories via contracted vendors
  - Development of a new audit protocol for testing in CY 2015
  - Compliance and/or enforcement actions:
    - Civil money penalties
    - Enrollment sanctions
- As soon as CY 2017 CMS may require MAOs to provide, and regularly update, network information in a standardized, electronic format for eventual inclusion in a nationwide provider database.

VALUE MODEL SHIFT RE-EMPHASIZED

CMS' Innovation Center conducting "large scale" Value Model program testing:

- ACO Redesign
- Bundled Payments for Episodes of Care
- Primary Care Medical Homes
- Additional Quality Measure Program Development
- Further Risk Adjustment Capitation Designs

ABOUT PULSE8

Pulse8 is the only cutting-edge healthcare analytics and technology company that delivers an unprecedented view into risk adjustment enabling health plans to achieve the highest financial impact in the Commercial Health Exchanges, Medicare Advantage and Medicaid markets. Pulse8 is revolutionizing risk adjustment through innovative and unique products to ensure its clients outperform competitors. Utilizing transparent and flexible business intelligence tools, Pulse8 offers real-time visibility into member and provider activities so our clients can apply the most cost-effective and appropriate intervention.

For additional company information, or to schedule a demonstration, contact Scott Filiault at (732) 570-9095 or scott.filiault@pulse8.com. Visit www.Pulse8.com and follow Pulse8 on twitter @Pulse8News for timely risk adjustment, analytics and industry updates.

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