Generating New Revenue Streams: Understanding the Role of Lab Data in Medicare Star Ratings and Risk Adjustment

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Agenda

Overview
- Medicare Advantage
- Stars
- Risk Adjustment

Revenue
- Annual Bid

Payer & Provider Solutions

Our Health Plans

Plan A
- Limited Leadership
- Misunderstanding of Stars value

Plan B
- Strong Stars Leader
- Weak Risk Adjustment Leader

Plan C
- Strong Leadership
- Strong vendor relationships

Charlie
- Difficult to reach/contact
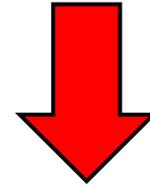- Limited engagement
- Low health literacy

Medicare Advantage

Industry Overview
Medicare Advantage

Revenue
- Reduction in 4 Star+ Plans
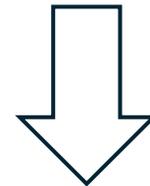- Risk Adjustment v24 → v28
- Enrollment & Marketing Changes

Medical Expense
- Utilization Increase
- Obs vs. Admit (Two Midnight Rule)
- MPPP / M3P
- Supplemental Benefits[1]

SG&A / Operational Expense
- Reduction to Offset

Provider-Payer partnerships in Value Based Care (VBC)

[1]Part of bid process; likely to decrease in subsequent years

Stars

Overview
Stars

- **Excellent**
- Member enrollment year-round
- Maximum revenue

- **Above Average**
- Bonus Payment begins
- Additional rebate

- **Average – Above Average**
- Additional rebate begins

- **Average**
- No additional revenue benefit

- **Below Average**
- At risk of losing Plan

- **Poor**
- At risk of losing Plan

Bonus

Rebate

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Lab Impact

Stars

36
Measures

5
Categories

1x – 5x
Measure Weighting

All data is based on MY24/PY26 Star Ratings System

Category	Measure	Weight	Impact Direct	Impact Indirect
HEDIS	Blood Sugar Controlled (A1C)	3	X	
HEDIS	Colorectal Cancer Screening (COL)	1	X	
HEDIS	Kidney Health Evaluation (KED)	1	X	
CAHPS	Care Coordination	2		X
CAHPS	Getting Needed Care	2		X

8%   **7%**

15%

Risk Adjustment

Overview
Risk Adjustment

Every patient is assigned a "risk score" that resets and is assessed annually

Payers & Providers schedule patients to ensure health conditions, or disease states, are captured through billing – documentation & accuracy is vital

CMS calculates additional revenue based on severity of health conditions and their likely use of health care services and the costs of those services

Lab Impact
Risk Adjustment

7,770
ICD-10 Codes

115
HCCs[1]

26
Disease Groups

	Impact[2]	
	Clinical Evidence	**Clinical Indication**
HCCs	10	12
RAF[3]	0.277	0.578
$[4]	$222	$463

$685

[1]Hierarchial Condition Categories
[2]See Appendix for additional details
[3]Average RAF Score based on 65-year-old, non-dual male using v28 model
[4]Average revenue per member per month (PMPM), assumes 0.01 increase in risk score creates $8 PMPM in revenue

Patient Example

Risk Adjustment

Charlie

- Difficult to reach/contact
- Limited engagement
- Low health literacy

Direct Impact
Diabetes with Chronic Complications
Chronic Kidney Disease, Severe (Stage 4)

0.631
$505 PMPM

Indicator
Alcohol Use with Psychotic Complications
Drug Use Disorder, Mild, Uncomplicated,
   Except Cannabis

0.785
$623 PMPM

1.416
$1,133 PMPM

RAF Score based on 65-year-old, non-dual male using v28 model
Revenue per member per month (PMPM) assumes 0.01 increase in risk score creates $8 PMPM in revenue

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Revenue

Stars & Risk Adjustment – Annual Bid

Revenue

	Category	Definition
CMS	Plan Benchmark	• Standard Benchmark[1] x Risk Score x Quality Bonus Payment (QBP) • CMS establishing revenue rate PMPM
Payer	Plan Bid	• Actuarial estimate to provide Medicare services(A/B)[2], plus operational cost & profit • Payer/Plan specific x Risk Score
	Savings	• Plan Benchmark - Plan Bid
	Plan Revenue	• Plan Bid + (Savings x Quality Rebate)

[1]Estimated spend by County leveraging Traditional Medicare claims
[2]Excludes Hospice
See Appendix for additional detail

Stars & Risk Adjustment
Revenue

		Plan A	Plan B	Plan C
Plan Star Score		3.0	4.0	4.0
Quality Bonus Payment (QBP)		*0%*	*5%*	*5%*
Rebate		*50%*	*65%*	*65%*
Risk Score		1.1	1.1	1.2
Plan Benchmark	• Standardized Benchmark x Risk Score x QBP • CMS establishing revenue rate PMPM	$990	$1,040	$1,134
Plan Bid	• Actuarial estimate to provide Medicare services(A/B), plus operational cost & profit • Payer/Plan specific x Risk Score	$880	$880	$960
Savings	• Plan Benchmark - Plan Bid	$110	$160	$174
Plan Revenue	• Plan Bid + (Savings x Quality Rebate)	$935	$984	$1,073
Revenue Var (3.0 Stars, 1.1 Risk Score)			**$49**	**$138**

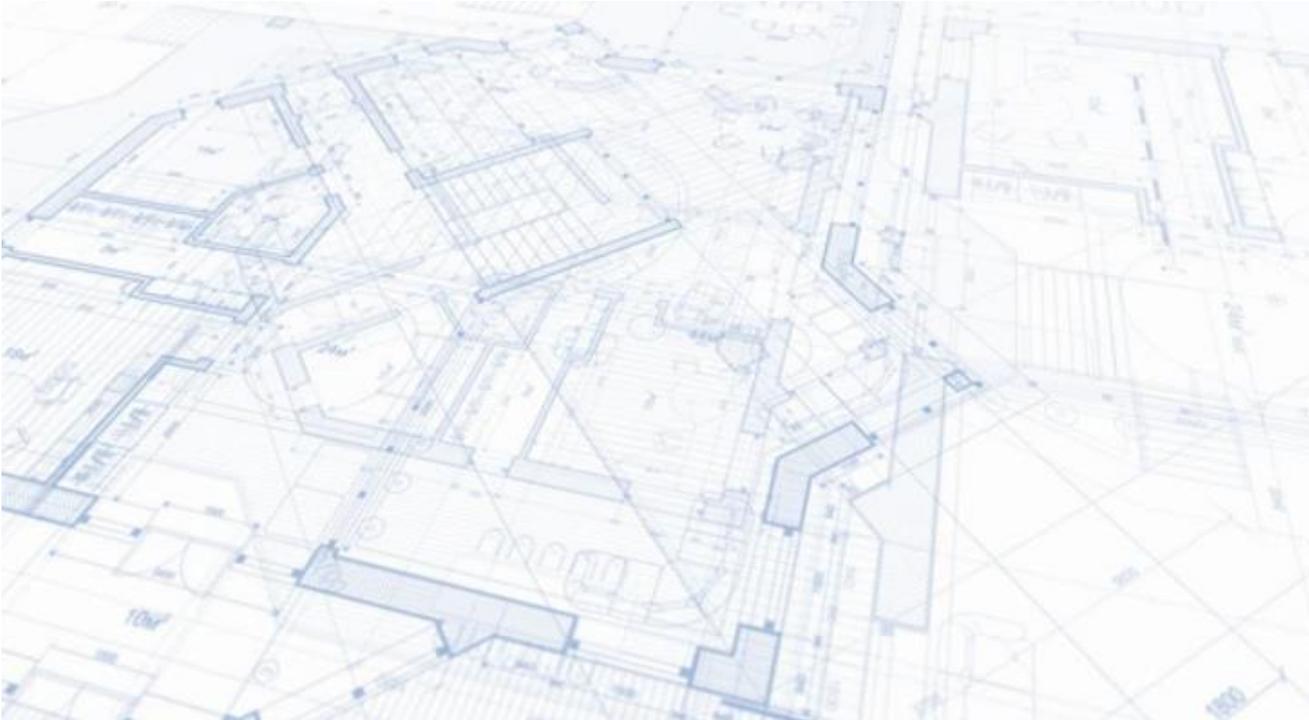See Appendix for additional detail

Takeaways
- Improving Star scores and optimizing risk adjustment has a large impact on payer and provider performance
- Additional revenue is necessary to care for patients and to provide additional supplemental benefits

Solutions

Solutions
The Blueprint

Lab Data is a Blueprint

Patients
- Sharing data accurately & timely with payers/providers
- Prospective indicators for overall health trend
- Unable to contact/engage

Communities & Cohorts
- Support with white papers/scientific studies
- Provide insights on patient groups
- Identify programs/initiatives

Appendix

Risk Adjustment
Lab Impact

| V28 HCC | Description | Diagnosis | | RAF | Value (PMPM) |
		Clinical Evidence	Clinical Indication		
HCC328	Chronic Kidney Disease, Moderate (Stage 3B)	X		0.118	$94
HCC329	Chronic Kidney Disease, Moderate (Stage 3, Except 3B)	X		0.118	$94
HCC108	Sickle Cell Disorders, Except Sickle Cell Anemia (Hb-SS) and Thalassemia Beta Zero; Beta Thalassemia Major	X		0.135	$108
HCC36	Diabetes with Severe Acute Complications	X		0.154	$123
HCC37	Diabetes with Chronic Complications	X		0.154	$123
HCC38	Diabetes with Glycemic, Unspecified, or No Complications	X		0.154	$123
HCC1	HIV/AIDS	X		0.28	$224
HCC107	Sickle Cell Anemia (Hb-SS) and Thalassemia Beta Zero	X		0.424	$339
HCC327	Chronic Kidney Disease, Severe (Stage 4)	X		0.477	$382
HCC326	Chronic Kidney Disease, Stage 5	X		0.756	$605
HCC65	Chronic Hepatitis		X	0.172	$138
HCC94	Systemic Lupus Erythematosus and Other Specified Systemic Connective Tissue Disorders		X	0.248	$198
HCC138	Drug Use Disorder, Mild, Uncomplicated, Except Cannabis		X	0.392	$314
HCC135	Drug Use with Psychotic Complications		X	0.393	$314
HCC136	Alcohol Use with Psychotic Complications		X	0.393	$314
HCC137	Drug Use Disorder, Moderate/Severe, or Drug Use with Non-Psychotic Complications		X	0.393	$314
HCC64	Cirrhosis of Liver		X	0.414	$331
HCC112	Immune Thrombocytopenia and Specified Coagulation Defects and Hemorrhagic Conditions		X	0.417	$334
HCC115	Specified Immunodeficiencies and White Blood Cell Disorders		X	0.524	$419
HCC93	Rheumatoid Arthritis and Other Specified Inflammatory Rheumatic Disorders		X	0.572	$458
HCC277	Cystic Fibrosis		X	0.925	$740
HCC114	Common Variable and Combined Immunodeficiencies		X	2.097	$1,678

[1]Average RAF Score based on 65-year-old, non-dual male using v28 model
[2]Average revenue per member per month (PMPM), assumes 0.01 increase in risk score creates $8 PMPM in revenue

Stars & Risk Adjustment – Annual Bid

Revenue

	Category	Definition
CMS	Standardized Benchmark	• Percent estimated spend by Traditional Medicare in County • Maximum provided by CMS per member per month (PMPM)
	Plan Benchmark	• Standardized Benchmark x Risk Score x Quality Bonus Payment (QBP) • CMS establishing revenue rate PMPM
Payer	Standardized Bid	• Payer/Plan specific • Actuarial estimate to provide Medicare services(A/B)[1], plus operational cost & profit
	Plan Bid	• Standardized Bid x Risk Score
	Savings	• Plan Benchmark - Plan Bid
	Plan Revenue	• Plan Bid + (Savings x Quality Rebate)

[1]Excludes Hospice

Stars & Risk Adjustment
Revenue

		Orange	Blue	Purple
Plan Star Score		3.0	4.0	4.0
Quality Bonus Payment (QBP)		*0%*	*5%*	*5%*
Rebate		*50%*	*65%*	*65%*
Risk Score		1.1	1.1	1.2
Standardized Benchmark	• Percent estimated spend by Traditional Medicare in County • Maximum provided by CMS PMPM	$900	$900	$900
Plan Benchmark	• Standardized Benchmark x Risk Score x QBP • CMS establishing revenue rate PMPM	$990	$1,040	$1,134
Standardized Bid	• Payer/Plan specific • Actuarial estimate to provide Medicare services(A/B)[1], plus operational cost & profit	$800	$800	$800
Plan Bid	• Standardized Bid x Risk Score	$880	$880	$960
Savings	• Plan Benchmark - Plan Bid	$110	$160	$174
Plan Revenue	• Plan Bid + (Savings x Quality Rebate)	$935	$984	$1,073
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Citations

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- https://www.wakely.com/sites/default/files/files/content/proposed-ma-risk-adjustment-model-good-news-some-detrimental-others.pdf
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