



Reach For The Stars

2018 Medicare Advantage Star Ratings are out. How did your organization perform?

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The Centers for Medicare and Medicaid's 2018 Medicare Advantage (MA) and Part D Star Ratings have been released. 170 plans are rated 4 Stars and above and are positioned to win more members and higher revenue, while 214 have been designated as 3.5 Stars or below on the Medicare Plan Finder website.

How did your organization fare? Whether you performed well or below expectations, now is the time to evaluate the data to position your MA plan for the future.

The difference in one star can amount to millions of dollars in bonuses for a health plan and assure a strong presence in the market. That's why understanding CMS Star Ratings is crucial for implementing effective operational and quality improvement strategies.

The Significance of Star Ratings

CMS created the Star Rating System to reward clinical quality, member satisfaction and service, as well as regulatory compliance. Plans with high ratings receive bonus payouts of up to hundreds of millions of dollars.

For consumers, Star Ratings provide an easy way to shop for and compare plans during enrollment periods. The rating system has been cited as a key strategy for health plans in retaining and expanding their customer base because higher Star Ratings attract more Medicare beneficiaries.

CMS measures MA plans on how well they deliver healthcare services across five categories:¹

- Preventive care, including the use of screenings, tests and vaccines
- Management of chronic conditions
- Member experience with the plan (CAHPS)
- Member complaints, problems getting services and improvement in the health plan's performance
- Health plan customer service

For plans with Part D services, CMS also rates them on:

- Drug plan customer service
- Member complaints with the drug plan and performance over time
- Member experience with the drug services
- Safety and accuracy of drugs

Star performance has become critical for MA plans. For many, the bonus payout for strong performance and rebate opportunity dictate whether or not the plan will remain financially viable.

But each year, CMS raises the bar with rule changes that make it difficult for plans to achieve sustainable high ratings. Understanding the intricacies of the MA bidding process and the Star Ratings measures are important steps in maintaining or boosting Star performance.



MA Bidding and Star Ratings Explained

Medicare Advantage plans are designed at the county level and paid through a bidding process. Plans submit bids to Medicare based on estimated costs per enrollee for services covered under Medicare Parts A and B. All bids that meet the necessary requirements are accepted. Bids are compared to benchmark amounts that are set by a formula established in statute and vary by county or region. These benchmarks are the maximum amount Medicare will pay a plan in a given area.

If a plan's bid is higher than the benchmark set, enrollees pay the difference between the benchmark and the bid in the form of a monthly premium, in addition to the Medicare Part B premium. If the bid is lower than the benchmark, the plan and Medicare split the difference between the bid and the benchmark. This rebate must be used to provide additional benefits to enrollees.

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The Star Ratings System is unique to MA and rewards high performers while weeding out poorer ones. CMS rewards MA plans that earn four or more stars with performance bonuses, which must be used to provide additional benefits to enrollees. These bonuses bring in an extra 5 percent a year per member. A four-star plan with

100,000 members, for example, could receive an additional \$50 million in bonus revenue—a significant incentive to improve plan performance.

When looking at their plan options, consumers are more likely to choose well-rated plans—those with higher Stars can offer the best benefits. And while most plans can only market to beneficiaries during open enrollment, MA plans receiving a five-Star Rating can market to and enroll members year-round.

Improving or maintaining Star Ratings can be a challenge for MA plans. CMS continues to raise its performance expectations each year as all plans work on the same metrics, thus driving performance thresholds higher and higher. Struggling plans can easily fall into a downward spiral, unable to earn bonuses or rebates, attract new members or offer robust benefits.

Further, CMS has the power to terminate plans that earn three stars or lower for three consecutive years.

CMS's 2018 Medicare Advantage Star Ratings reveal that insurers' performance remains about the same as last year. One notable trend is that the high performers tend to be those who have more experience in the MA program because they've made the commitment and investment required to achieve strong performance.

About 44 percent of the 384 active MA contracts in 2018 that also have Part D prescription drug coverage earned four stars or higher, according to CMS. This is a drop from 2017 when about 49 percent of the 363 active plans earned four Stars or higher.



The Road to High Star Performance

Achieving high Star performance is complex and requires many stakeholders and systems to work together. It also requires a comprehensive strategy and operational infrastructure aligned to Star Ratings. Most importantly, MA plans seeking to improve Star Ratings must place the member at the top of their priority list.

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While there is no one-size-fits-all approach to driving higher Star performance, here are some considerations:

Collaborative bid development: The financial component of bid development is important, but it's not everything. Bid design involves collaboration across the organization. Your sales and marketing team, for example, has insights into what consumers want in a plan, while clinical experts can offer guidance on why a proposed drug co-payment might create a barrier to accessing care. Quality experts on Star Ratings are also critical because beneficiaries look at Star Ratings when choosing a plan. High Star Ratings are a helpful indicator about a plan's benefits and level of quality. Further, plans with four- and five-Star Ratings earn rebates and bonuses that allow them to invest in richer benefits, making them more attractive to consumers.

Plan operations: Everyone across the organization should understand the importance of Star Ratings, from the CEO to the case manager to the customer service associate. MA plans succeed when all players

are working in collaboration to deliver a differentiated and high-performing product. However, if MA is not a large proportion of a payer's overall business, it may suffer from lack of attention. Moreover, the highly regulated Medicare Advantage market is significantly different from other lines of business. Success in one area does not guarantee success in MA.

Quality: Delivering high quality health plan services requires integrated programs that align providers, members and functions across the plan. Outreach campaigns that engage members must be coordinated with the plan and provider groups to ensure activities are not redundant. Closing gaps in care and ensuring member satisfaction feed into Star Ratings.

Compliance: Maintaining compliance with MA program requirements is not only essential to avoiding financial and regulatory penalties, but also to avoiding lower Star Ratings. Compliance must be ingrained into every function across the organization and into its operating procedures. MA plans are also responsible for ensuring that its vendors are compliant with all regulatory requirements.

Provider engagement: For many providers, success in MA requires significant practice transformation, from delivering volume-driven to outcomes-oriented care. Strong MA plans should provide providers the incentives, tools and workflows that support value-based care delivery. High provider engagement requires clinical leadership support, as well as actionable and timely data that shows providers the impact of their work to improve care delivery. More importantly, more Star Ratings measures on patient experience are based on the member's experience with physicians, and thus an aligned provider engagement model is essential.

The Way Forward

Change is a constant with the Star Rating System, which makes navigating the program a challenging proposition. Plans must understand the ratings and keep abreast of changes in order to maintain or boost scores, while providing superior service to beneficiaries. Even plans that are successful today must continue to invest in and prioritize Star Ratings performance to remain well-positioned in the future.

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This requires focused attention, an action plan, and the right tools and resources. Besides higher Star Ratings, the payoff on this investment is higher customer satisfaction and healthier outcomes. And that is what healthcare is all about.

For health plans looking to improve Star performance, consider these questions:

- What measures proved especially challenging this year?
- Where must the organization focus to optimize performance?
- How can we drive holistic, sustainable and continued improvement?
- How can we maximize our investment in driving Stars performance?

Lumeris has created a high-performing platform focused on delivering improved outcomes. We've operated a 4.5-5 Star MA plan for seven years running and can put that experience to work for you.

For more information contact us at 1.888.586.3747 or go to Lumeris.com



Endnote

¹ Centers for Medicare and Medicaid. Retrieved from <https://www.medicare.gov/find-a-plan/staticpages/rating/planrating-help.aspx>. Oct. 6, 2017.