WHITE PAPER

Policy Revisions in Response to COVID-19

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CMS Proposes Additional Temporary Changes to the Medicare Advantage Star Rating Program

The spread of the Coronavirus (COVID-19) continues to present serious challenges to the healthcare industry. On August 25th, CMS posted a new interim final rule with comment period (IFR)[1]. The new IFR outlined multiple changes intended to address the ongoing impact of COVID-19, including additional changes to the 2022 Part C and D Star Ratings impacting 2023 payment year.

In the IFR, CMS confirmed that virtually all Medicare Advantage (MA) contracts meet the definition of "affected" contracts in the 2020 measurement year under the Extreme and Uncontrollable Circumstances (EUC) policy. Contracts that are assigned the "affected" status will be allowed to use the better of current or prior year performance in virtually every Stars measure. Wakely estimates that applying the EUC policy to all contracts in the 2022 Star Ratings has the potential to **increase total 2023 Medicare Advantage spending by $2.44 billion, or $8.37 PMPM**[2], relative to expected 2023 MA spending if the EUC policy were not applied. This equates to a 0.7% increase in MA spending in 2023 overall, although the impact to specific MA contracts will vary[3].

In addition to confirming that the EUC policy will apply to virtually all MA contracts in the 2020 measurement year (2022 Part C and D Star Ratings), CMS announced several modifications to the policy intended to handle the unique circumstances created by COVID-19. For more detail on these changes, see Appendix A. The changes described within this paper are a second installment of COVID-19 related changes to the MA Star Rating program. Wakely published a summary of the initial changes, announced in March of 2020, in a separate whitepaper[4].

[1] https://www.cms.gov/files/document/covid-ifc-3-8-25-20.pdf
[2] Note that all results shown in this paper are intended to quantify the Star Rating changes in the IFR only. This paper does not address the impact of other changes outlined in the IFR.
[3] Wakely recommends that each MA organization develop its own estimates of the change to 2022 Star Ratings, as the impact will vary widely for each organization.
[4] https://wakely.com/blog/policy-revisions-response-covid-19-temporary-changes-medicare-star-rating-program

Applying the Extreme and Uncontrollable Policy to All Contracts in the 2022 Star Ratings

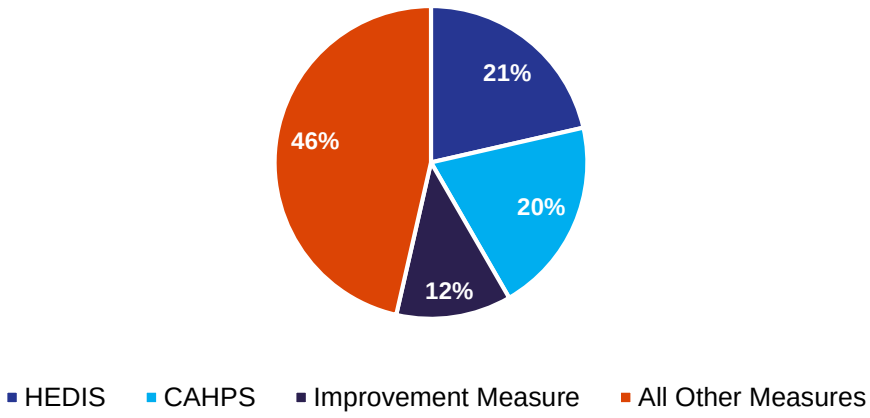
After applying the EUC policy, 2022 Star Ratings will be calculated according to the timeline within Table 1 below. Figure 1 on the following page also shows the weight of each of measure category in the 2022 Overall Star Ratings.

Table 1: 2022 Star Ratings – Timeline for Individual Measures

Contract Type	Measure Type	Measurement Period			Performance Period
		2018	2019	2020	
Established Contracts	**HEDIS**	X		X	Better of 2018 or 2020 performance
	CAHPS	X		X	Better of 2018 or 2020 performance (surveys administered in Spring 2019 and Spring 2021)
	Improvement Measures	X	X	X	Using a combination of 2018 to 2020 improvement (for HEDIS and CAHPS measures) and 2019 to 2020 improvement (for all other measures) Improvement Measures will *only* be included if they improve the contract Star Rating[5]
	All Other Measures[6]		X	X	Better of 2019 or 2020 performance
Contracts New in 2020	**All Measures**			X	Using 2020 performance for non-CAHPs measures, Spring 2021 CAHPS survey results

[5] This "Hold Harmless" change was originally proposed within the March IFR released by CMS and has been codified.
[6] "All Other Measures" include measures from data sources such as: Prescription Drug Event Data, the Complaints Tracking Module, Call Center Data, and others.

Figure 1: 2022 Star Rating Measure Weights (2023 Payment Year)



Potential Impact of the 2020 EUC Policy on 2023 Medicare Advantage Spending

The application of the EUC policy to all contracts as outlined in the August IFR will have a significant impact on 2022 Star Ratings and resulting 2023 MA spending. The objective of our analysis was to quantify the potential change in 2023 MA spending due to the EUC policy being applied to all contracts in the 2020 measurement year. To evaluate the impact of the EUC policy on all contracts, Wakely started with published contract-level 2020 and 2019 Star Rating data. We then applied the "better of" logic[7] at the measure level in accordance with the EUC policy. Using the better of 2020 or 2019/2018 measure-level Star Ratings means that the simulated Overall Star Rating for each contract can only improve from the published result or stay constant, there is no opportunity for the contract Star Rating to decline. We then applied this change in Overall Star Ratings to project 2023 MA spending. All Medicare spending was evaluated based on Wakely's 2023 internal revenue projections.

Overall Star Rating and MA Spending

The modified EUC policy was applied to published 2020 Star Ratings through four phases:

1. **Better of 2019 and 2020 Measure-Level Star Ratings** – First, the underlying measure-level Star Ratings for each contract were adjusted to receive the better of 2019 and 2020 Measure level Star Ratings. This logic was applied to all measures except the Part C and D Call Center and Improvement Measures[8].

[7] This logic was applied to measure level Star Ratings, not measure level data. Ex. this logic would compare a 4 Star in Breast Cancer Screening (BCS) one year to a 5 Star the following year and use the better 5 Star rating.
[8] The EUC policy requires additional circumstances to apply the "better of" logic to the Call Center measures. We do not anticipate these circumstances will occur due to COVID-19. The EUC policy does not apply the "better of" logic to the Improvement measures.

2. **Reward Factor** – Next, the reward factor[9] was recalculated to utilize the revised measure level Star Ratings from step 1. In all cases, this resulted in no change or an improvement to each contract's Reward Factor.

3. **Hold Harmless Improvement** – The Overall Star Rating was then calculated both with and without the Part C and Part D Improvement measures. Every contract was assigned the better Overall Star Rating either with or without Improvement measures.

4. **Existing Parent Organization Average** – Finally, for contracts that were too new to receive their own Star Rating and would be paid based on the average Star Rating of the parent organization, we updated the parent organization average Star Rating to reflect the impact of changes 1-3.

Each of the changes above were applied sequentially to the 2020 Star Ratings for all contracts. The impact was evaluated both as a change to the contracts' Overall Star ratings and the expected impact to 2023 MA spending. Note that the analysis contained within this paper does not account for any upcoming changes to the Star Rating program after the 2020 Star Rating year, such as the increased weighting to Patient Experience/Complaints and Access Measures from 1.5 to 2.0 within the 2021 Star Ratings. For more detail on these upcoming changes, refer to Appendix B.

Table 2 below shows the impact of each of these changes on contract Star Ratings. The MA spending change per member, per month (PMPM) is shown incrementally for each proposed change (ex. the impact of the changing reward factor is expected to increase Medicare payments by $1.35 pmpm in total).

Table 2: Applying the EUC Policy to All Published Contracts

	Change in Overall Star Rating by Contract					
	-0.5	0.0	0.5	1.0	1.5	PMPM MA Spending Impact *(Change across entire population)*
2020 Overall Star Rating Changes						
Better of PY 2020 & PY 2021	0	433	160	7	0	$6.84
Reward Factor Impact	0	548	52	0	0	$1.35
Improvement Measure "Hold Harmless"	0	597	3	0	0	$0.01
Parent Org Average Star Change[10]	0	535	61	4	0	$0.17
Total Change	**0**	**327**	**249**	**23**	**1**	**$8.37**

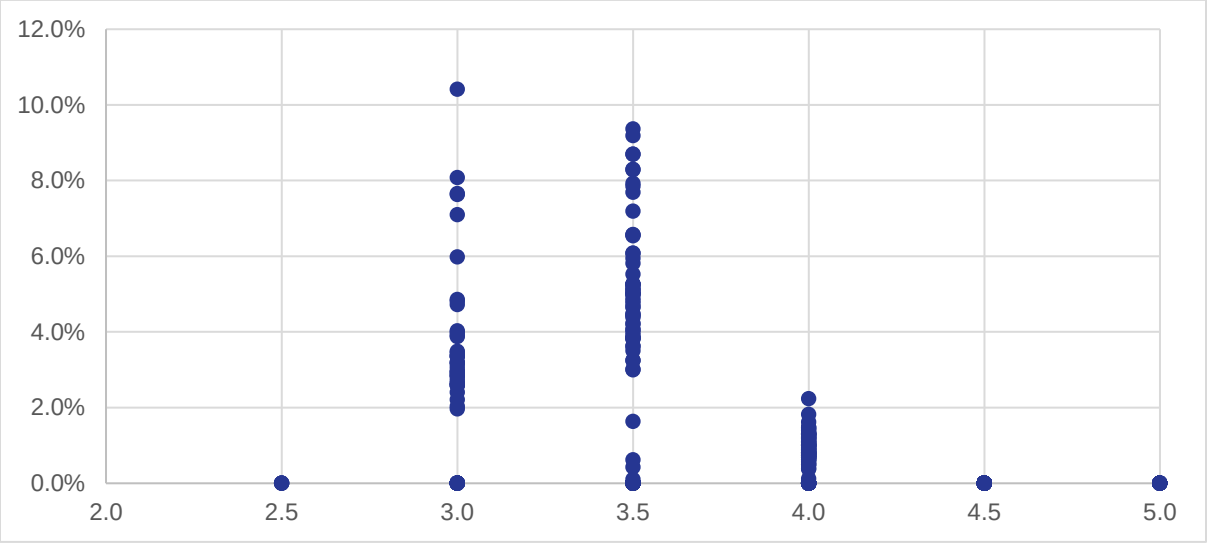
Figure 2 below shows the distribution in MA enrollment by contract Star Rating before and after applying the EUC policy.

[9] The Reward Factor is an additive adjustment from 0.0 to 0.4 applied to Overall Star Ratings to reward contracts for both high performance and low variability in measure level performance.
[10] The change to parent organization Average Star Ratings will only impact contracts that are too new to be measured. It does not change their published Star Rating but does change the QBP and rebate percentage they receive in 2023.

Figure 2: Contract Star Rating Changes After Applying EUC Policy[11]

The figure above shows that the Overall Star Rating will increase for about 50% of all contracts when the EUC policy is applied. Most contracts with an increase will change by just 0.5 Stars; however, roughly 5% of contracts will increase that increase by 1.0 or 1.5 Stars. For many contracts, a higher Quality Bonus Payments (QBP) and/or an increased rebate percentage will accompany an increase in the Overall Star Rating[12]. The increase to 2023 payments resulting from these Star Rating changes is shown in Figure 3 below.

Figure 3: Percent MA Payment Change by Contract, After Applying EUC Policy[13]



[11] This plot excludes New contracts under existing MA parent organizations. New contracts that receive the Star Rating from their parent organization may also increase in revenue due to an increase in the parent organization Star Rating after applying the EUC policy to all contracts.
[12] Refer to Appendix D for the QBP and rebate percentages at each Overall Star Rating level.
[13] This plot excludes New contracts under existing MA parent organizations.

As expected, the largest spending increases will occur for contracts that increase from a 3.5 to 4.0 or 3.0 to 4.0 within their Overall Star Rating. This is due to the additional 5% QBP earned when a contract attains the 4.0 Star Rating and the large increase in rebate percentage from 50% to 65% when the 3.5 Star Rating is attained.

For more detail on the contract Star Rating and MA spending changes described above, refer to Appendix C. Further detail on the methodology used to derive the results shown within this report can be found in Appendix D.

Additional Considerations

Wakely's analysis demonstrates that the application of the EUC policy to all contracts will substantially improve 2022 Overall Star Ratings and in turn 2023 MA spending. We have identified additional market changes for managed care organizations to consider as they plan for the future:

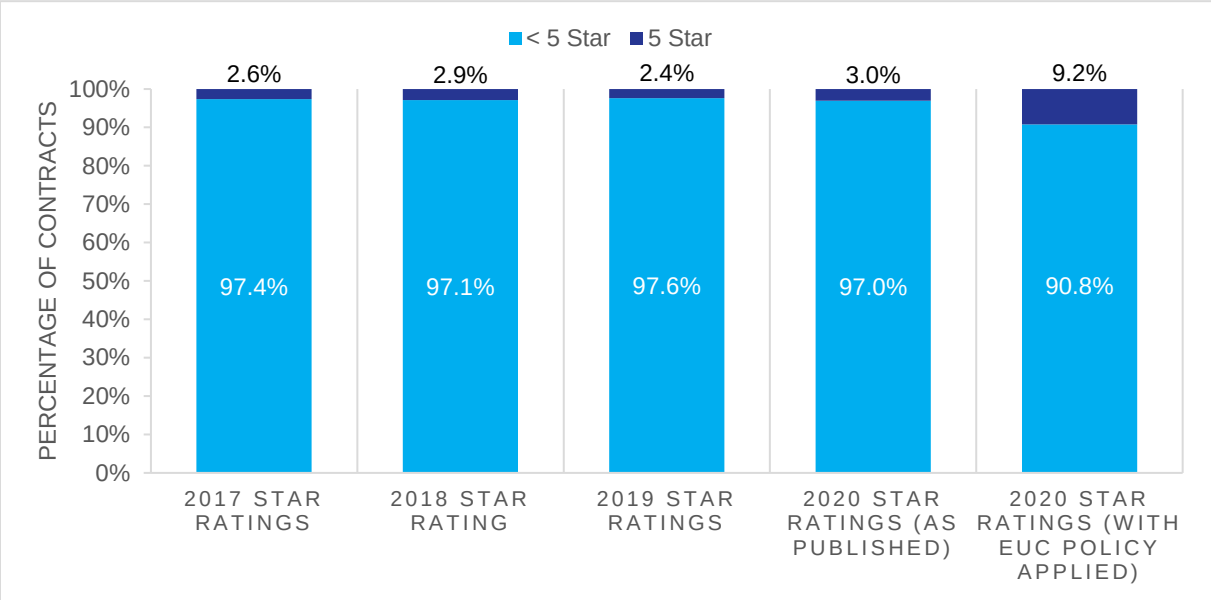
- Contracts that were new in 2019 or 2020 will have a disadvantage relative to established contracts with experience in years prior to 2019. For each measure, CMS will assign the better Star Rating of the current year or prior year. For HEDIS and CAHPS measures, this will be the better of 2020 or 2018 performance because the 2019 performance data was not collected due to COVID-19 (for more information on this change, see the IFR released March 2020[14]). For all other measures, CMS will use the better of 2020 or 2019. Contracts that started in 2019 will not have 2018 experience to rely on, and contracts that started in 2020 will not have prior year experience from 2018 or 2019. Therefore these contracts will not benefit from the "better of" logic and will be forced to rely on their 2020 performance for some or all of the Stars measures.

- For existing parent organizations, average contract-level Overall Star Rating may increase when the EUC policy is applied to all contracts. This higher Star Rating will apply to any contracts given "new" status in the 2022 Star Ratings and leads to a higher 2023 MA spending for contracts with an initial coverage year between 2021 and 2023.

- Wakely's analysis shows a large increase in the number of 5 Star contracts once the EUC policy is applied, from 3.0% to 9.2%, as shown in Figure 4 below. Members are allowed to change plans throughout the year if they choose to enroll in a 5 Star contract. Therefore, the increase in 5 Star contracts in the 2022 Star Rating year is likely to result in more members changing plans in the middle of the year.

[14] https://www.cms.gov/files/document/covid-final-ifc.pdf

Figure 4: Contracts with a 5 Star Rating, 2017 – 2020



- It will be important for MA plans to remember that all contracts will be affected by the EUC policy only in the 2020 performance year. Beyond 2020, it is unlikely that the benefits of this policy will continue to apply to all Medicare Advantage contracts. This means that any increase in 2023 Medicare payments due to the application of the EUC policy to the 2022 Star Ratings will be effective for one year only. It is likely that many plans will return to a lower Star Rating and lower Medicare payments in the following year unless they invest heavily in maintaining or improving their Star Ratings. Any plan benefit enhancements or increasing margin experienced as a result of the higher 2022 Star Rating may not last.

Alternative Options

Given the varying impact that COVID-19 has had on contracts across the nation and the differing positions that organizations are in based on their 2018 or 2019 performance, some Medicare Advantage Organizations may decide to submit alternative options to CMS.

CMS may consider either requiring or allowing carriers to voluntarily submit their 2019 HEDIS data at a later date, to be used in the calculation of the 2022 Star Ratings. CMS could also hold a special delayed survey period for CAHPS measures to ask members about their experience in 2019.

Given the varying regional impact that COVID-19 has had so far on 2020 performance, CMS may consider a regional adjustment to the cut points in order to protect the contracts with a large portion of membership in heavily impacted regions from being compared against a national benchmark.

Finally, CMS may consider providing further adjustments and protections for contracts that are new in 2019 and 2020, as these contracts do not have the same amount of historical data to benefit from the "better of" EUC protections. This could come in the form of a set of "new contract" cut points.

Conclusion

The clarifications and changes to the 2022 Medicare Star Ratings that CMS has outlined in the IFR, if adopted, will have a significant impact on contract level Star Ratings in 2022 and MA spending in 2023. Wakely has estimated that these changes will **increase total 2023 Medicare payments by $2.44 billion, or $8.37 PMPM**.

Although the changes are expected to increase Star Ratings overall, not all contracts will benefit from the application of the EUC policy. Contracts that are new in 2019 or 2020 will not receive the same protections under the proposed policy as those with experience prior to 2019. New contracts receiving their first Star Rating perform worse on average – receiving an average overall star rating that is 0.7 worse than the average star rating for an established contract[15]. This policy is likely to make that disparity even greater between new and existing contracts in the 2022 Star Ratings. In addition, contracts that do not receive a 2022 Star Rating because they are low enrollment or new contracts under a new parent organization (without a 2022 Star Rating) will not receive any increase to spending in 2023 from the EUC policy.

Finally, contracts with a large portion of membership in areas that are especially affected by COVID-19 may struggle with their performance relative to nationwide benchmarks. Although they will not see a decrease in 2022 Star Ratings due to COVID-19, they are less likely to see improved Star Ratings relative to contracts in less heavily impacted areas.

We would like to thank Mahagirthan Murugays for his work on the quantitative analysis behind this paper, as well as his support on various additional papers and studies of the Medicare Star Rating Program prior to this paper.

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

[15] https://www.wakely.com/blog/new-contract-medicare-star-ratings-why-sudden-cliff

Appendix A: Extreme and Uncontrollable Circumstances Policy Background

CMS initially codified the Extreme and Uncontrollable Circumstances (EUC) policy in the 2019 Final Call Letter[16]. The intention of the EUC policy is to adjust Star Ratings to account the effects of extreme and uncontrollable circumstances that occur during the performance period, such as disasters and hurricanes. CMS first defines counties receiving Individual Assistance as part of a FEMA Major Disaster Declaration as "affected counties". Contracts with 25% of the enrollment in affected counties receive measure level Star Ratings that are the better of the current year or the prior year. Additionally, contracts with 60% or more of their enrollment in affected counties are excluded from the clustering algorithm used to determine measure-level cut points. The "25% rule" is intended to protect contracts that are adversely impacted from being in "disaster-impacted" areas, while the "60% rule" is intended to prevent these contracts from bringing down the cut points used to determine Star Ratings for all contracts.

The Star Ratings policy for EUC was developed with natural disasters in mind. In the latest IFR, CMS confirmed that the policy was not designed to address global pandemics. COVID-19 has created an unprecedented circumstance in which all of the counties in 51 out of 55 states/territories have been designated as Individual Assistance areas due to COVID-19 as of late July 2020. CMS acknowledges that this number could continue to grow throughout 2020 as the pandemic evolves. This creates a unique circumstance in which all contracts will likely be deemed affected using both the "25% rule" and "60% rule". This means that all contracts could be excluded from the clustering algorithm, leaving CMS without a way to determine measure-level cut points for the 2022 Star Ratings based on 2020 contract performance.

Due to this unusual circumstance, CMS states in the IFR that they will suspend the "60% rule" for the 2022 Star Ratings only. This means that all 2020 contracts will be used in the determination of cut points for the 2022 Star Ratings. CMS will continue to apply the "25% rule" to all affected contracts, allowing all contracts to receive the better of current and prior year performance Star Rating for all measures.

[16] https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Announcement2019.pdf

Appendix B: Timeline of Upcoming Star Rating Program Changes

Recently, CMS has proposed various changes to the Medicare Star Rating program. See below for a timeline of all upcoming proposed and finalized changes. Items shown in italics are temporary changes intended to handle the unique circumstances created by COVID-19. These changes will not continue after one year.

2021 Star Rating Program Changes (2022 Payment Year)

- Plan All Cause Readmission (Part C) to be temporarily removed due to substantive changes
- All Patient Experience/Complaints and Access Measures (Part C) to increase in weight from 1.5 to 2.0
- Recalculation of the Categorical Adjustment Index[17] (CAI) based on the latest plan performance data
- *2019 measurement year HEDIS and CAHPS data will not be collected due to COVID-19 administrative burden*

2022 Star Rating Program Changes (2023 Payment Year)

- Controlling Blood Pressure (Part C) to return to the Stars Calculation with a weight of 1.0
- Adult BMI Assessment (Part C) to be retired
- Appeals Auto forward (Part D) to be retired
- Appeals Upheld (Part D) to be retired
- Mean resampling will be introduced in the calculation of measure level cut points
- *Part C and Part D Improvement Measures will fall under a "Hold Harmless" clause for all contracts*
- *All contracts will be considered "affected" contracts under the EUC policy and will receive the better of 2021 and 2022 measure level Star Ratings*

2023 Star Rating Program Changes (2024 Payment Year)

- Plan All Cause Readmission (Part C) to return to the Stars Calculation with a weight of 1.0
- Controlling Blood Pressure (Part C) will increase in weight from of 1.0 to 3.0
- Increasing Patient Experience/Complaints and Access Measure Weights from 2.0 to 4.0
- Rheumatoid Arthritis Management (Part C) to be retired
- 5% guardrails will be introduced in the calculation of measure level cut points

2024 Star Rating Program Changes (2025 Payment Year)

- Plan All Cause Readmission (Part C) will increase in weight from of 1.0 to 3.0
- Tukey outlier removal will be introduced in the calculation of measure level cut points

[17] The Categorical Adjustment Index factor adjusts contract level Star Ratings based on the level of Low Income and Disabled enrollment in the contract.

Appendix C: Additional Exhibits

The below appendix provides additional information on the distribution of contracts *prior* to EUC proposed changes and *after* simulating the EUC changes. Table C1 shows the distribution of contracts across each Star Rating *prior to* and *after* the implementation of the proposed EUC policy. All contracts are expected to either stay stable or increase in Star Rating. Some contracts could increase as much as 1.0 to 1.5 Star Ratings.

Table C1: Contract Distribution *Prior to* and *After* Applying the EUC Policy

Previous Star \ Updated Star	2.5	3	3.5	4	4.5	5	New/Low Enroll	Total
2.5	2	2						4
3		17	32	6				55
3.5			72	52	6	1		131
4				37	73	7		117
4.5					42	29		71
5						18		18
New/Low Enroll							204	204
Total	2	19	104	95	121	55	204	600

Table C2 below shows the expected percentage change in MA spending at each Star Rating. Contracts increasing from a 3.0 or 3.5 Star Ratings will see the largest increases in MA spending.

Table C2: Expected Percentage Change in 2023 MA Spending

Previous Star \ Updated Star	2.5	3	3.5	4	4.5	5	New/Low Enroll	Total
2.5	0.0%	0.0%						0.0%
3		0.0%	2.7%	9.1%				4.5%
3.5			0.0%	4.8%	5.2%	6.3%		2.4%
4				0.0%	0.9%	1.0%		0.7%
4.5					0.0%	0.0%		0.0%
5						0.0%		0.0%
New/Low Enroll							0.5%	0.5%
Total	0.0%	0.0%	0.5%	2.3%	0.6%	0.2%	0.5%	0.7%

Finally, table C3 shows the distribution of 2020 enrollment on plans with 4.0 Stars or greater, before and after the EUC policy change. This analysis shows an increase from 80% of enrollment in 4+ star plans to 88% of enrollment. These contracts will receive an additional 5% (or more in double bonus counties) QBP, so the change will drive a significant increase in 2023 Medicare spending.

Table C3: Enrollment in 4.0 + Star Plans

	Prior to EUC Change	After EUC Change
Greater than 4 Stars	19,426,190	21,349,442
Less than 4 Stars	4,062,628	2,139,376
New and Low Enrollment Contracts	824,826	824,826
Total	24,313,644	24,313,644
Percent of Enrollment in 4+ Star Plans	*80%*	*88%*

Appendix D: Methodology

Methodology Overview

Wakely used the published 2019 and 2020 Star Ratings Data Tables[18] to evaluate the impact that the new EUC policy would have to Medicare Advantage Organizations (MAOs). These tables include measure level data (ex. a contract scoring 83% on the Breast Cancer Screenings measure), measure level Star Ratings (ex. a contract receiving 4 stars out of 5 on the Breast Cancer Screenings measure), Part C and D cut points for each measure, and Overall Star Ratings. We then replicated the CMS calculations for the 2020 Overall Star Ratings for every contract by calculating raw Overall Star Ratings (weighting each measure with the CMS defined measure weight) and then adjusting for Part C and D Improvement Measures, Reward Factors, and the Categorical Adjustment Index (CAI).

With all contracts aligned in their starting point – the published 2020 Overall Star Rating – each of the changes from the new EUC policy could then be applied sequentially and a new Overall Star Rating could be calculated after each change.

Better of 2019 and 2020 Measure Level Star Ratings

In the 2022 Star Rating year, CMS will allow all contracts to qualify under the 25% rule as being subject to an "Extreme and Uncontrollable Circumstance". This will allow all contracts to receive measure level Star Ratings that are the better of 2020 performance and either 2018[19] or 2019[20] performance, for all measures except the Part C and D Call Center – Foreign Language Interpreter and TTY Availability measures.

In order to derive the impact of the EUC policy on contract Star Ratings, Wakely recalculated the 2020 Overall Star Ratings for every available contract, assigning each contract the better of their 2019 and 2020 Star Ratings at the measure level.

There were some contracts that were *already* subject to the EUC policy within their 2020 Star Ratings. These contracts were already designated as affected due to a disaster altering their 2018 performance. For these contracts, we would see no change when applying the EUC policy because the published 2020 Stars data already incorporates the better of logic for 2020 (2018 measurement year) and 2019 (2017 measurement year). There were also contracts that were subject to the EUC policy within their 2019 Star Ratings (from a disaster altering 2017 performance). For these contracts, the *published* data we relied on for 2019 is already the better of their 2018 and 2019 Star Ratings. While we could not appropriately decipher their true 2019 performance for the purposes of this exercise, we observed results both *including* and *excluding* these contracts and deemed their results to be consistent with the full population of contracts.

[18] https://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovGenIn/PerformanceData
[19] HEDIS and CAHPS measures will receive the better of 2018 or 2020 performance
[20] All non-HEDIS and CAHPS measures will receive the better of 2019 or 2020 performance

When measure level Star Ratings are changed to use the better of current and prior year performance, there is also a change in the contract reward factor and the Part C and Part D Health/Drug Plan Quality Improvement measures. The reward factor change was calculated in a separate step, described below. The improvement measures, however, were not adjusted other than for the "Hold Harmless" step described below. As such, the results shown in this paper do not reflect changes in Part C and D Quality Improvement Star Ratings as a result of using the better of 2020 and 2019 Stars measures.

Reward Factor

The reward factor is an adjustment from 0 to 0.4 that is added to a contract's Summary and Overall Star Ratings based on the variance and mean across all measure level Star Ratings. When we adjusted each contract to the better of their 2019 and 2020 measure level Star Ratings, we also brought these new measure level Star Ratings into the reward factor calculation, decreasing the variance and increasing the mean for most contracts. The result was a calculated Star Rating impact driven by the change in reward factor only.

Improvement Measure Hold Harmless

In the March released IFR, prior to the clarification of the EUC policy, CMS stated that for the 2022 Star Ratings they will apply a "Hold Harmless" clause to the Improvement Measure for all contracts. This means that CMS will calculate the 2022 Improvement Measures based on measure level improvement either from 2018 to 2020 or 2019 to 2020 (depending on the measure). They will then calculate the Overall Star Rating both *with* and *without* the Improvement Measures included. Each contract will receive the Overall Star Rating that was higher, either with or without the improvement measure. Currently this "Hold Harmless" is already in place for contracts rated 4.0 stars or higher – this temporary change will expand the Hold Harmless clause to all contracts.

In order to estimate the impact that this would have on 2022 Star Ratings, we applied the "Hold Harmless" clause to all contracts based on the 2020 Star Rating data used within this analysis and compared to the Star Ratings where the Hold Harmless only applies to 4.0 and above Star contracts.

New Contracts Under and Existing Parent Organization

This final change outlined will not impact published 2022 Star Ratings, but it will change the 2023 MA payments to new contracts under existing parent organizations. Contracts under an existing parent organization that are new in 2021 or later will not have their own 2022 Star Rating – instead, these contracts will receive 2023 MA payments based on the weighted average 2022 Star Rating of their parent organization. The weighted average 2022 Star Rating will be calculated using enrollment from November of 2021. Because 2022 Star Ratings are expected to increase under the new EUC rule, we expect the parent organization average Star Rating to increase as well.

In order to model this change, for contracts that were too new to receive a 2020 Star Rating, we calculated the average parent organization Star Rating using November 2019 enrollment, both before and after the EUC changes.

MA Spending Changes

The above methodologies describe how changes in Overall Star Ratings were determined for all contracts based on the CMS proposed changes. The last step in the analysis was to quantify the resulting financial impact of these changes. Table D1 demonstrates the relationship between contract Star Ratings, QBP, and rebate percentages.

Table D1: Quality Bonus and Rebate Percentages by Star Rating

Plan Rating	*Bonus Payment*	*Quality Bonus Quartile-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%*
Low Enrollment Contracts	*3.5%*	*103.5% of Benchmark*	*65%*
Plans Not Reporting	*0.0%*	*100% of Benchmark*	*50%*

First, we excluded contracts that do not have MA payments tied to Overall Star Rating. This includes PDP, Demo, 1876 Cost, and MSA contracts. We also excluded contracts without published CMS enrollment. CMS does not report enrollment for plans with less than 10 members in each county. Contracts with less than 10 members in all counties do not have any published enrollment and therefore we cannot estimate the MA spending impact on these contracts. After applying these exclusions, we reduced the number of contracts from 743 in the 2020 published Star Rating file to 600 in our MA spend analysis.

To quantify the MA spending impact of each Star Rating change on the remaining contracts, first Individual county-level benchmarks for 2021 through 2023[21] were determined for every 2020 contract at each Star Rating from 1.0 to 5.0. This involved utilizing published September 2020 county-level enrollment and Wakely internal county benchmark projections based on the known quartile changes, ACA benchmark caps, qualifying “double bonus” counties, and current CMS benchmark projections. A bid estimate was derived for each Star Rating by applying an estimated bid to benchmark ratio to the contract level benchmark. The bid to benchmark ratios was developed at the county, product, and SNP type-level based on historic publicly available bids and benchmarks and trends in bid to benchmark ratios by quartile. Using this established bid and benchmark, the resulting MA revenue was then determined for all individual plans at each Star Rating.

[21] Contract level benchmarks beyond 2021 assumed a constant county level enrollment distribution from 2021 forward.

Because Employer Group Waiver Plans (EGWP) do not submit a bid, the revenue for these plans at each Star Rating was determined by the EGWP payment rate. The MA spending impact of a change in Star Rating, therefore, is based on the change in the payment rates based on Star Ratings.

Finally, the quantified impact to MA spending was multiplied by the estimated contract risk score. Risk scores were developed from 2017 publicly available data at the county, product, and SNP type level. They were applied to the contract based on their enrollment distribution at the county, product, and SNP type level.