2020 MEDICARE ADVANTAGE AND PART D RATE ANNOUNCEMENT & FINAL CALL LETTER

STRENGTHENING MEDICARE AND UNLEASHING INNOVATION

In April, the Centers for Medicare & Medicaid Services (CMS) released final policy and payment updates to the Medicare Advantage (MA) and Part D programs through the 2020 Rate Announcement and Final Call Letter. While there are many themes contained in the full document, one major takeaway stood out. Despite extensive comments from stakeholders,

50% **Starting in 2020, EDS will account for 50% of risk scores.**

CMS adopted its proposal to accelerate the transition from reliance on Risk Adjustment Processing System (RAPS) to Encounter Data System (EDS) submissions for risk adjustment by increasing the proportion of risk scores derived from EDS from 25% to 50%. The impact on plan payments will vary significantly based on how plans have prepared for this transition, and poorly prepared plans may experience significant revenue decreases attributable to the transition.

In addition, the Medicare Payment Advisory Commission (MedPAC) wants Congress to direct CMS to start withholding MA payments in 2021 and release standards and performance metrics for encounter data submissions that plans can meet to get it back.

WHY THIS MATTERS: PARETO INTELLIGENCE'S EXPERIENCE

Pareto Intelligence is an analytics and advisory company that delivers technology solutions to improve value-based outcomes. Through our work assessing health plans' end-to-end data integrity for 2+ million MA members over the last two performance years, Pareto has seen significantly different Risk Adjustment Factor (RAF) accuracy across RAPS and EDS:

Over 500% more risk units are unaccounted for through the creation, submission and acceptance process for EDS to RAPS

57% of EDS risk gap issues occur pre-submission, meaning value encounter and diagnosis information isn't even making it to CMS via EDS submissions
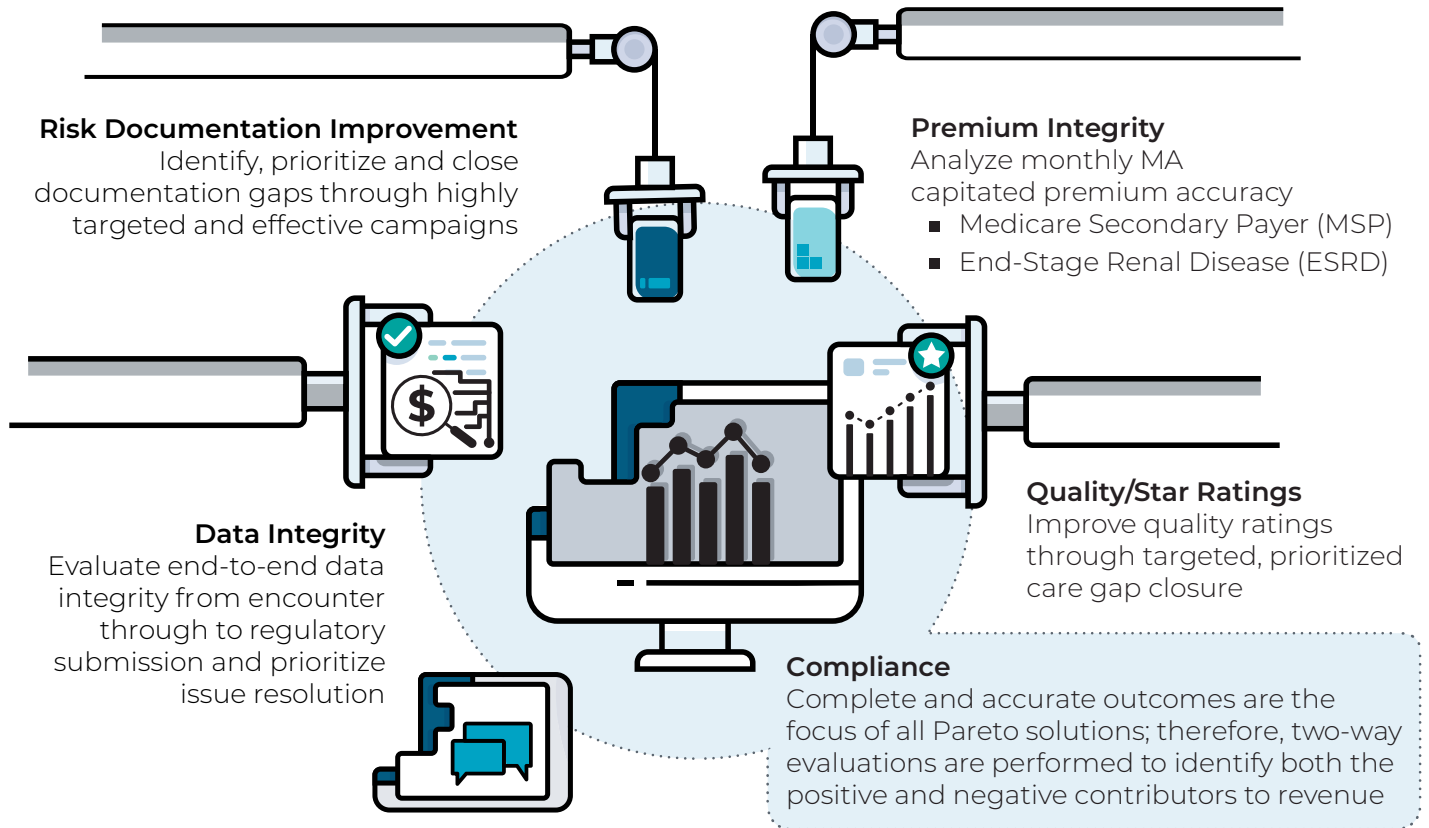
As CMS increases the emphasis on encounter data submissions, the potential impact to financial performance for Medicare Advantage Organizations (MAOs) due to data quality issues impacting submissions will grow exponentially. The current state below is based on Pareto's experience and the blended 75%/25% and 85%/15% RAPS to EDS splits over the past two performance years.

	CURRENT STATE	ADJUSTED TO 50/50 RAPS/EDS	ADJUSTED TO 100% EDS
Financial Shortfall for MAOs (on average)	$35-$50 PMPY	$65-$90 PMPY	$120+ PMPY
Total for 50k Members	$1.75M to $2.5M	$3.25M to $4.5M	$6M+

TAKING A PROACTIVE APPROACH TO ADDRESSING REVENUE ACCURACY

Given the policy updates from CMS and the recommendation from MedPAC, health plans should take action now to proactively resolve data quality and other issues impacting revenue accuracy before it negatively impacts bottom lines.

Pareto is offering a one-time assessment of MA plans' financial exposure and improvement opportunity related to the RAPS/EDS transition. As part of the assessment, Pareto's Revenue Integrity solution will apply a holistic approach to assessing revenue accuracy and benchmark risk documentation performance and premium accuracy against our experience of over 2 million MA members in the Pareto community to determine the greatest areas of financial improvement for your MAO.

Risk Documentation Improvement
Identify, prioritize and close documentation gaps through highly targeted and effective campaigns

Premium Integrity
Analyze monthly MA capitated premium accuracy
- Medicare Secondary Payer (MSP)
- End-Stage Renal Disease (ESRD)

Data Integrity
Evaluate end-to-end data integrity from encounter through to regulatory submission and prioritize issue resolution

Quality/Star Ratings
Improve quality ratings through targeted, prioritized care gap closure

Compliance
Complete and accurate outcomes are the focus of all Pareto solutions; therefore, two-way evaluations are performed to identify both the positive and negative contributors to revenue

As part of Pareto's Revenue Integrity solution for MA, we will perform a comprehensive analysis of your MAO's performance year 2018 and 2019 RAPS and EDS submissions to quantify the financial improvement opportunity and deliver actionable outputs to resolve data quality issues.

To learn more about this solution or to schedule a demo,
contact Duncan Wierengo at dwierengo@paretointel.com or at (616) 340-1519.

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Pareto Intelligence and Gorman Health Group are both part of the Convey Family of Companies, meaning Pareto clients have access to the industry's leading Medicare Advantage consulting experts. Our powerful partnership leads to powerful results for your business.

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