Humana

February 4, 2022

Notice of Methodological Changes for Calendar Year 2023

Description of 2023 Rate Adjustment Categories

Note: This document is meant to be used as a reference tool to better understand recurring components of the Methodological Changes periodically published by the Centers for Medicare and Medicaid Services (CMS) each year. CMS could potentially include other adjustments beyond those listed herein.

Factors impacting Rate Book

1. Trend assumptions

This reflects the weighted average trend based on blended percentages for pre-Affordable Care Act (ACA) and post-ACA trend rates. Blended percentages are based on the scheduled phase-down to parity for counties around the nation as outlined in the ACA. As of 2017, all counties were fully transitioned to the post-ACA trend rates. However, the pre-ACA trend rate is still calculated in order to determine the pre-ACA benchmark cap rate for each county.

The pre-ACA growth rate (National Per Capita Medicare Advantage Growth Percentage or NPCMAGP) is comprised of the expected current year trend (forecast of trend for the upcoming year) and cumulative adjustments for prior years for combined FFS and MA per capita spending. CMS's look-back analysis on prior years is required to go back to 2003.

The post-ACA trend is similarly comprised of the expected current year trend (forecast of trend for the upcoming year) and cumulative adjustments for prior years for per capita spending on FFS only. CMS's look-back analysis on prior years goes back to 2010, the year of passage of the ACA.

2. Rebasing of FFS Counties

CMS is required to rebase FFS county rates at least every three years, and has done so each year since 2012. Rebasing is designed to update the county base rates to reflect CMS's latest estimates of county level spending variations for Original Medicare.

3. AGA Re-pricing

The Average Geographic Adjustment (AGA) is the mechanism used by CMS to implement the Rebasing of FFS Counties. The rebasing uses the historical 5 year rolling average of each county's FFS cost relative to the national average FFS cost. Beginning in 2014, the historical 5 year costs have been re-priced (or restated) using current FFS schedules so that all 5 years are based on consistent cost parameters.

4. Change in Assigned Payment Quartiles

This is the impact associated with counties moving between payment quartiles based upon their ranking in terms of highest to lowest FFS costs.

5. IME Phase-out

This represents phase-out of the incremental payments for Indirect Medical Education (IME) that resulted from including incremental amounts in both the health plans' premium payments from CMS and the payments made directly to such hospitals by CMS.

6. Quality Bonus

This represents the impact of changes in bonus money associated with Star quality ratings. For 2015, this also included the impact of the sunset of the Star demonstration program from CMS. The sunset of the demonstration resulted in (1) higher rating needed to achieve bonus money, (2) re-establishment of caps for bonus money such that bonus money cannot result in the county rate being higher than the pre-ACA rate, and (3) bonus percentages are to be applied to only the post-ACA portion of the county rate versus both the pre-ACA and post-ACA portions under the Star demo. As stated above, all counties fully transitioned to post-ACA county rates as of 2017.

The total impact of items 1 through 6 reflect the anticipated change in the Rate Book

Change in Risk Factors

7. FFS Normalization
   This adjusts for the yearly trend in risk scores due to demographic and coding changes in Original FFS.

8. MAPD Risk Factor Recalibration
   This reflects adjustments for payment rates associated with specific risk factors to reflect each factor's relative share of overall costs in Original FFS.

9. DRA Coding Intensity Adjustment
   This is a Medicare Advantage system-wide adjustment originally spelled out in the Deficit Reduction Act (DRA) of 2005 to reflect that Medicare Advantage plans code more accurately than Original FFS. Under the ACA, this factor was required to reduce risk scores by at least 0.25% every year from 2015 to 2018.

Items 7 through 9 reflect additional changes to health plan premiums from CMS not included in the Rate Book.

Total Change in Premiums from CMS

The total expected change in premiums from CMS would encompass the impacts of items 1 through 9 above. The non-deductible health insurance industry fee, which had previously pressured plan funding, was permanently repealed starting in 2021 by the "Further Consolidated Appropriations Act, 2020" signed into law on December 20, 2019.