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CMS PY2025 Final Notice: A Summary

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On April 1, The Centers for Medicare & Medicaid Services (CMS) released the Medicare Advantage (MA) PY2025 Final Notice. Here are some of the highlights for risk adjustment and quality programs:

- CMS projects MA payments to increase by 3.70% in aggregate, consistent with the Advance Notice.
- CMS projects the effective growth rate for 2025 to be 2.33%, a decrease from 2.44% in the Advanced Notice.
- Continuation of the V28 risk adjustment model phase-in from CMS-HCC Model 2024.
- V28 now represents 67% of the calculated risk score, with the remaining 33% coming from the V24 risk adjustment model.
- CMS implements a new RxHCC risk model using the Individual Risk Adjustment (IRA) methodology.
- The 2025 Star Ratings methodology remains as expected for MA Benchmarks, Quality Bonus Payments, and rebate calculations. The Plan All-Cause Readmission measure weight has matured to a weight of 3.
- There is an increased focus on the Health Equity Index as it impacts 2027 Star Ratings.
- Breast Cancer Screening measure changes include involving younger members in the measure, requiring a review of initiatives to support mammography screenings to include age range changes.
- Health plans should follow guidance for Statin measures and review the possibility of increasing the time frame in which statin intolerance will be excluded.

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Risk Adjustment Model Updates

Most commentators supported the continued rollout of the V28 risk model. The main improvements to the V28 risk model are the incentive reduction for Medicare Advantage (MA) plans to code intensively and helping to address perceived "upcoding". As expected, there is a three-year phase-in of the new risk model, giving MA plans time to adjust to the new model by reflecting more recent costs, treatment and utilization patterns, and updated coding practices. The V28 model increases the Hierarchical Condition Category (HCC) categories from 86 to 115 but includes about 20% fewer ICD10 diagnosis codes mapped to an HCC disease category.

CMS also made changes to the Part D RxHCC risk model based on the CMS-IRA (Individual Risk Adjustment) methodology, which is based on the individual health of the enrollees and adjusts payments to reflect the expected costs of providing care to individuals with different health needs. These changes will be implemented in PY2025 without a phase-in. Some commentators expressed concern that these changes would not account for the projected increase in plan liability under the redesigned benefit, despite the expected increase in risk scores for some populations. According to CMS, the average risk score must remain at 1.0, and risk scores for low-income beneficiaries are expected to increase while scores for non-low-income beneficiaries decrease.

Concerns About Costs and Benefits

Those who disagreed with the proposed changes expressed concern about cuts to Medicare Advantage that could increase costs for beneficiaries and reduce the quality and quantity of MA and Special Needs Plans (SNP) offerings. CMS' response stated that the policies enacted are projected to increase average payments to MA organizations by 3.7%. They referred to the previous year, which projected a 3.32% increase in payments. This was lower than recent years, but plan availability, choice, enrollment, and benefit offerings remained stable or grew in 2024.

Star Ratings and Quality Impact

CMS confirmed the methodology for MA Benchmarks, Quality Bonus Payments, and rebate calculations will be implemented as described in the Advance Notice. Noteworthy changes included the removal of two questions in the Getting Appointments Care Quickly measure for 2025 Star Ratings. CMS does not see this as a substantive change and the measure status will not be changed.

As expected, the Plan All-Cause Readmissions measure is now weighted a three. The impact on health plan ratings will reflect the efforts placed to reduce readmissions. No other weights were changed, and no other measures were added for Star Ratings 2025.

Beginning in measurement year 2024 (2026 Star Ratings), the weighting for patients' experience and complaints, as well as access measures, will be reduced to 2. CMS confirmed that the Social Need Screening and Intervention measure will begin on the 2025 display page. Adult Immunization Status and Depression Screening and Follow-up will be on the 2025 display measures.

Significant changes are expected for the Breast Cancer Screening measure, as recommended screenings are aimed at younger members to begin and measure mammogram screenings.

CMS and NCQA are continuing to work collaboratively to consider statin intolerance exclusion lookback periods to add appropriate coding and considerations to known intolerances. The exclusions currently only include documentation in the measurement year. The impact of these changes on health plans is ongoing, along with additional future changes in how the data is captured to measure changes and allowances. Health plan quality programs should align on population health concerns while still recognizing that the programs need to capture data and outcomes to meet quality reporting needs.

Advantmed Analysis

We do not see any significant impacts to our products and services with these changes. Advantmed will update the blend percentages and the model changes within 30-60 days of the CMS Final Announcement release.

Medicare Advantage plans should review the updates in the final notice and prepare to recalibrate their risk adjustment strategy accordingly. With increased OIG oversight, announced extrapolation of RADV audit results for payment year 2018 and beyond, and many plans adopting more conservative coding guidelines based on AHA Coding Clinic updates, maintaining an effective risk adjustment program is more complex and challenging than ever.

Advantmed offers industry-leading products and services that can help MA plans continue to succeed and meet their goals for risk adjustment and quality.