

# CY25 Medicare Advantage and Part D Pricing

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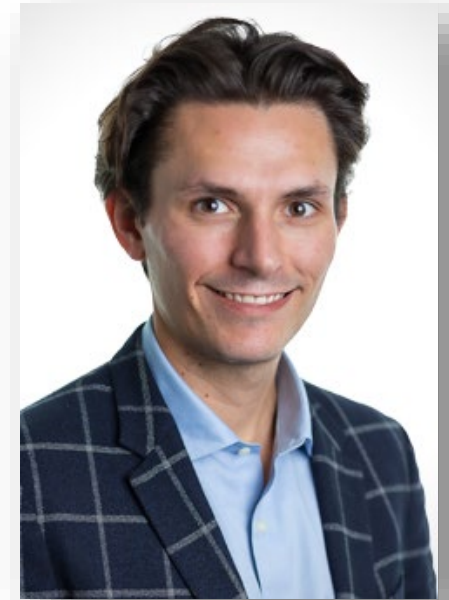
# Introductions



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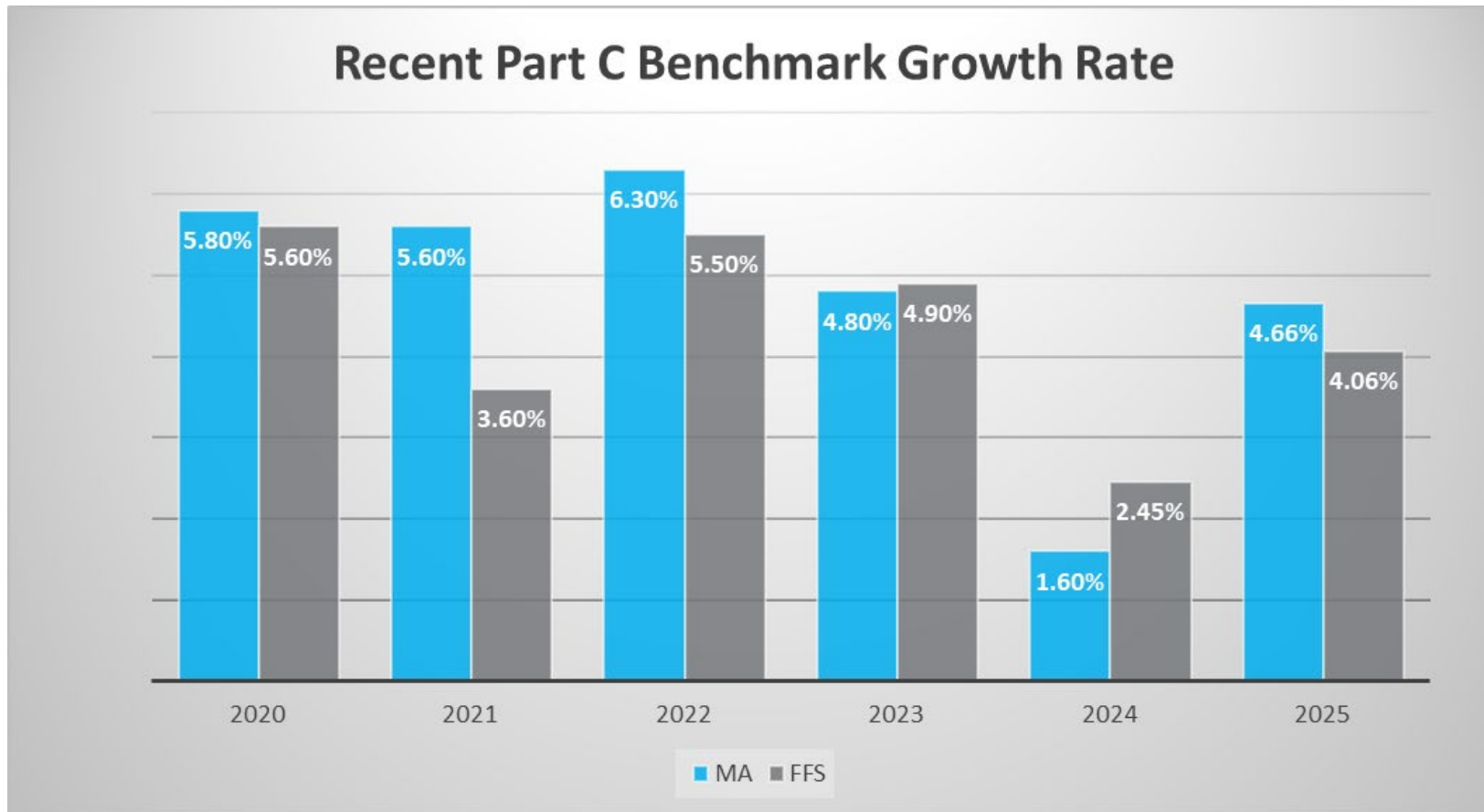
**Conclusion**

# CY2025 Bid Base Data

- 2023 dates of service
- Some markets have seen higher experience
- Continued COVID/RSV ramifications
- Availability of supplemental benefit data
  - Flex cards and other unique benefits may be in the base data
- Part D VBID adjudication
  - Be on the lookout on how LI Buy-down is adjudication in the bid
- Provider Settlements / Caps

# Benchmark Rates

- Per 3/31/2023 Final Announcement, the 2025 growth rate is projected at 4.1%.
- IPPS impact on growth rates



# MA Risk Scores

- CY25 will be weighted on 33% v24 and 67% v28 risk scores
- CY23 beneficiary files is based on 100% v24 risk scores
- Emerging MMR risk scores (CY24) will be based on 67% v24 and 33% v28 risk scores
- Adjustment will be made to reflect the v28 impact on risk scores in the projection period
- Coding trend will differ substantially between v28 and v24 risk scores
- Impact of new enrollees to community risk scores is much different under v28 compared to v24

Wakely client impact of v28 (ratio of normalized v28/v24 PY2022 scores)

Statistic	DE#	NDE#	Total
10th Percentile	-12.13%	-5.56%	-9.05%
25th Percentile	-1.98%	-0.77%	-1.61%
50th Percentile	0.11%	1.69%	1.33%
75th Percentile	2.70%	4.24%	3.63%
90th Percentile	3.76%	5.81%	5.13%

Average	-0.80%	0.37%	0.02%
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# MA Expense Projections

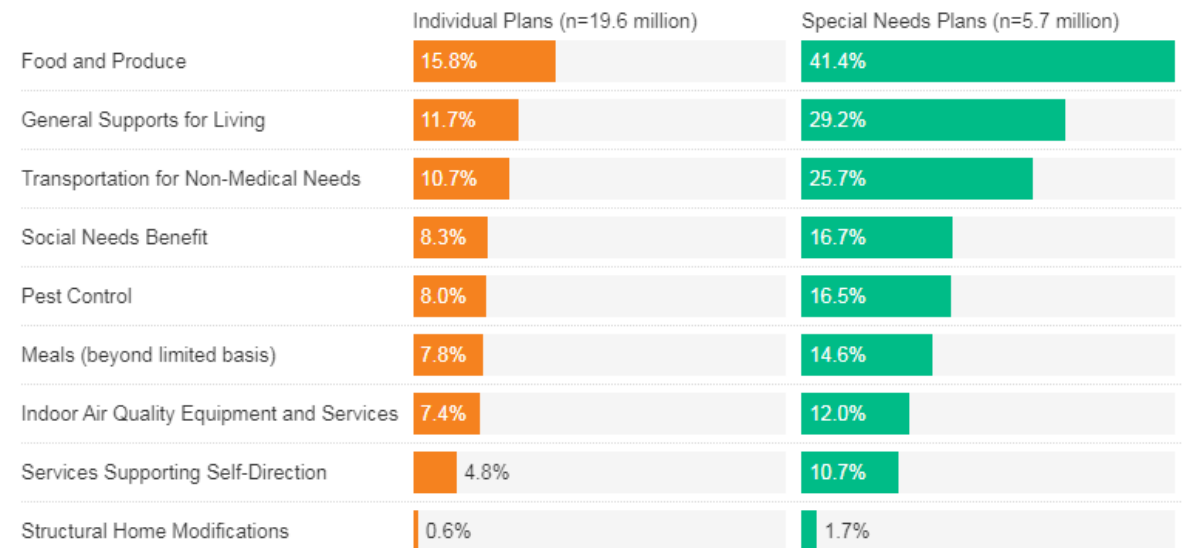
- COVID/RSV
- Induced demand in CY23 and continued impact into CY25
- Potential increased Part C supplemental due to IRA impact on Part D
- Alzheimer's medication
  - 8/17/2023 - CMS Memo established that a 4/7/2022 National Coverage Determination (NCD) for "Monoclonal Antibodies Directed Against Amyloid for the Treatment of Alzheimer's Disease" **does not meet the significant cost threshold.**
  - Leqembi's manufacturer, Eisai, estimates wholesale acquisition cost to be \$26,500 per year.

# VBID and Supplemental Benefits

- Continued expansion of benefits and challenges in pricing
- New VBID rules
- More reporting requirements could result in better data (!!)
- SSBCI additional documentation

Figure 5

Share of Medicare Advantage Enrollees in Plans with Special Supplemental Benefits for the Chronically Ill (SSBCI), by Benefit and Plan Type, 2023



NOTE: Some plans may offer variations of the same plan, but with different SSBCI benefits, so shares enrolled may be slight overestimates of actual enrollment. Social needs include access to community or plan-sponsored programs and events, such as non-fitness club memberships, community or social clubs, and park passes. Indoor air quality equipment and services may include temporary or portable air conditioning units, humidifiers, or dehumidifiers. General supports for living such as housing may be provided. Services supporting self-direction may include services to assist in the establishment of decision-making authority for healthcare needs (e.g., power of attorney for health services) and/or may provide education such as financial literacy classes. Individual plans are plans open for general enrollment and exclude employer group health plans and SNPs.

SOURCE: KFF analysis of CMS Landscape and Benefit files for 2023 • PNG

KFF



# VBID Pricing Rule Changes

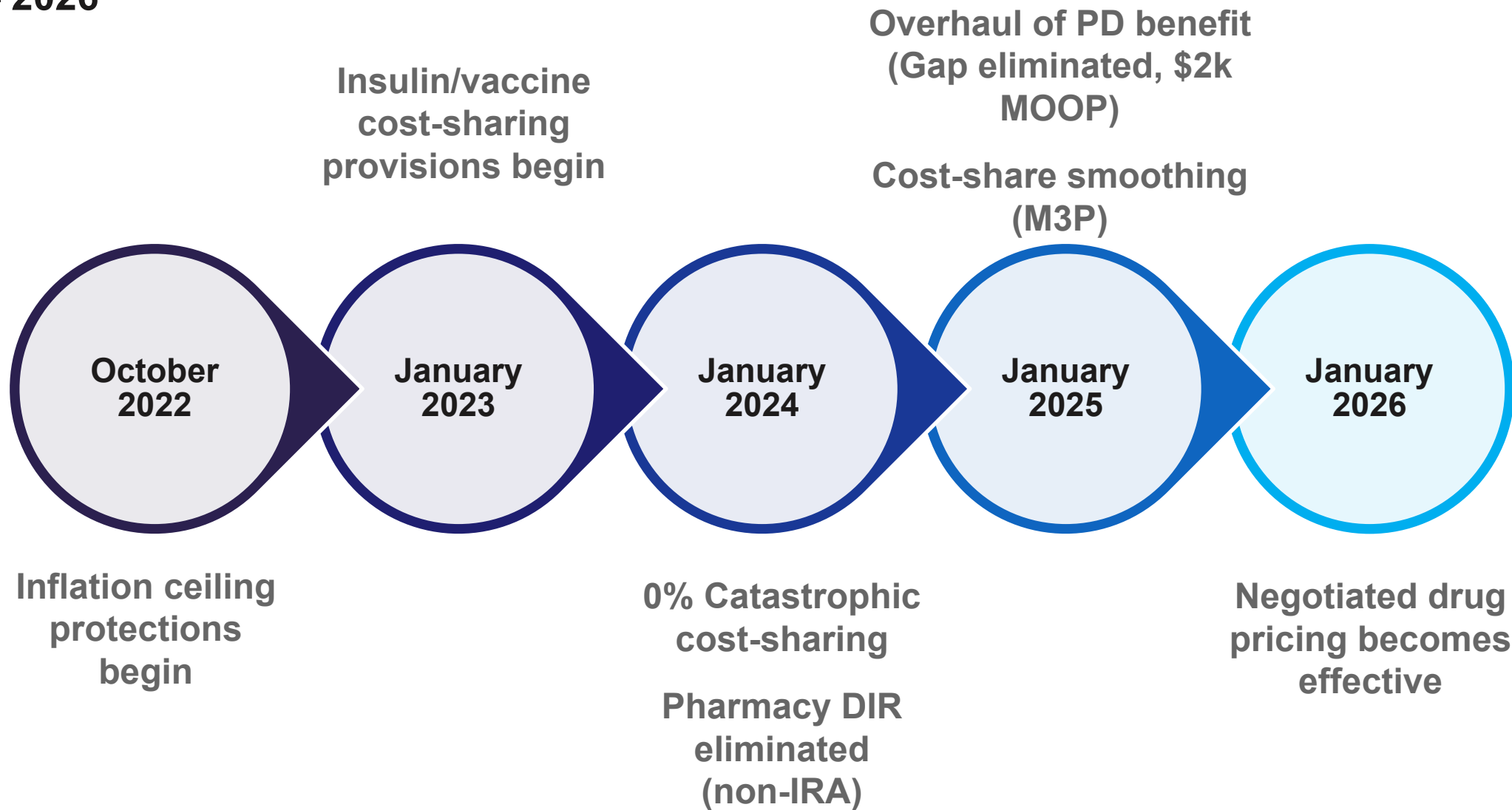
- Plans will be required to offer supplemental benefits to address health-related social needs, in at least two of the three following areas:
  - 1. Food
  - 2. Transportation
  - 3. Housing Insecurity and/or Living Environment
- A new flexibility will be introduced to direct benefits to enrollees in underserved communities using the Area Deprivation Index (ADI)
- The model will require data collection to heighten CMS's understanding of how enrollees are using supplemental benefits and their impact on enrollees

# Inflation Reduction Act

- Complete change in Part D adjudication
  - More plan liability = more plan revenue
- Wide range of National Average estimates is expected
- ICL Determination
  - ICL is based on the actual member cost sharing rather than on allowed cost
- Part D Beneficiary OOP Costs Provisions
  - Removal of Gap phase and \$2,000 PD MOOP (2025)
  - Maximum Monthly Cap (2025)
    - Members can elect to spread cost sharing across the year
    - Required that the pharmacy would have no impact, the plan must take on the bad debt

# Summary of IRA/Other Key Part D Changes

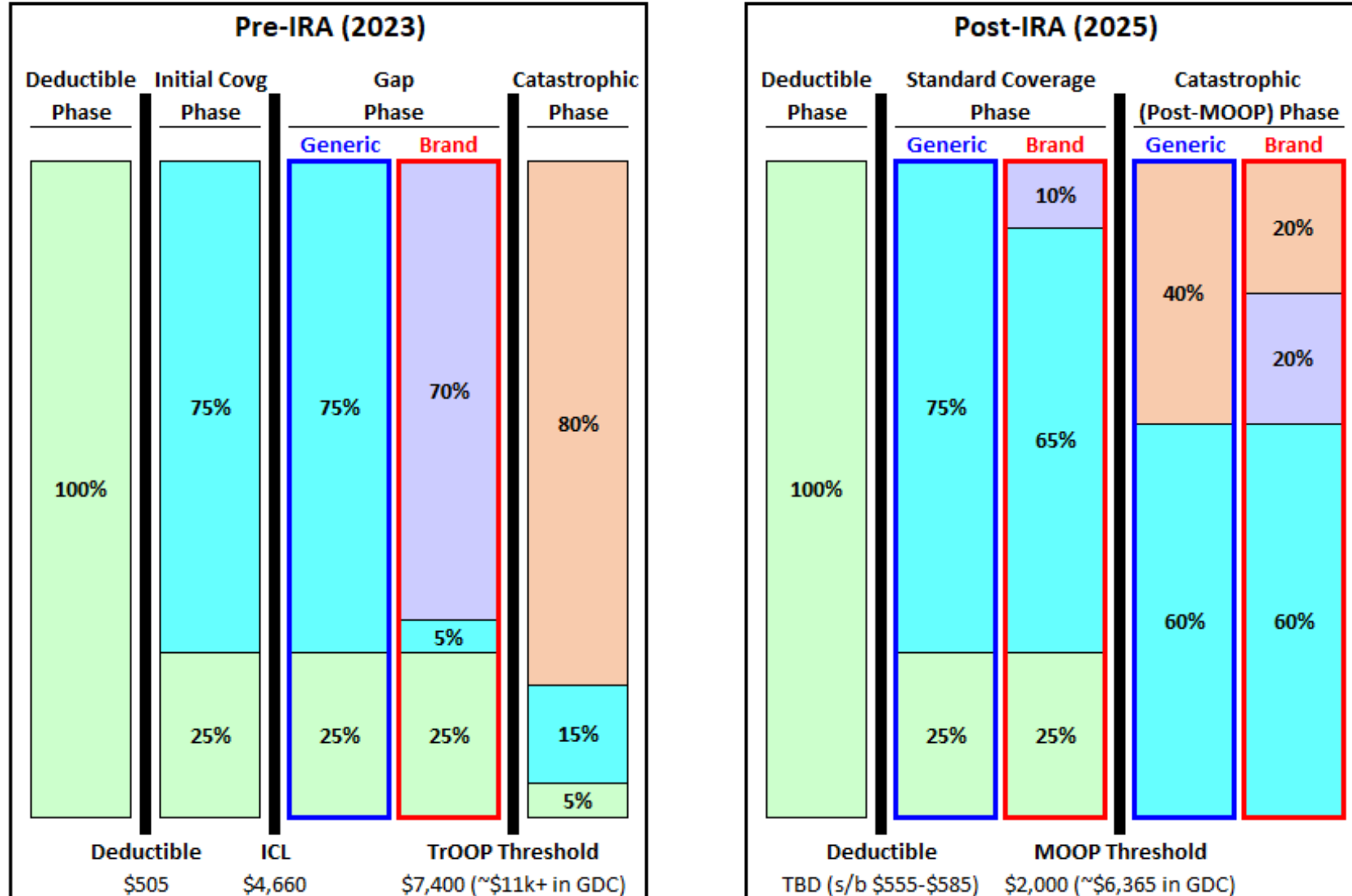
2022 – 2026



# Defined Standard Benefit Change

## Non-Low Income

- Member
- Plan
- Manufacturer
- Reinsurance (CMS)



# Defined Standard Benefit Change

LICS (CMS)

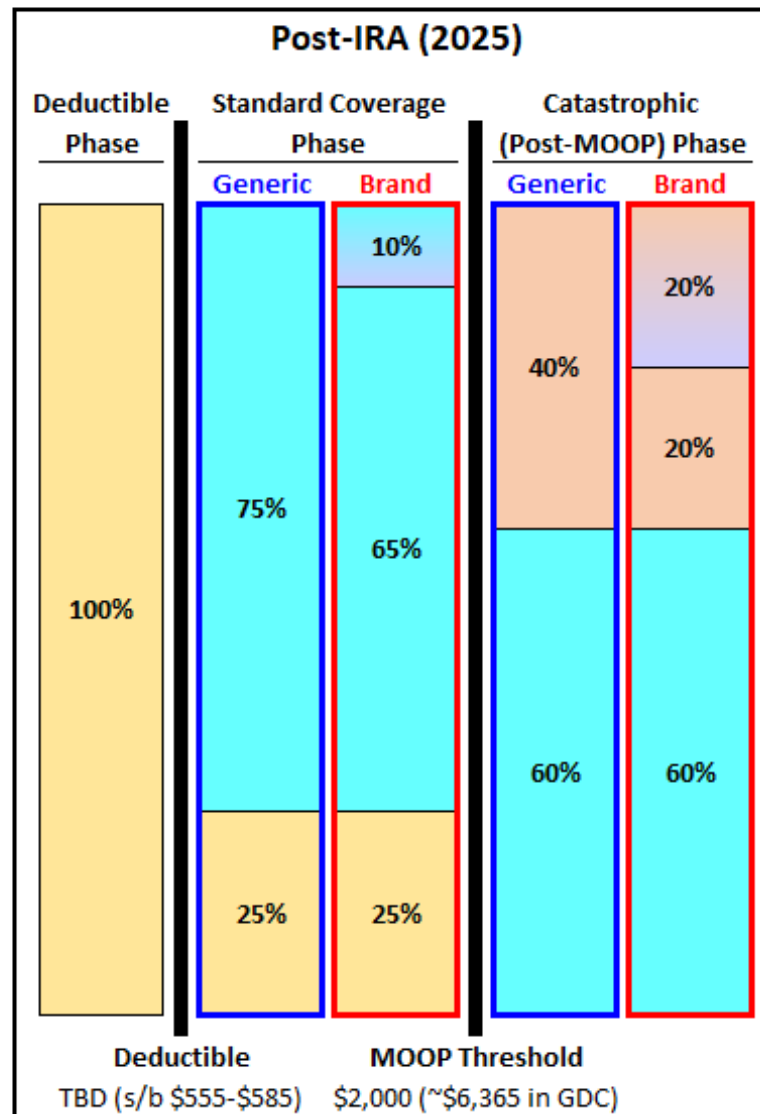
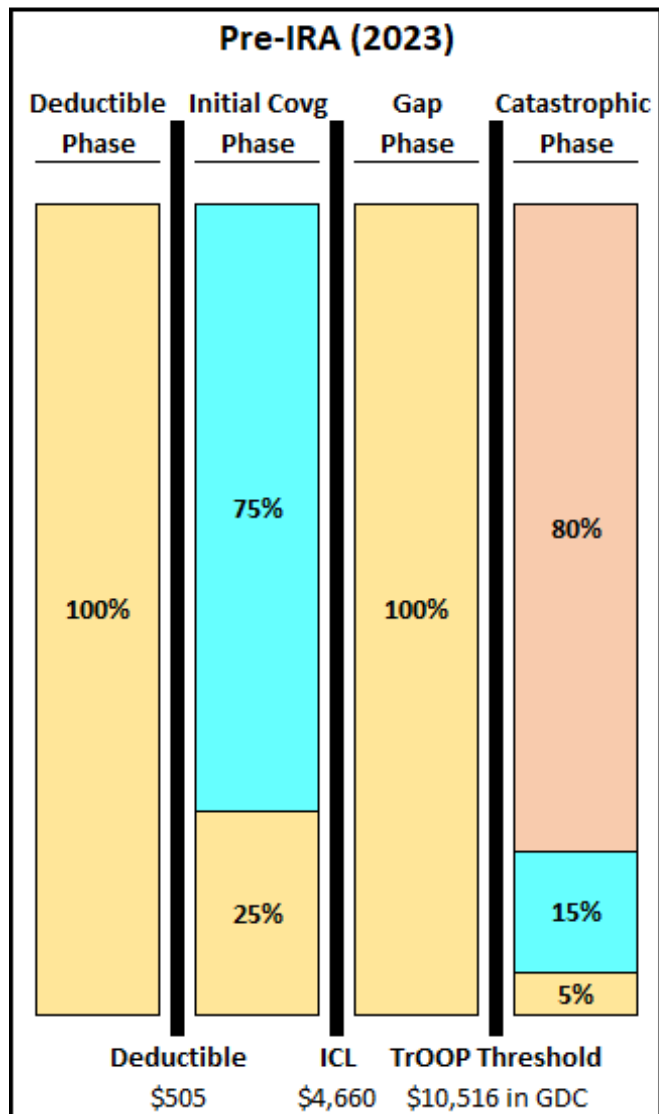
Plan

Manufac. / Plan

Manufac. / CMS

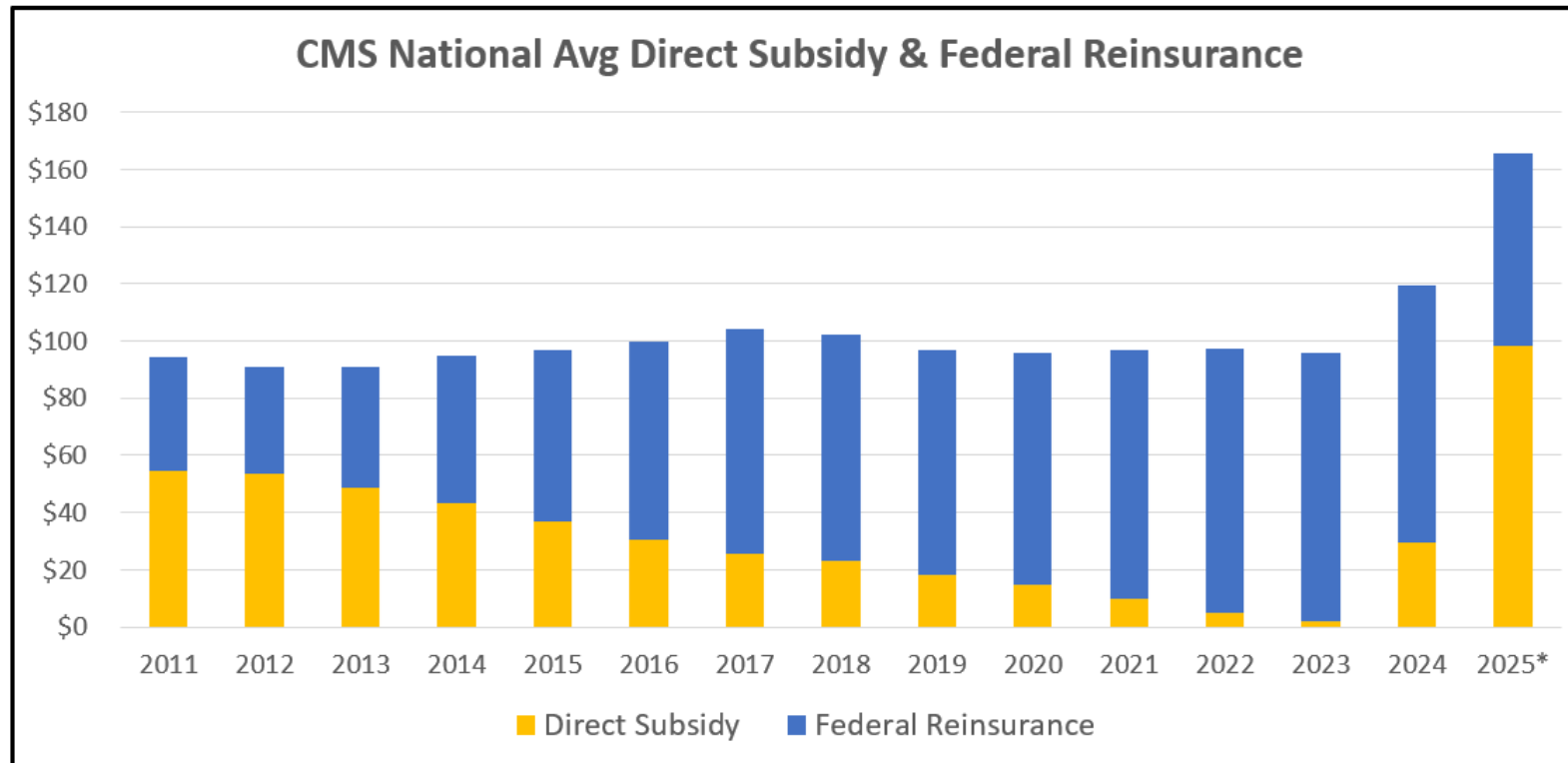
Reinsurance (CMS)

## Low Income



# Shift in Government Subsidies

	Plan At-Risk Revenue			Pass-Through Subsidy Revenue			
Plan Revenue Component:	Direct Subsidy	Basic Premium	Supplemental Premium	Federal Reinsurance	Low Income Cost Sharing (LICS)	Low Income Premium Subsidy (LIPS)	Coverage Gap Discount (CGDP)
Risk:	Plan			CMS			Rx Manufacturers
Fixed / Variable:	Variable	Fixed		Fixed & Reconciled			



*\*2025 is a very preliminary high-level estimate within a wide range of possibilities*

# Part D Risk Score Model Changes

Early Preview

Plan costs increasing significantly, but even more so for LI & Institutional members

CMS' RxHCC risk score will be recalibrated, but only for benefit changes affecting gross plan liability

CMS' predictive ratios suggest risk score accuracy in aggregate for members in highest decile of cost

New Enrollee risk scores decreasing

	Low-Income (LI)	Institutional	Non-LI	Total
% of Population (PY19)	27%	2%	71%	100%
<b>Avg Annual CMS-Predicted Part D Plan At-Risk (basic benefit, before DIR)</b>				
Pre-IRA	\$1,724	\$2,172	\$882	\$1,137
Post-IRA (PY25 benefit)	\$4,103	\$4,469	\$1,491	\$2,264
<b>% Increase in Plan At-Risk</b>	<b>138%</b>	<b>106%</b>	<b>69%</b>	<b>99%</b>
<b>Cost Relativity</b>				
Pre-IRA	1.52	1.91	0.78	1.00
Post-IRA (PY25 benefit)	1.81	1.97	0.66	1.00
<b>% Change in Cost Relativity</b>	<b>20%</b>	<b>3%</b>	<b>-15%</b>	<b>0%</b>

\* Source: 9/14/2023 CMS Presentation

Items not reflected in CMS' PY25 risk score model:

Manufacturer Rebates

Pharmacy Rebates at POS

AMP Cap

Pipeline (e.g. Humira Biosimilars)

Overhaul of RxHCC Markers

Bad Debt

# 2025 Market-wide Risks in Part D

## Concentration of Part D Plan At-Risk (before DIR) Pre- & Post-IRA

Plan Risk  
Concentration

Member  
Selection

Risk Score  
Imbalances

Induced  
Utilization

Conforming  
Benefits / Less  
Supplemental

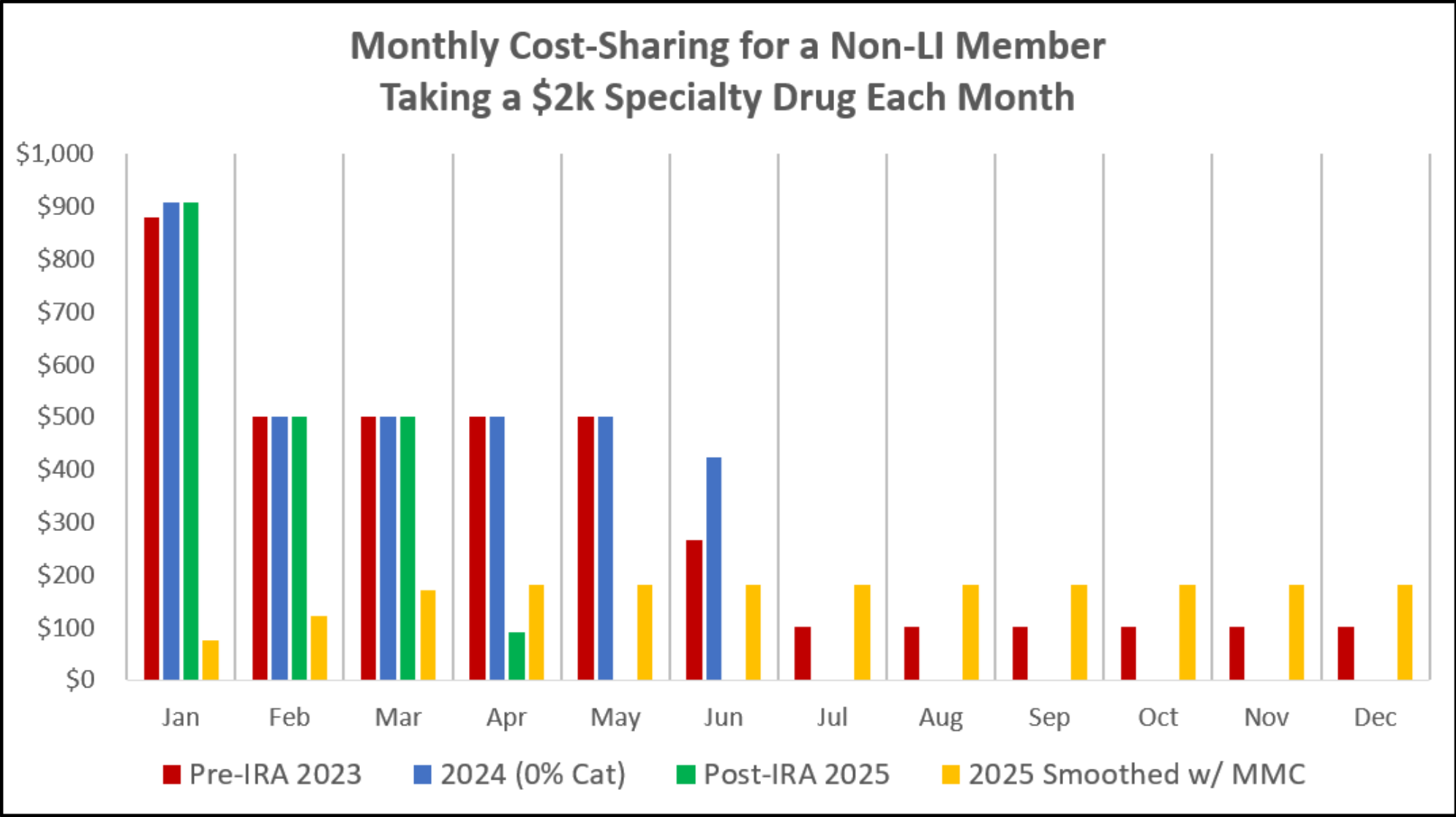
Bad Debt &  
Operational  
Challenges

MA-focused  
Coding  
Practices

Rebates on  
IRA-Negotiated  
Drugs



# Post-IRA Cost-Sharing Smoothing: Maximum Monthly Cap (MMC)



## Additional Considerations

- D-SNP Lookalike proposed changes
- Sequestration scheduled to increase 1/1/2025 without act of congress
- New Part D BPT template, comments open through 11/22
- Private reinsurance in Part D

# Open Q&A