



STAR RATINGS FOR MEDICARE ADVANTAGE PLANS

A Medicare Advantage (MA) Plan is offered by private health insurance companies that are approved by Medicare which is a social insurance program administered by the United States government. They have a contract to provide Medicare benefits to people who are aged 65 and over and to those who suffer from permanent physical disability. MA Plans are also sometimes called Medicare Health Plans, Medicare Part C Plans, and MAs/MA-PDs (and originally, MA Plans were called Medicare+Choice plans). MA Plan combines Medicare Hospitalization (or Medicare Part A) and Medical insurance or Doctor's visit coverage (or Medicare Part B) into one Health Plan that provides the same Medically-Necessary Services as Original Medicare. Some MA Plans also offer Prescription Drug Coverage (or Medicare Part A and Medicare Part B and Medicare Part D) at no additional cost and are known as MA-PDs.

Types of MA Plans:

- **HMO**– Members have network of providers where they cannot voluntarily go out of network.
- **POS**– Members have network of providers where they can go out of network (OON) for selected services. Cost sharing may be higher in this case.
- **PPO**– Members have network of providers where they can go OON for any service offered in-network. Here, also cost sharing may be higher.

There are also Special Needs Plans (SNPs) which are designed to target a specific portion of the population.

- ✓ Dual SNPs are for people who have low income who are both Medicare & Medicaid Eligible
- ✓ Chronic SNPs are for members who suffer from specific disease like Diabetes
- ✓ Institutional SNPs are for members who live in institutions

These plans offer benefits/cost sharing/drug formularies specifically tailored to the target populations – FFS is one-size-fits-all.

Recently, the Five Star Quality Rating System for MA Plans has come into existence which is run by the Centers for Medicare and Medicaid Services (CMS), and was put in place as part of an effort to help educate consumers on quality and make quality data more transparent. The 5-star rating system is used by CMS to monitor plans to ensure that they meet Medicare's quality standards. The table below explains the measures of Star rating system which hails from different rating systems:

Measure Set	Number of Measures	Description
HEDIS	15	Quality measures - examine percentages of patient populations that receive a certain treatment, test or screening.
CAHPS Survey	8 +4	Satisfaction measures, Vaccine measures, Part D (4)
HOS Survey	6	Medicare Health Outcomes Survey Questionnaire (Monitoring Physical /Mental Activity, Reducing Risk of Falls, Improving Bladder Control)

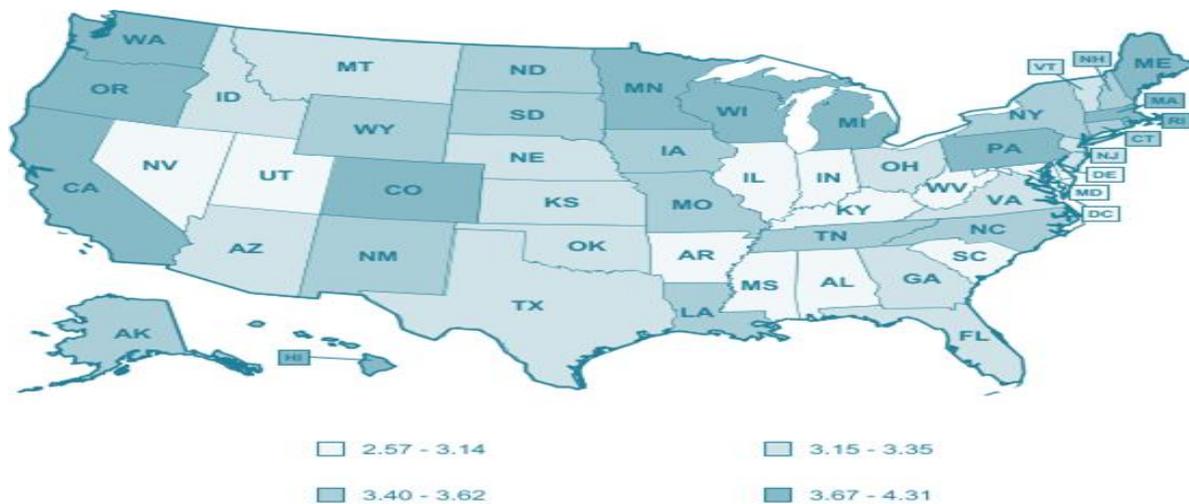
Others	7+12	CMS Administrative Data: Complaint Tracking Module (CTM), Independent Reviewing Entity (IRE), Auditing, Call Center Operations, Contractor-based review, drug plan databases
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The CMS gives star ratings to each MA contracts for each measure and then averages all the measures to calculate the summary score. The quality measures are adjusted for patient characteristics, when possible. The summary score ensures contracts demonstrate both high and stable quality ratings across all measures, relative to other contracts. The summary scores and quality ratings are assigned for each MA contract, rather than for each plan covered under a contract, since much of the data is only available to the CMS at the contract level. This implies that every MA plan covered under the same contract receives the same quality rating.

Initially, the star rating was designed to help senior citizens find high-quality plans from among potentially dozens of MA plan choices available in the market for common people. Research studies conducted by the Kaiser Family Foundation, however, indicate that about 75 percent of seniors choose a MA plan which is rated at 3.5 stars or less; and that only about 15 percent of MA enrollees live in a service area where a plan awarded four or more stars is available. The Kaiser Family Foundation’s analysis also indicated that the cost of a MA plan is a beneficiary’s primary consideration rather than a plan’s overall service rating.

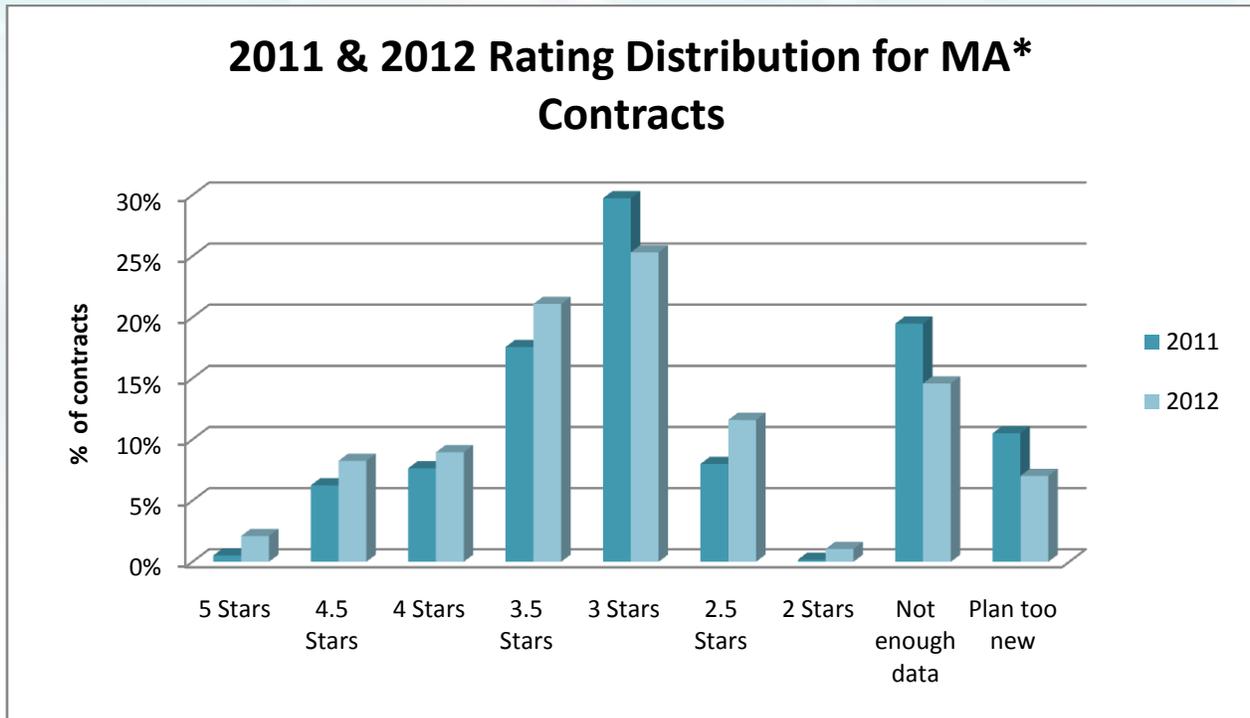
The history of rating system started long back. It started when CMS rated Part D plans since fall 2006, using a 3-star scale in 2006 and 2007. From 2008, CMS began using the 5-star rating with Part D plans. There are many different measures that PDPs are rating upon like call center hold time, members’ ability to get prescriptions filled easily when using the drug plan, and plans’ fairness in denials to members’ appeals.

The diagram below shows Average Quality Ratings for MA Plans, by US state, 2011:



The diagram below highlights performance of contracts in 2012 Plan Ratings. We find that approximately, 19% of MA contracts earned 4 stars or higher for their 2012 rating; these contracts represent 29% of enrollees, which indicates increase

from last year's ratings when 24% of enrollees were in contracts rated 4 or more stars. 37 percent MA contracts remained the same as previous year. The other insights can be read from the chart below:



*Source: CMS Fact Sheet "2012 Part C and D Plan Ratings"

Starting from 2012, the star ratings will be very important for companies because Medicare will pay bonuses to Advantage plans that get three or more stars. In other words, the more stars a plan gets, the more bonus it will receive. Also, Five-star plans will be able to enroll new members all year long. This could mean millions of dollars for the big market players. Companies will strive a bit extra on every aspect of the star ratings. According to the Congressional Budget Office, payment reforms for MA plans based on stars scores are projected to save billions of dollars in federal health care spending. Below is CMS's description of each star rating level:

★ = poor performance	Plans that score less than 3 stars will not be eligible for a bonus and if they've maintained those low scores for the past three years, a "low performer" icon will be placed next to the names of those plans on Medicare.gov.
★★ = below average performance	
★★★ = average performance	According to CMS, all Medicare Advantage plans that have a score of 3 stars and higher will qualify for a bonus payment in 2012, but they will not be able to be sold year-round.
★★★★ = above average performance	Carriers receiving a 4-star rating or higher will also be eligible for additional bonuses and reimbursements, but they will not be able to be sold year-round. Right now, only one in four Medicare Advantage plans garner a 4-star rating. The average rating for a Medicare Advantage plan is 3.27 stars.

★★★★★
excellent
performance

=

Medicare beneficiaries will be eligible to enroll in 5-star plans year-round through a Special Election Period (SEP).

Also from 2012, all MA plans will be required to comply with the Affordable Care Act which implies providing annual wellness visits and certain preventive services free, with no copayments.

The future of MA Plans appear quite grim but Star Ratings' new policy role offers important opportunities to improve healthcare for millions of senior citizen and disease prone individuals. However, there is a positive feel in the market where ratings can contribute to be effective, efficient and provide high quality care to millions of people. May be, by the end of year, we will be in a better position to comment on the near future seeing the response of the common people.

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