

Department of Health & Human Services
Centers for Medicare & Medicaid Services
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Baltimore, Maryland 21244-1850



Medicare Drug Benefit and C & D Data Group

DATE: March 8, 2016

TO: All Medicare Advantage Organizations and Part D Plan Sponsors

FROM: Jennifer R. Shapiro, Acting Director

SUBJECT: Suspension of Policy Providing for Automatic Reduction of Star Ratings for Contracts Operating Under Intermediate Sanction

The Centers for Medicare & Medicaid Services (CMS) is issuing this memorandum to announce a change concerning the effect of intermediate sanctions (e.g., suspension of an organization's marketing and enrollment activities) on the calculation of Star Ratings.

In response to the draft CY 2017 Call Letter, we received multiple comments suggesting that CMS revise its policy of automatically reducing the Star Ratings of sanctioned contracts to 2.5 stars, or reducing by one star the ratings of those contracts already rated at 2.5 stars or lower. Commenters raised several concerns, including one noting that high-rated contracts can be subjected to a more severe penalty than low-rated contracts as their rating can be reduced by multiple stars to reach 2.5 stars, while low-rated contracts face a rating reduction of only one star. When CMS announced this policy for the 2012 Star Ratings, relatively few contracts achieved ratings of 4 stars or above and fewer than 30 percent of Medicare Advantage plan enrollees were in plans offered under these highly rated contracts. Today, 49 percent of MA contracts, representing 71 percent of MA plan enrollees, have achieved ratings of 4 stars or above, compared to an estimated 17 percent in 2009. Commenters stated that CMS should reevaluate the current policy given these concerns and the state of the MA Star Rating program today.

Having considered these comments and the growth in the number of highly rated contracts, CMS agrees that we should reassess the impact of intermediate sanctions on the calculation of Star Ratings. Consequently, effective immediately and on a prospective basis, CMS is suspending the automatic sanctions-based reduction in Star Ratings. We note that CMS retains the right to impose Civil Money Penalties as appropriate. CMS will re-examine the appropriate relationship between sanctions and Star Ratings. We will propose a revised approach in the draft CY 2018 Call Letter.

We are announcing this change through a Health Plan Management System (HPMS) memo in advance of the 2017 Final Call Letter so that it can be applied prior to the deadline for making adjustments to a contract's Star Ratings based on its sanction status as of March 31, 2016. This requirement is set forth in the 2016 Star Ratings Technical Notes, which provide that Star Ratings for Quality Bonus Payment (QBP) and Medicare Plan Finder (MPF) purposes are to be updated based on sanction status on March 31, 2016. By making this announcement through an HPMS memo prior to this March 31st deadline, CMS can provide contracting organizations with critical information about Star Ratings adjustments according to our established timelines. This change will also be reiterated in the 2017 Final Call Letter.