Assessing the 2016 MA Star ratings

On October 8, 2015, the Centers for Medicare and Medicaid Services (CMS) released the Medicare Advantage (MA) Star ratings for 2016. We analyzed CMS’s data covering 642 MA plans and prescription drug plans across the 50 states to develop a perspective on the payor industry’s Stars performance. Four key observations emerged from our analysis:

■ Since last year, the total number of consumers in MA plans with 4 or more Stars grew by 11 percentage points. The industry’s enrollment-weighted average Star rating rose from 3.92 to 4.03.1
  – The primary cause of the increased rating was improvements in plan performance, and not CMS changes to cut-points, measures, or methodology.
  – Changes to certain individual Star measures did influence—positively or negatively—the ratings of some plans. For the industry overall, however, the scoring changes largely cancelled each other out.

■ Although plans based on health maintenance organizations (HMOs) outperformed the market in previous years, local preferred provider organization (PPO) plans performed best this year, with an enrollment-weighted average Star rating of 4.16.

■ This year, like last year, plans built around integrated delivery networks (IDNs)2 received a higher weighted average rating (4.45) than plans offered by commercial carriers3 (3.96) or Blues carriers (3.86). However, commercial and Blues carriers continue to close the gap.

■ The 2016 enrollment-weighted average Star ratings are lower for carriers with fewer than 20,000 MA members (3.45) than for carriers with MA enrollment between 20,000 and 100,000 (4.12) or above 100,000 (4.03).

1 Methodology used to calculate enrollment-weighted average is described in the appendix.
2 Includes both provider-led IDNs and payor-led IDNs. Kaiser Permanente is included as an integrated carrier.
3 Commercial carriers are defined as those operated by for-profit entities that are not part of the Blue Cross Blue Shield Association and not considered part of an integrated delivery network (IDN).
**Star ratings have increased since last year**

Since last year, the MA market has grown by 7% (from 15.7 million to 16.8 million members). The total number of consumers in MA plans with 4 or more Stars increased from 60% to 71%. Overall, close to 50% of this year’s MA plans achieved a Star rating of 4 or higher, compared with 40% last year. Across all MA plans, the enrollment-weighted average Star rating rose from 3.93 to 4.03. We estimate that 2016 plans with fewer than 4 Stars may forego $2.03 billion in potential bonus payments; comparable 2015 plans gave up $3.47 billion.

To understand the cause of the higher Star ratings, we analyzed the scores the MA plans would have achieved had CMS not changed the cut-points for certain measures, added (or subtracted) measures, or altered the methods used to calculate Star ratings. The initial results strongly suggested that the key driver of this year’s higher Star ratings was improvements in the performance of many plans; indeed, improved performance accounted for nearly all of the enrollment-weighted average Star rating increase (*Exhibit 1*).

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**EXHIBIT 1**

Changes to cut-point methodology had little impact on Star ratings

<table>
<thead>
<tr>
<th>Change in Stars performance from 2015 to 2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Enrollment weighted-average Star rating¹</td>
<td>4.03</td>
</tr>
<tr>
<td>2015 average Stars</td>
<td>3.93</td>
</tr>
<tr>
<td>Impact of improvements in plan performance²</td>
<td>0.10</td>
</tr>
<tr>
<td>Impact of changes in cut-points³</td>
<td>0</td>
</tr>
<tr>
<td>Impact of other changes (new and modified measures, improvement measures)⁴</td>
<td>0</td>
</tr>
<tr>
<td>2016 average Stars</td>
<td>4.03</td>
</tr>
</tbody>
</table>


1 Across contracts common to 2015 and 2016 rating years.
2 Contract-weighted average difference between the 2015 average Star score by measure and the 2016 average Star score if 2015 cut points were used (only measures with methodology that was substantially unchanged between 2015 and 2016 were used in the calculation).
3 Contract-weighted average difference between the 2016 average Star score (using 2016 cut points) and the 2016 average Star score if 2015 cut points were used.
4 Includes contract-weighted impact of adding new measures, removing measures, measures that changed methodology, changes in performance on improvement measures, and changes in the i-factor bonus.

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4 This estimate is based on the average bonus payment and the number of MA consumers enrolled in plans with a rating of less than 4 Stars. The estimate is conservative because it does not take into account MA enrollment growth.
When we dug deeper, we learned that a few of the changes in cut-points did influence the Star ratings for MA plans. For example, cut-point changes increased the enrollment-weighted average rating per individual metric for appeals auto-forward (+1.19), medication adherence for hypertension (+0.94), and improving or maintaining mental health (+0.93). In contrast, cut-point changes caused decreases in the weighted average rating per individual metric for improving or maintaining physical health (−1.35), Medicare Plan Finder price accuracy (−0.91), and colorectal cancer screening (−0.90). However, these increases and decreases largely cancelled each other out. As a result, improvements in plan performance remain the largest cause of this year’s higher Star ratings for MA plans.

**Average Star ratings vary by product type**

Among all MA plans, local PPO plans received the highest enrollment-weighted average Star rating (4.16) this year, a significant improvement from last year’s 3.87. HMO MA plans received an enrollment-weighted average Star rating of 4.07 this year, compared with 3.96 last year. Regional PPO MA plans received an enrollment-weighted average rating of 3.33, a significant drop from their enrollment-weighted average of 3.51 last year (Exhibit 2).

Since last year, enrollment in local PPO MA plans with 4 or more Stars grew by 1.4 million. Conversely, enrollment in regional MA plans with a lower than 4-Star rating increased by approximately 0.5 million.
Plans built around IDNs (Kaiser, in particular) received higher ratings

In 2016, MA plans built around IDNs continued to outperform both commercial and Blues plans. Their enrollment-weighted average Star rating was 4.45, quite similar to last year’s 4.43. These plans have maintained the lead position since 2012, when their enrollment-weighted average was 4.40 (Exhibit 3). Note, however, that the 5-Star rating achieved by Kaiser Permanente elevates the average for these plans (Exhibit 4). Absent Kaiser, the 2016 enrollment-weighted average for IDN plans drops to 4.03.

**EXHIBIT 3**
MA quality performance by plan category

**EXHIBIT 4**
MA quality performance (top 5 carriers by enrollment in each plan category)

BCBS, Blue Cross Blue Shield; UPMC, University of Pittsburgh Medical Center.
Commercial and Blues plan performance is improving

Collectively, commercial MA plans earned an enrollment-weighted average Star rating of 3.96 for 2016. The performance of regional commercial plans and national commercial plans\(^5\) was comparable, with weighted averages of 3.95 and 3.93, respectively (Exhibit 5). Blues plans achieved a 3.86 weighted average Star rating.

Plan scale and maturity are associated with higher Star ratings

The 2016 enrollment-weighted average Star ratings for MA plans from small carriers (those with fewer than 20,000 members) was 3.45. MA plans from medium-sized carriers (those with between 20,000 and 100,000 members) and large carriers (those with more than 100,000 members) had comparable ratings—4.12 and 4.03, respectively (Exhibit 6).

\(^5\) National commercial carriers are defined as those offering health insurance products in 25 states or more, and regional commercial plans are defined as those offering products in 24 states or less.
Performance is also related to plan maturity. The plans with more experience in the MA program tend to have higher Star ratings (Exhibit 7).
The findings in this Intelligence Brief provide a perspective on how CMS is rating the performance of MA plans offered for 2016. The information is based on publicly reported data released on October 8, 2015.

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Appendix

Methodology

*Enrollment-weighted average:* On October 8, 2015, CMS released data on Medicare Advantage contracts and plans offered for 2016 in advance of the annual enrollment period. McKinsey calculated enrollment-weighted averages by taking the total number of enrollees in contracts and plans for 2015, assigning higher weights to plans with higher enrollment. These were used to calculate the enrollment-weighted average for 2016 Star ratings. The enrollment-weighted average demonstrates Stars performance among carriers and products with the highest level of participation and thus allows us to understand overall trends.

*Enrollment:* The October 2015 summary Star rating data from CMS was used as a filter for the April 2015 CMS Medicare Advantage enrollment by state, county, and contract. Therefore, enrollment in contracts that did not exist in the October 2015 ratings file are not included in the enrollment data in this brief.

Glossary

*Integrated delivery network (IDN).* A health plan model, either provider-led or payor-led, with close alignment between the payor and provider functions

*Health maintenance organization (HMO).* A plan model centered on a primary care physician who acts as gatekeeper to other services and referrals; it provides no coverage for out-of-network services except in emergency or urgent-care situations

*Preferred provider organization (PPO).* A health plan model that allows members to see physicians and get services that are not part of a network, but the out-of-network services require a higher copayment

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