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# Elevance Health braces for \$500M hit to bonus revenue amid MA star ratings drop

By Paige Minemyer • Oct 18, 2023 7:17am

[Elevance Health \(Anthem\)](#)[Gail Boudreaux](#)[Earnings](#)[Medicaid Managed Care](#)

Through the first nine months of the year, Elevance Health has brought in \$5.1 billion in profit and \$128.7 billion in revenue. (iStock/Getty Images Plus)

Elevance Health executives said the company is "extremely disappointed" in its performance in the recently-released Medicare Advantage (MA) star ratings, and that it expects to take a pretty serious hit from the decline.

CEO Gail Boudreaux said on the insurer's third-quarter earnings call on Wednesday that Elevance Health is bracing for a \$500 million loss to its quality bonus revenue following offsets from contract provisions thanks to the star ratings decline. The company's performance on consumer surveys was subpar, and it also felt the sting in the way the Centers for Medicare & Medicaid Services is applying new statistical methodology, she said.

Performance in the star ratings for 2022 will impact payments in MA for the 2025 plan year.

Boudreaux said Elevance is already taking steps to address the decreasing consumer survey scores. For one, the insurer is adapting its My Health Advocate program, which is offered in the employer market, to the "unique needs" of the Medicare sector.

The personalized care model makes it easier for members to navigate the healthcare system and manage their benefits, leading to better health, she said.

In addition, the insurer is taking steps to enhance its supplemental benefits to reduce the out-of-pocket costs for prescriptions, make dental coverage simpler and build out grocery and over-the-counter offerings, Boudreaux said.

She added that Elevance Health is embracing automation for prior authorization and accelerating the adoption of value-based care to make for a smoother member and physician experience.

"Collectively, these actions and the ongoing investments should enhance our performance in key star measures and ultimately increase member satisfaction with our plans," Boudreaux said. "We are actively pursuing all our options and exploring actions to mitigate the direct financial impact on payment year 2025, including through contract diversification operating efficiency and capital deployment alternatives."

"We will provide updates on our action plans and progress in future engagements in advance of 2025," she said.

Elevance Health reported \$1.3 billion in profit for the third quarter, beating the Street but falling short of the prior-year quarter's haul.

The insurer reported \$1.6 billion in profit for the third quarter of 2022, making for a nearly 20% decline year over year.

The company did fall short of Wall Street analysts' expectations on revenue, according to Zacks Investment Research. It posted \$42.8 billion in revenue for the quarter, according to its [earnings report](https://www.elevancehealth.com/newsroom/elv-quarterly-earnings-q3-2023) (<https://www.elevancehealth.com/newsroom/elv-quarterly-earnings-q3-2023>) released Wednesday morning.

By comparison, it reported \$39.9 billion in revenue for the third quarter of 2022.

"Elevance Health delivered another quarter of solid performance reflecting the strength and balance of our diversified portfolio of businesses, our continued investments in innovation and growth, and our relentless focus on affordability, simplicity, and customer experience," said Boudreaux in the release.

Through the first nine months of the year, Elevance Health has brought in \$5.1 billion in profit and \$128.7 billion in revenue.

In its health benefits segment, Elevance posted \$36.7 billion in operating revenue, according to the report. Its membership decreased by 664,000 due to attrition in Medicaid amid the eligibility determinations, the company said.

Total medical membership in the third quarter was about 47.3 million, according to the report.

At Carelon, operating revenues were \$11.9 billion, an increase of more than 14% from the prior-year quarter. Elevance Health said the growth there was driven in large part by the expansion of its post-acute care business, improved performance in behavioral health and the company's [acquisition of specialty pharmacy BioPlus](https://www.fiercehealthcare.com/payers/elevance-health-completes-bioplus-buy). (<https://www.fiercehealthcare.com/payers/elevance-health-completes-bioplus-buy>)

The company boosted its guidance following the results and now expects full-year earnings of at least \$33 per share.

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Finance