

Congress of the United States
House of Representatives
Washington, DC 20515

March 7, 2016

Andy Slavitt
Acting Administrator
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
Hubert H. Humphrey Building, Room 314-G
200 Independence Avenue, SW
Washington, DC 20201

Dear Acting Administrator Slavitt:

We write to follow up on our bipartisan letter of February 17, 2016, in which more than 300 Members of Congress urged you to establish payment and regulatory policies for 2017 that avoid further payment cuts to the Medicare Advantage (MA) program and maintain stable coverage options for beneficiaries.

Upon reviewing the 2017 Advance Notice, we are now writing to express concerns with some of the proposals that were included that we believe would result in significant harm to the MA program and to the seniors who rely on it. Specifically, we are recommending that you not move forward with: (1) proposed changes to the risk adjustment model for the MA program; (2) a related proposal that would expand the use of flawed encounter data; and (3) a proposal to revise the payment and bidding model for Employer Group Waiver Plans. We are concerned that these proposals would undermine the high quality, affordable coverage that more than 17 million Medicare beneficiaries currently receive under the MA program.

The MA program plays a critically important role in meeting the health care needs of seniors and individuals with disabilities all across the nation. The program serves as a safety net for some of our most vulnerable beneficiaries, including those who are eligible for both Medicare and Medicaid (i.e., the “dual eligibles”) and seniors who have complex medical needs. We hear from our constituents that MA plans have a strong track record in supporting care coordination, disease management and wellness programs, preventive care, and other innovative services that are not available in the original Medicare fee-for-service program. MA enrollees also benefit from the steps their health plans are taking to improve quality through performance-based contracts with many physicians and hospitals. Moreover, enrollees receive additional benefits, such as vision and dental services not covered in traditional Medicare, and are protected by caps that MA plans typically place on the out-of-pocket expenses.

We are deeply concerned that CMS’ proposed changes to the risk adjustment model – and the expanded use of encounter data – would significantly reduce the funding that is available

to support the benefits of these vulnerable beneficiaries. In the recently released 2017 Advance Notice, CMS proposes changes to the risk adjustment model that could undermine plans' efforts to improve beneficiaries' health through early detection and prevention of chronic conditions. CMS also proposes changes that would increase the percentage of risk score calculations that are based on existing encounter data that fail to capture a reliable, comprehensive picture of beneficiaries' diagnoses.

A proposal to revise the payment and bidding model for Employer Group Waiver Plans (EGWPs) would negatively impact the retiree coverage provided to nearly 3.2 million beneficiaries. The use of individual market MA bids to establish benchmarks for EGWPs fails to acknowledge that these are typically very different products; most individual MA plans are HMOs whereas EGWPs are typically national PPO products. This untested and short-sighted proposal would have a negative impact on employers, unions, and beneficiaries.

A new study by Oliver Wyman¹ concludes that these proposed changes to MA would have a catastrophic impact on beneficiaries. The risk adjustment model, if implemented in 2017, would reduce funding for the MA program by an estimated 2.1 percent. The study further estimates that increasing the percentage of risk score calculations based on encounter data, as proposed by CMS, could negatively impact MA payments by as much as 3 percent. Finally, Oliver Wyman estimates that proposed changes for Employer Group Waiver Plans would negatively impact MA payments by as much as 0.86 percent. Cuts of this magnitude have the potential to create instability in the MA program and undermine the health plan choices that are valued by millions of Americans.

Recognizing the serious threat these proposals pose to the health coverage of MA enrollees, we strongly recommend that CMS not move forward with the proposed changes to the MA risk adjustment model, the expanded use of encounter data, and changes proposed for Employer Group Waiver Plans. Implementing these proposals would decrease the value of the MA program for the more than 17 million beneficiaries who are counting on Congress and the Administration to protect their MA coverage. Thank you for considering our views on this critically important issue.

Sincerely,



BRETT GUTHRIE
Member of Congress



PATRICK E. MURPHY
Member of Congress

¹ Oliver Wyman, 2017 Advance Notice: Changes to Medicare Advantage Payment Methodology and the Potential Effect on Medicare Advantage Organizations, March 2016