

Congress of the United States

Washington, DC 20510

April 13, 2011

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Sebelius:

We are writing with concerns regarding the Final Rate Notice on CY 2012 Medicare Advantage (MA) capitation rates, which was released last week by the Centers for Medicare and Medicaid Services (CMS). The Patient Protection and Affordable Care Act (PPACA) cut more than \$200 billion from the Medicare Advantage program to purportedly “pay for” \$1.35 trillion in new entitlement spending, which would have resulted in health plans receiving a 3.5 percent payment *reduction* for CY 2012. Surprisingly, CMS’ rate announcement includes an average 0.4 percent payment *increase* to plans, and we understand this is mostly due to CMS’ decision to spend \$8.3 billion on the Medicare Advantage quality bonus demonstration program (MA QBP). While we appreciate the Administration’s newfound support for the MA program, we are concerned about CMS’ use of this payment demonstration authority and the lack of transparency in accounting for taxpayer dollars.

Generally, Section 402 demonstration programs are supposed to be budget neutral for the purpose of testing new payment policies to improve the quality of care for seniors. While we understand that some demonstration programs have not been budget neutral, the largest demonstration prior to your MA QBP was \$800 million— one tenth the cost of the demonstration that you are currently implementing. We are disappointed to see this questionable use of demonstration authority as a mechanism to unilaterally spend \$8.3 billion without authorization from Congress.

The Medicare Payment Advisory Commission (MedPAC) has noted that “demonstration authority is intended for smaller scale projects that help decision makers learn about innovations in financing and delivering Medicare.” Rather than implementing this experiment on a smaller scale to evaluate its effectiveness, we are concerned that you chose to implement this demonstration nationwide – at an \$8.3 billion cost to taxpayers. While we are happy to revisit PPACA’s drastic cuts to the Medicare Advantage program, that should occur through a transparent debate in Congress.

Given the fact that without this demonstration, the new health care law would have taken current plans and choices away from many seniors in October of 2012 - right before the 2012 presidential elections – we believe that the MA QBP may represent a thinly veiled use of taxpayer dollars for political purposes.

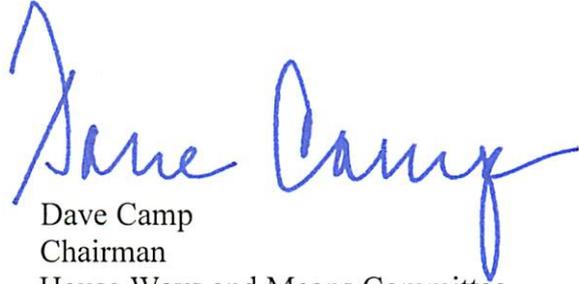
As this demonstration was done without Congressional oversight, we respectfully request that you provide us with the information, analysis, and data the Agency utilized in the creation of the demonstration, including the impact the demonstration will have on plans and beneficiaries on a county by county basis. While we remain willing to work with you to stop PPACA's harmful effects on the seniors' health care benefits, that effort must be coupled with an honest accounting to taxpayers on how their dollars are being spent.

We look forward to your response by May 3, 2011.

Sincerely,



Orrin Hatch
Ranking Member
Senate Committee on Finance



Dave Camp
Chairman
House Ways and Means Committee