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United States Senate

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March 20, 2018

The Honorable Seema Verma, M.P.H.
Administrator
Centers for Medicare and Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Dear Administrator Verma:

We write in response to the Advanced Notice of Methodological Changes for Calendar Year (CY) 2019 for the Medicare Advantage (MA) Risk Adjustment Model¹ and the Advanced Notice of Methodological Changes for CY 2019 for MA Capitation Rates, Part C and Part D Payment Policies and Draft Call Letter² (collectively, the Advanced Notice). Enrollment in the MA program is at an all-time-high and is projected to grow more than 9% to cover 20.4 million seniors and individuals with disabilities in 2018.³ It is clear from the Annual Notice that the administration recognizes the value of the MA program and the positive impact on the health and welfare of Medicare beneficiaries. Enrollees continue to choose MA plans for quality healthcare services and the benefits that meet their needs.

We look forward to continuing to work with the administration to strengthen and grow the popular MA program. To that end, we suggest CMS consider ways in which to provide increased transparency and stakeholder engagement throughout the year, particularly related to calculations included in the Annual Notice and suggested policy changes. MA plans can best serve Medicare beneficiaries when they have the necessary information to calculate the impact of proposed and final policy changes to their plan and the individuals they serve. We urge CMS to make additional information available about the methodology used to calculate the normalization factor, the crosswalk of the new model HCCs to the 2014 ICD-9 diagnosis coding data, the validity of encounter data, and the CMS plan to phase-in the new risk adjustment model. Below, we share our specific recommendations on the proposed risk adjustment model, use of encounter data, and changes to employer group waiver plans.

Risk Adjustment and Encounter Data: The 21st Century Cures Act required HHS to take into account the total number of diseases or conditions of an individual enrolled in an MA plan, perform an evaluation to determine whether or not additional conditions should be added to the model, and suggested that the Secretary may use at least two years of diagnosis data for risk adjustment calculations.⁴ The Advanced Notice proposes a new payment condition count (PCC)

¹ <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvgtgSpecRateStats/Downloads/Advance2019Part1.pdf>

² <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvgtgSpecRateStats/Downloads/Advance2019Part2.pdf>

³ <https://www.cms.gov/Newsroom/MediaReleaseDatabase/Press-releases/2017-Press-releases-items/2017-09-29.html>

⁴ 42 U.S.C. 1395w-23(a)(1)

model for risk adjustment in the MA program to account for the disease count requirement, adds a number of specific conditions to the model, and proposes a blended phase-in of the new model beginning in 2019. Furthermore, the Advanced Notice proposes an increase in the use of encounter data for the MA plan risk scores from 15% to 25% for 2019. CMS ties the use of encounter data directly to the proposed PCC model, which will rely entirely on encounter data for payment purposes.

We are pleased to see CMS proposing a new risk adjustment model that incorporates some aspects included in the 21st Century Cures Act. However, we believe additional analysis is warranted to ensure the new risk adjustment model does not result in unintended negative effects on risk scores for dual eligible and individuals with multiple chronic conditions prior to implementation in 2019.

We also have concerns about tying encounter data to the phase-in of the new risk adjustment model. The OIG⁵ and GAO⁶ continue to highlight challenges with the collection of encounter data, and CMS has previously issued multiple extensions in the deadlines for plans to submit this data. A January 2017 GAO report found that “CMS has yet to undertake activities that fully address encounter data accuracy.”⁷ GAO recommends CMS fully assess encounter data quality before use. Effective validation of encounter data is critical to ensuring proper risk adjustment and the soundness of Medicare payments. We, therefore, urge CMS to continue collecting RAPS data and calibrating the proposed PCC based on this data, supplemented with encounter data through a blended calculation (as is used for the existing model) when that data can be meaningfully integrated in a complete, timely and accurate manner. We encourage CMS to collaborate with stakeholders to ensure the underlying data are valid, and the risk adjustment model changes do not have unintended consequences, but rather, more accurately reflect risk scores for beneficiaries.

Employer Group Waiver Plans (EGWPs): There are over 4.1 million individuals enrolled in an EGWP-MA plan.⁸ The Annual Notice proposes to complete the transition to administratively set rates to calculate the bid-to-benchmark ratios for payments, as initially discussed in the 2017 Advanced Notice. We urge CMS to consider a payment methodology for EGWPs that takes into account the difference in the proportion of beneficiaries enrolled in HMOs vs. PPOs. Employer group plans have a larger proportion of PPOs with different benefit designs and cost structures than HMOs. This would prevent benefit disruption to Medicare enrollees who wish to keep their employer coverage, regardless of where they live.

Supplemental Benefits: We strongly support the CMS proposal to expand the scope of supplemental benefits to include additional items and services that can enhance patient quality of life and improve health outcomes. These proposed changes to supplemental benefits complement

⁵ <https://oig.hhs.gov/oei/reports/oei-03-15-00060.pdf>

⁶ <https://www.gao.gov/products/GAO-17-223>

⁷ Id.

⁸ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MCRAdvPartDENrolData/Monthly-Contract-and-Enrollment-Summary-Report-Items/Contract-Summary-2018-02.html>

the Chronic Care Act provisions signed into law and championed by the Senate Finance Committee.

Thank you for your continued efforts to promote greater innovation, transparency, flexibility, and program simplification in MA. We look forward to continued collaboration to increase choice in plan offerings and services for Medicare beneficiaries.

Sincerely,



Orrin G. Hatch
Chairman



Chuck Grassley
United States Senator



Mike Crapo
United States Senator



Pat Roberts
United States Senator



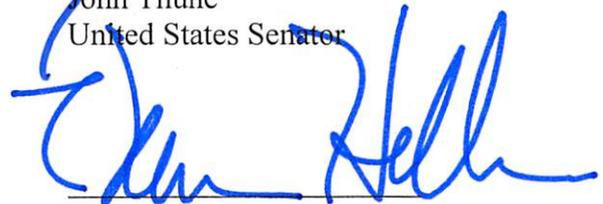
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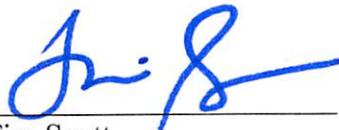
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