

United States Senate

WASHINGTON, DC 20510

March 29, 2017

The Honorable Seema Verma
Administrator
Centers for Medicare & Medicaid Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Administrator Verma:

We write regarding the 2018 Advance Notice, released on February 1, 2017, that contains policies that impact the Medicare Advantage (MA) and Part D programs. We are concerned that some policy change proposals included in the 2018 Advance Notice would have a negative impact on the MA program and the over 18 million beneficiaries who choose it as their Medicare coverage option. Many seniors, individuals with disabilities, and those dually eligible for Medicare and Medicaid select MA to receive comprehensive, coordinated care. Implementing policies that reduce funding or otherwise hamper the MA program could diminish the ability of beneficiaries to receive care that best meets their needs.

Before we describe our specific concerns, below, however, we want to acknowledge that the Centers for Medicare & Medicaid Services (CMS) is proposing improvements to a few of the 2017 Final Notice policy changes that we previously identified as problematic. Specifically, we appreciate that the 2018 Advance Notice proposes to pause the phase-in of the use of encounter data to determine patient risk scores. This is prudent considering the unresolved concerns regarding data reporting and validity that have been raised by the Government Accountability Office and others. It is important, though, that CMS continue to work with stakeholders and the Congress to ensure that use of encounter data is viable prior to further implementation.

Fee-for-Service Normalization Factor: We urge CMS to make additional information available regarding the methodology for calculating the normalization factor and to work with stakeholders to fully understand the data sources and implications. We recognize the challenges that the agency faces in establishing the normalization factor but believe that increased transparency will help establish the most appropriate adjustment. We are also concerned with the proposed 2018 normalization factor specific to the ESRD Dialysis Model. This proposed factor, which is calculated based on a risk score that includes at least one outlier year, would result in an 8 percent decrease in payments to plans for serving this vulnerable, high-need population.

Star Ratings: We urge CMS to ensure that any reflection of data integrity issues into the MA Star Ratings methodology is fair to plans and helpful to beneficiaries in distinguishing plan performance. We appreciate the CMS willingness to reconsider its approach in recent years and ask that the agency continue to work with stakeholders and the Congress.

Employer Group Waiver Plans (EGWPs): We urge CMS to reconsider the 2017 Final Notice policy that waives the bidding requirements for MA EGWPs. The decision to set payments to EGWPs administratively, which was made by the previous Administration, is likely to adversely impact the roughly 3.2 million beneficiaries with retiree coverage. Further, CMS took this action despite a lack of Congressional interest in the policy when it was included in then-President Obama's budget request. At a minimum, CMS should use the same blend between the old and new methodology for 2018 to provide more time to broadly consider the issue and its impact.

In addition to our recommended changes for the 2018 Final Notice, we look forward to working with you more broadly to strengthen the MA program. Important issues to work with Congress to address include but are not limited to:

- Preventing the MA benchmark cap from discouraging plans from continually striving to improve care quality;
- Ensuring appropriate risk adjustment, including for chronic illnesses, such as Chronic Kidney Disease, as required by the 21st Century Cures law that also enables beneficiaries with ESRD to enroll in any MA plan; and
- Providing MA plans with guidance on how to handle quality-based adjustments to Medicare Physician Fee Schedule payments as plans are required to pay non-contract providers the fee-for-service rate.

Thank you for your consideration of these issues. We appreciate the recognition of the value of the MA program that you expressed during your confirmation process. Our collective efforts are crucial to ensuring that the MA program remains the strong and robust option that is increasingly the choice of beneficiaries.

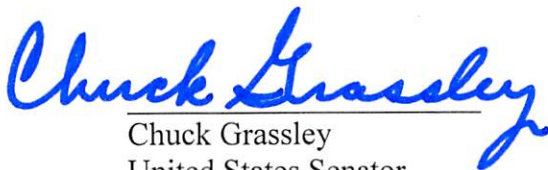
Sincerely,



Orrin G. Hatch
Chairman
Senate Committee on Finance



Mitch McConnell
Majority Leader



Chuck Grassley
United States Senator



Mike Crapo
United States Senator

Pat Roberts
United States Senator

John Cornyn
United States Senator

John Thune
United States Senator

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Tim Scott
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