March 6, 2020

Mr. Demetrios L. Kouzoukas
Principal Deputy Administrator and Director
Center for Medicare
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Re: Advance Notice of Methodological Changes for Calendar Year (CY) 2021 for the Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies.

Dear Mr. Kouzoukas:

On behalf of the Healthcare Leadership Council (HLC), I am writing to share our thoughts on the 2021 Medicare Advantage (MA) Capitation Rates and Part C and Part D Payment Policies.

HLC is a coalition of chief executives from all disciplines within American healthcare. It is the exclusive forum for the nation's healthcare leaders to jointly develop policies, plans, and programs to achieve their vision of a 21st century healthcare system that makes affordable high-quality care accessible to all Americans. Members of HLC – hospitals, academic health centers, health plans, pharmaceutical companies, medical device manufacturers, laboratories, biotech firms, health product distributors, post-acute care providers, home care providers, and information technology companies – advocate for measures to increase the quality and efficiency of healthcare through a patient-centered approach.

HLC appreciates the Centers for Medicare and Medicaid Services' (CMS) efforts through the payment and policy proposals to provide better coverage, more access and improved transparency for Medicare beneficiaries. As you know, MA continues to grow in popularity and today serves more than 24 million Medicare beneficiaries (35% of the total Medicare population) as the program appeals to new beneficiaries whose previous employer-sponsored health coverage resembled MA. HLC encourages CMS to finalize proposals that support the continued growth and success of MA and Part D, while considering our recommendations provided below.

HLC members come from all healthcare sectors and touch the lives of Medicare beneficiaries in multiple ways. They have seen firsthand the positive impact of MA and Part D and urge CMS to continue to support these programs by addressing the following issues in the final Rate Announcement:

Growth Rate

HLC has been pleased to see a continuous payment increase to MA over the past years, as stable funding is important to providing high quality care to beneficiaries. However, we have concerns around the 2.57 percent fee-for-service (FFS) growth rate which is substantially lower than the preliminary growth estimate of 4.46 percent CMS released on December 3, 2019. The FFS growth rate is used to help calculate MA payment rates and it is unclear what is driving these significant changes. CMS indicated the elimination of the health insurance tax is accounted for in the USPCC, but failed to indicate how actuarial assumptions may have impacted the MA and total growth rates. HLC encourages CMS to make all assumptions associated with the growth rates transparent to determine the drivers of this inconsistent trend and encourage CMS to ensure the accuracy of the FFS growth rate for 2021.

Benchmark

HLC asks CMS to ensure MA beneficiaries receive the full benefit of high Star Ratings by removing the benchmark cap. Beneficiaries in over 40% of counties are negatively impacted by the cap as the Star Rating bonus payment can be used to lower beneficiary cost sharing or add supplemental benefits. This cap is an arbitrary ceiling and undermines the Quality Bonus Payment and MA quality program, leading to fewer benefits for MA enrollees. HLC believes that CMS has the regulatory authority to remove these caps.

Normalization

The risk scores that underlie the normalization factor calculations have been increasing at a faster rate due to changes in demographics, health status in the Medicare FFS population, and the implementation of International Classification of Diseases (ICD) 10 coding. While the impact of ICD-10 implementation is expected to stabilize moving forward, demographic trends and an incentive to report diagnosis codes more completely in FFS Medicare are expected to continue to put upward pressure on FFS risk scores. CMS' proposed normalization factors for 2021 are higher than the factors applied in 2020, which would have a downward impact on plan rates again this year. HLC recommends CMS reduce the normalization factors to account for the artificially high FFS risk score trend and prevent cuts to benefits for MA enrollees.

Risk Adjustment Model

We appreciate CMS's proposal to promote stability and minimize MA risk adjustment changes for 2021. To promote early disease detection, high-value interventions, and care management, HLC encourages CMS to implement its proposal to continue phasing in the 2020 CMS-Hierarchical Condition Categories (HCC) model using 75 percent of the risk score calculated with the 2020 CMS-HCC model and 25 percent of the risk score calculated with the 2017 CMS-HCC model. Given that CMS proposes using the

2020 CMS-HCC model to calculate encounter data-based risk scores only, we encourage CMS to align the percentages of the new risk adjustment model and encounter data, as proposed.

Encounter Data

For 2021, CMS proposes to calculate risk scores by adding 75 percent of the risk score calculated with diagnoses from encounter data and FFS claims with 25 percent of the risk score calculated using the risk adjustment process system (RAPS) and FFS claims. HLC supports CMS' continued transition to a risk adjustment system based on encounter data, while ensuring all technical and operational issues are resolved, and the data can be certified as complete and accurate to prevent surprise bills, benefit cuts or premium increases for beneficiaries. CMS should address operational concerns as they arise and work with stakeholders to develop robust and relevant data monitoring standards during and after the transition. As CMS increases the use of encounter data as a diagnosis source to calculate risk scores for payment, HLC encourages CMS to avoid complexity by aligning the weights of encounter data and the 2020 CMS-HCC model at 75 percent, as proposed.

End Stage Renal Disease (ESRD)

HLC continues to urge CMS to ensure ESRD patient costs are accurately reflected in MA payment. The 21st Century Cures Act allows all ESRD beneficiaries to join MA plans beginning in 2021, and excludes organ acquisition costs for kidney transplants for MA beneficiaries from payment benchmarks. We are concerned CMS is overestimating the impact of excluding kidney acquisition costs, since we interpret the new rule as requiring MA Organizations (MAOs) to continue to be responsible for the costs associated with the transplant procedure and subsequent medical care. CMS estimates a weighted average impact of about $4 per member per month for MA, which we believe is inflated. Additionally, HLC encourages CMS to make the methodology more transparent and ensure the appropriate exclusion of kidney acquisition costs from the benchmark.

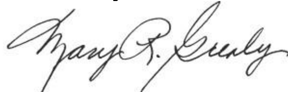
HLC appreciates CMS's acknowledgement that current ESRD reimbursement is not sufficient to prevent premium increases to accommodate the higher costs of ESRD beneficiaries in MA through the proposal to enable MAOs to increase maximum out-of-pocket (MOOP) limits. However, we are concerned that CMS's proposal to enable MAOs to increase MOOP limits will increase costs for all MA beneficiaries, and coupled with an inflated estimate of kidney acquisition costs would lead to benefit cuts and drive adverse selection in plans that disproportionately attract ESRD beneficiaries as applying MOOP to ESRD beneficiary spending increases MA costs by an estimated 8 to 9 percent on average compared to FFS spending. In addition, a recent Avalere Health study found that this proposal would result in MA payments that are less than FFS in 10 of the 15 largest metropolitan statistical areas which does not ultimately serve beneficiaries well.

Star Ratings
HLC believes that the Star Ratings play an important role in improving standards of care in the MA and Part D programs. While HLC supports the goals of the statin use in the persons with diabetes measure, we are concerned the measure would be more appropriately categorized as a process improvement measure. CMS currently applies a weight of 1 to the Part D statin measure and proposes to reclassify the statin use in persons with diabetes measure from an intermediate outcome classification to a process measure, starting with the 2023 Star Ratings. For consistent treatment of these, HLC recommends Part D statin measures continue to be weighted at 1moving forward. Further, we recommend that any substantive changes, including changes to the weighting of the Part D Statin measure, should be considered and proposed through the future Star Ratings rulemaking process.

Coding Pattern Adjustment
HLC agrees with CMS's decision to apply the statutory minimum MA coding adjustment factor of 5.90 percent in CY 2021. We support the agency's decision to maintain and not exceed the statutory minimum adjustment level.

Thank you for your commitment to the MA and Part D programs. HLC looks forward to continuing to work with you on our shared priorities. Should you have any questions please do not hesitate to contact Debbie Witchey at (202) 449-3435 or dwitchey@hlc.org.

Sincerely,



Mary R. Grealy
President