PUBLIC SECTOR HEALTHCARE ROUNDTABLE

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March 6, 2023

The Honorable Chiquita Brooks-LaSure
Administrator Centers for Medicare & Medicaid Services
Department of Health & Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

Re: CMS-2023-0010; Advance Notice of Methodological Changes for Calendar Year (CY) 2024 for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies

Dear Administrator Brooks-LaSure,

On behalf of the members of the Public Sector HealthCare Roundtable (the Roundtable) and the public sector employees, retirees, and their dependents they serve, we thank you for the opportunity to provide comments about the proposed methodological changes for CY 2024 for Medicare Advantage (MA) plan capitation rates. While our members recognize the importance of periodic updates to MA payment policies, we are very concerned that the proposed changes would lead to increased costs for public sector retirees and their dependents who often rely on fixed incomes.

The Roundtable is a non-profit, non-partisan coalition of public sector purchasers from across the United States including states, counties, and municipalities working together to bring a voice to the tens of millions of public sector employees, retirees, and their dependents they serve. Over 15 percent of the American workforce is employed by public sector entities, and collectively they spend $43 billion annually on health care benefits, including prescription drug benefits, which serve as a critical component of state compensation programs.[1]

Medicare Advantage plans, and especially Employer Group Waiver Plans (EGWPs), provide enhanced value-based benefits to public sector retirees at a lower cost than traditional Medicare, reducing the financial strain on retirees who often rely on fixed-incomes after serving in crucial roles in communities across the country such as teachers, firefighters, and law enforcement personnel. For example, studies show that EGWP beneficiaries spend $2,200 less on member cost sharing, while receiving additional benefits, compared to those covered by a standard plan.[2] In addition, our members consistently see high satisfaction rates among the EGWP beneficiaries they serve.

The Roundtable and its members acknowledge that periodic updates to the MA payment policies and specifically the risk adjustment model are

[1] "State Health Care Spending: Key Findings." Pew Charitable Trusts & MacArthur Foundation, 2016. Accessed 2 March 2023. https://www.pewtrusts.org/~/media/assets/2016/05/statehealth-care-spending.pdf.
[2] "Help Retirees Keep Their Coverage." Evernorth Health Services, 2021. Accessed 2 March 2023. https://www.evernorth.com/egwp-white-paper.

reasonable and necessary. We also recognize that these changes come in the context of a broader conversation related to the Medicare Advantage risk adjustment process. Generally, the Roundtable is supportive of sound public policy that creates a stable and cost-effective Medicare Advantage product, which we continue to believe is of significant value to our members. However, the proposed changes in the 2024 Advance Notice give us pause – primarily due to the speed of their implementation, the lack of transparency and prognostication associated with them, and the limited opportunity to assess their impact. Specifically, we are concerned for the following reasons:

- **Impact on Multi-Year EGWP Contracts.** Public sector plan sponsors contract with insurers to administer EGWP coverage through requests for proposals (RFPs) and the term of these RFPs is often for multiple plan years. As a consequence, public sector entities who contract with EGWPs are more vulnerable to annual changes in federal MA payment policy. Substantial and abrupt changes to the MA program significantly increase the risk of benefit changes and could trigger mid-term contract renegotiations with administering plans that lead to higher costs for public sector retirees and their families. While the intent behind the risk adjustment changes is to capture population risk more accurately, in practice, the changes would shift rather than reduce overall costs for EGWPs. As such, we strongly oppose the one-year implementation timeline as currently proposed.

- **Risk Adjustment Changes.** The Roundtable is is concerned that the proposed changes to the risk adjustment model would lead to some or all of these adverse outcomes. It is imperative that risk scores be accurate for the sicker populations and the higher costs required to treat retirees served by EGWPs. Given the acuity of the population served by public sector EGWPs, our members are concerned with the proposed removal of over 2,200 ICD-10 diagnosis codes, many of which correspond to conditions of high-risk individuals. A recent study indicates that the payment cut could be substantially larger than that estimated by CMS – particularly among plans serving high acuity populations.[3] The disproportionate impact on risk adjustment rates for plans serving higher acuity populations compared to the broader MA population overall suggests the need for greater transparency, modeling, and stakeholder feedback on the proposed changes. For example, CMS added constraints to the diabetes disease categories – nearly one-third of older adults have Type II diabetes Mellitus. These constraints could impact efforts to slow/stop the deterioration of beneficiary health. However, the advance notice provides insufficient time and opportunity for stakeholders to discern the impact on diabetes patients. More broadly, these changes could hamper efforts to improve the identification and care

[3] "High-level impacts of the proposed CMS-HCC risk score model on Medicare Advantage payments for 2024." Milliman, 2023. Accessed 2 March 2023. https://www.milliman.com/-/media/milliman/pdfs/2023-articles/2-28-23_2024-proposed-cms-hcc-model-impact.ashx.

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of the most vulnerable beneficiaries, including the public sector retirees and dependents that our members represent.

In addition, the Roundtable is opposed to the proposed implementation timeline for the risk adjustment changes to MA capitation rates. The resulting reduction in plan payments would significantly impact existing contracts that public sector purchasers have with EGWPs. If implemented on the proposed timeline, the payment cuts to EGWPs would almost certainly pass through to public sector sponsors, creating a potential financial burden on our members. Moreover, under the proposed timeframe for the risk adjustment modifications, public sector purchasers would be unable to react to changes in plan benefit revenue, compromising their ability to provide affordable coverage to public sector retirees and their dependents.

At a minimum, we urge CMS to implement these changes more gradually – phasing them in over several years – so that their impact on public sector retirees and our EGWP plan contracts can be assessed more fully. We also urge you to proceed with greater transparency about the modeling of the proposals' effects both overall and across different types of plans, particularly EGWPs.

Thank you for the opportunity to respond to this important notice and we hope to serve as a resource as the agency considers important changes to the MA program.

Sincerely,

Thomas R. Lussier

THOMAS R. LUSSIER
Administrator