



February 11, 2014

Marilyn Tavenner  
Administrator  
Centers for Medicare and Medicaid Services  
Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

Re: 2015 Medicare Advantage Payments and the Need for Stability

Dear Ms. Tavenner:

The Partnership for the Future of Medicare (PFM) appreciates the opportunity to provide our views regarding the Centers for Medicare and Medicaid Services (CMS) anticipated changes to the Medicare Advantage (MA) program per the Advance Notice/Draft Call Letter to be published February 21, 2014.

PFM was established with the goal of convening a diverse group of stakeholders to generate bi-partisan solutions for Medicare reform – specifically, around improving quality of care for beneficiaries and lowering costs in the program. We are concerned that CMS is not utilizing its authority to institute stable rate adjustments that consider the cumulative effect of existing policies and payment changes impacting the MA program, and ultimately the entire Medicare program and beneficiary population.

In addition to ongoing implementation of nearly \$200 billion in MA program funding reductions under the Affordable Care Act (ACA), a number of other legislative and regulatory rate cuts have been instituted that we believe have an undesirable net effect on seniors' care, access and costs. For example, the American Taxpayer Relief Act of 2012 cut an additional \$2.5 billion from the program that continues to impact seniors. This year, a new health insurer fee is imposed on MA plans that effectively amounts to as much as an additional 2.3 percent cut to the program, and MA was cut an additional 2.0 percent as a result of the sequester. Additional risk adjustment and other rate reductions contribute to what has been estimated to be between 6.5 and 6.9 percent in cumulative rate reductions for MA plans in 2014, and rate cuts of similar magnitude are expected in 2015. We are concerned that additional cuts to the MA program in 2015 do not justly reflect the quality, satisfaction, and sustainability of the program.

More bluntly, the current fault with the CMS strategy is that it does not recognize that the overwhelming number of seniors, currently and prospectively entering Medicare, is familiar and has experience with the kind of care delivered by managed care health plans similar to MA plans. Our concern is that if the program is not sustainably funded, it may not be able to keep up with a demand

that is only going to increase. Further, the CMS strategy represents a divergence from the goals of health reform set forth by the Administration – to expand choice and access to affordable and innovative health care and coverage. This year, the number of plans available to beneficiaries dropped for the first time in a number of years, and most beneficiaries who chose to stay in their current plan saw higher premiums and/or lower benefits. Further, analysts have estimated that anticipated 2015 rate cuts could lead to as much as \$900 in cost increases and benefit reductions per beneficiary – which, in combination with 2014 cuts, could amount to as much as \$1,740 over the two year period.

PFM established a set of basic bi-partisan principles, or “guard rails,” for protecting and improving the entire Medicare program, including rewarding quality over quantity; encouraging innovative ideas and public-private partnerships; advancing transparency, accountability and data to empower beneficiaries and providers; supporting vulnerable populations like the chronically ill; and strengthening program integrity. Our guard rails work toward the primary goal of moving away from Medicare’s current fee-for-service model to a system that rewards the value over quantity of care.

Our fear is that additional cuts to the MA program in 2015 could mean that millions of MA beneficiaries will lose access to their preferred health plans and doctors and drive more beneficiaries into the flawed fee-for-service system. While we applaud CMS for its efforts in testing health care delivery models, such as Accountable Care Organizations, Patient Centered Medical Homes and Bundled Payments, we do not feel it has properly recognized – and used its rate-setting authority to maintain – the value of a sustainable and effective MA program, which has developed and improved upon similar models over many years, and whose great success with these models serves as an asset to the Medicare program. With nearly 15 million Medicare beneficiaries currently enrolled in MA, additional cuts to MA will not only hinder innovation, but cause undue harm to a popular program which millions of seniors like and rely on. **Therefore, we ask that CMS exercise its authority and hold Medicare Advantage payment rates flat in 2015, to create stability and ensure the value of the program continues to be available for beneficiaries as well as to serve as a platform for broader Medicare reform efforts.**

Thank you again for this opportunity to provide comments. We look forward to working with you as we continue to encourage innovative, productive, accountable reforms to the Medicare program – ensuring a strong, sustainable program for generations to come.

Sincerely,

/s/

Douglas Holtz-Eakin, Ph.D.  
Co-Chair  
Partnership for the Future of Medicare

/s/

Kenneth Thorpe, Ph.D.  
Co-Chair  
Partnership for the Future of Medicare