HEALTH CAPITAL Topics
Volume 7
Issue 4
April 2014
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CMS Releases Medicare Advantage Final Call Letter for 2015

On April 7, 2014, the *Centers for Medicare and Medicaid Services (CMS)* released the "*Announcement of Calendar Year (CY) 2015 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter*" (*Final Call Letter*), which outlines the payment and risk adjustment methodology changes that will affect payments for *Medicare Advantage Organizations (MAOs)* and Medicare Part D plans in 2015.[1] The recent changes to MAO reimbursement stem from the *Patient Protection and Affordable Care Act (ACA)*, which requires a significant decrease in MAO payment as part of the $716 billion total Medicare spending reductions over the next ten years.[2] Historically, *Medicare Advantage (MA)* plans, which are Medicare plans that are offered through a private company,[3] were reimbursed at a higher rate per beneficiary than traditional *fee-for-service (FFS)* Medicare.[4] The ACA seeks to close this reimbursement gap, resulting in Medicare eventually paying the same amount for a healthcare service regardless of whether a beneficiary enrolls in a MA plan or traditional Medicare.[5]

The *Final Call Letter* includes several deviations from CMS's February 21, 2014 "*Advance Notice of Methodological Changes for Calendar Year (CY) 2015 for Medicare Advantage (MA) Capitation Rates, Part C and Part D Payment Policies and 2015 Call Letter*" (*Advance Notice*), which may have been motivated in party by the nearly 1,300 comments that CMS received from professional organizations, MA sponsors, advocacy groups, and concerned citizens.[6] For example, the U.S. House Committee on Energy and Commerce warned in an April 3, 2014 letter to CMS that it would be "*unacceptable*" to move forward with the proposed changes to Medicare Part D.[7] In response to these comments, as well as heavy lobbying by the insurance industry,[8] the *Final Call Letter* includes some significant departures from the February 2014 *Advance Notice*.

Most notably, the *Final Call Letter* provides for a 0.4% increase in MA reimbursement rates in 2015, which reversed CMS's original proposal to cut rates by 1.9%.[9] Despite the increase in 2015 MA payment rates, the changes announced in the *Final Call Letter* are anticipated to result in an approximately 2 to 2.5% reduction in average payments in 2015,[10] a much lower figure than the estimated 5.9% reduction under the proposed changes in the February 2014 *Advance Notice*.[11]

In addition to reversing its original reduction of MA reimbursement rates, CMS also declined to adopt a policy originally proposed in its February 2014 *Advance Notice*, which would have excluded, for payment purposes, diagnoses identified during assessments conducted through a home visit, unless confirmed by a subsequent clinical encounter.[12] In the February 2014 *Advance Notice*, CMS indicated that it was concerned that plans are using risk assessments to derive diagnoses solely for payment purposes and not providing proper follow-up care to beneficiaries.[13] CMS reiterated these concerns in the *Final Call Letter*.[14] However, in response to strong stakeholder opposition to the proposed exclusion, CMS will instead track how many diagnoses are identified during in-home visits and evaluate what effect the assessments have on the care provided to beneficiaries.[15]

While the *Final Call Letter* included some deviations from the February 2014 *Advance Notice*, it also confirmed several proposed changes that will affect MA plans in 2015. First, the *Final Call Letter* announced several changes to its *Star Ratings* system, which assigns each MA plan a *star rating* of one to five stars based on metrics that assess patient outcomes, customer experience, and beneficiary access.[16] Starting in 2015, CMS will implement a new *star rating measure* based on the number of *Special Needs Plan (SNP)* enrollees who obtained a health risk assessment during the year.[17] CMS also announced the elimination of a *star rating measure* based on glaucoma testing, as well as modifications to several measures, including those based on breast cancer screenings, annual flu vaccines, and beneficiary access and performance problems.[18]

CMS also confirmed the termination of its three-year *Quality Bonus Payment Demonstration* program that provided a sliding scale quality bonus payment to MA plans with *star ratings* of 3.0 and 3.5 stars.[19] Prior to the demonstration, only MA plans achieving a *star rating* of 4.0 or higher were eligible to receive bonus payments.[20] The demonstration tested whether providing scaled bonuses for lower-rated MAOs leads to greater quality improvement.[21] Despite noted concern from commentators, CMS confirmed that it will terminate the demonstration program in 2015, reasoning that the three-year duration of the program was sufficient to test

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its hypothesis.[22] In 2015 and beyond, MAOs will need to achieve a quality *star rating* of 4.0 or higher in order to receive a quality bonus payment. Additionally, effective December 31, 2014, CMS will terminate contracts with a "*consistent pattern of law star ratings*," which it defines as those MA plans that scored a *star rating* of less than three stars in each of the most recent three consecutive rating periods.[23]

Additionally, the *Final Call Letter* requires MAOs to provide CMS with at least a 90 day notice of any "*significant*" planned network terminations, effective 2015.[24] The stated purposed of the notification requirement is to ensure compliance with provider network access requirements.[25] The MAO would also be required to submit to CMS, upon request, a written plan outlining: (1) the steps the MAO will take to ensure that affected beneficiaries are able to find new providers that meet their individual needs; and, (2) how continuity of care would be maintained for affected beneficiaries.[26]

CMS encourages MAOs to adopt best practices for beneficiary notification of provider terminations, recommending notice of more than 30 days to beneficiaries to allow enough time to select and transition to new providers.[27] CMS also suggests that MAOs provide a notice of more than 60 days to providers whose contracts are being terminated without cause to allow the providers to fully exercise their appeal rights before beneficiaries are notified.[28]

The policy changes outlined in the *Final Call Letter* will impact a wide range of stakeholders, including MA plan sponsors, providers, and beneficiaries. Although the payment reductions were dialed back from those first proposed in the *Advance Notice*, the finalized changes represent CMS's continued effort to reduce reimbursement to MAOs, with the goal of equalizing payments to MA plans and traditional Medicare.

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2 "Obama Administration Proposes 1.9% Cut in Medicare Advantage Payments," Mary Agnes Carey, Kaiser Health News, February 24, 2014, http://www.kaiserhealthnews.org/stories/2014/february/21/medicare-advantage-plans-federal-payment.aspx (Accessed 4/18/2014).

3 "Medicare Advantage Plans," Centers for Medicare and Medicaid Services, http://www.medicare.gov/sign-up-change-plans/medicare-health-plans/medicare-advantage-plans/medicare-advantage-plans.html (Accessed 4/20/2014).

4 Mary Agnes Carey, "Obama Administration Proposes 1.9% Cut in Medicare Advantage Payments."

5 *Ibid*.

6 "Advance Notice of Methodological Changes for Calendar Year (CY) 2015 for Medicare Advantage (MA) Capitation Rates, Part C and Part D Payment Policies and 2015 Call Letter," Centers for Medicare and Medicaid Services, February 21, 2014, http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Advance2015.pdf (Accessed 4/18/2014); "CMS Issues Final Call Letter For 2015," Susan W. Berson & Roy M. Albert, Mondaq, April 10, 2014, http://www.mondaq.com/unitedstates/x/306152/Healthcare/CMS+Issues+Final+Call+Letter+for+2015 (Accessed 4/18/2014).

7 Letter from the U.S. House Committee on Energy and Commerce to Marilyn Tavenner, Administrator of the Centers for Medicare and Medicaid Services, April 3, 2014, http://energycommerce.house.gov/letter/letter-cms-regarding-proposed-changes-medicare-part-d (Accessed 4/18/2014).

8 "First on CNN: Insurers launch new ad to stop Medicare Advantage cuts," Chris Frates, CNN, January 16, 2014, http://www.cnn.com/2014/01/16/politics/medicare-advantage-ad-campaign/ (Accessed 4/15/3014).

9 Susan W. Berson & Roy M. Albert, "CMS Issues Final Call Letter For 2015," April 10, 2014.

10 "2015 Payment Notice and Final Call Letter: A Mixed Bag for Medicare Advantage and Prescription Drug Plans," Epstein Becker Green, April 11, 2014, http://www.ebglaw.com/showclientalert.aspx?Show=18566 (Accessed 4/18/2014).

11 "2015 Advance Notice: Changes to Medicare Advantage Payment Methodology and the Potential Effect on Medicare Advantage Organizations and Beneficiaries," Glenn Giese, Oliver Wyman, http://www.ahip.org/Workarea/DownloadAsset.aspx?id=2147496064 (Accessed 4/18/2014).

12 Centers for Medicare and Medicaid Services, "Announcement of Calendar Year (CY) 2015 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter," April 7, 2014, p. 27.

13 Centers for Medicare and Medicaid Services, "Advance Notice of Methodological Changes for Calendar Year (CY) 2015 for Medicare Advantage (MA) Capitation Rates, Part C and Part D Payment Policies and 2015 Call Letter," February 21, 2014, p. 20.

14 *Ibid*, p. 27.

15 Centers for Medicare and Medicaid Services, "Announcement of Calendar Year (CY) 2015 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter," April 7, 2014, p. 27-28.

16 "CMS Issues Final Call Letter For 2015," Susan W. Berson & Roy M. Albert, Mondaq, http://www.mondaq.com/unitedstates/x/306152/Healthcare/CMS+Issues+Final+Call+Letter+for+2015 (Accessed 4/18/2014).

17 Centers for Medicare and Medicaid Services, "Announcement of Calendar Year (CY) 2015 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter," April 7, 2014, p. 61.

18 *Ibid*, p. 62-63, 67.

19 *Ibid*, p. 20.

20 *Ibid*.

21 *Ibid*.

22 *Ibid*.

23 *Ibid*, p. 56-57.

24 *Ibid*, p. 103.

25 *Ibid*.

26 *Ibid*.

27 *Ibid*, p. 104.

28 *Ibid*, p. 107.

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