BMA Ally Call:

Medicare Advantage 2018 Advance Notice and Draft Call Letter

February 8, 2017

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2018 Advance Notice and Draft Call Letter

- On February 1, 2017, CMS released the Medicare Advantage (MA) 2018 Advance Notice and Draft Call Letter, which includes methodological changes for calendar year 2018 for MA capitation rates, payment policies, as well as other policies impacting beneficiaries, providers, and other stakeholders.
- The Rate Notice is the portion of the regulation that deals with elements strictly related to payment updates and the Draft Call Letter contains proposals related to the Quality Rating System and information related to bid preparation.
- The 2018 Advance Notice and Draft Call Letter may viewed here and the CMS Fact Sheet can be viewed here and a press release here.
- Key Dates:
  - There is a 30-day official comment period and stakeholders have until 6:00 p.m. ET on March 3, 2017 to formally submit comments to CMS.
  - the Final Notice will be released 60 days after the Advance Notice, on April 3, 2017.

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Key Elements in the Advance Notice and Draft Call Letter

Payment Updates

- MA Growth Rate
- Rebasing/Re-pricing
- Change in Stars
- Coding Intensity
- Normalization

Policy Proposals

- Encounter Data
- EGWPs
- Star Rating Changes

Potential Change

- Benchmark Cap

Unaddressed Policies

- Diabetes Prevention Program
- Provider Directories
- MACRA/Value Based Arrangements
- Health Insurance Tax

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Year to Year Change in Payment

CMS Estimate

- CMS states it expects MA payment to stay roughly flat in 2018 as compared to 2017 based on the payment and policy changes it proposed, an update that is lower than recent years.
- This is a nationally-averaged estimate and does not include additional factors such as rebasing, Health Insurance Tax implementation, and coding differences between plans.
- This will likely change in the Final Notice as Growth Rates and other factors are updated.
- *CMS Estimate:* CMS estimates an All-In for 2018 of +0.25%, before considering rebasing, impacts of the Health Insurance Tax, and coding differences. In the past three years, the finalized All-In has ranged from +0.4% to +1.25%.

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CMS Impact Estimate in Fact Sheet

Year-to-Year Percentage Change in Payment

Impact	2018 Advance Notice
Effective Growth Rate	2.8%
Rebasing/Re-pricing	TBD[1]
Change in Star Ratings	-0.4%
MA coding intensity adjustment	-0.25%
Normalization	-1.9%
Expected Average Change in Revenue from Advance Notice Proposals	0.25%
Coding Trend	2.5%*
Expected Average Change in Revenue	2.75%

[1] Rebasing/re-pricing impact is dependent on finalization of average geographic adjustment index and will be available with the publication of the 2018 Rate Announcement

*CMS adds an expectation of coding behavior for the next year in the *Year-to-Year Change in Payment* impact table it provides in its Fact Sheet; coding trends vary by plans.

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Payment Updates

MA Growth Rate

- MA county benchmarks are updated annually based on FFS spending in each county.
- CMS states that the nationally-averaged update, the MA Growth Rate or "Effective Growth Rate", will be roughly in line with last year and an improvement from the previewed rate CMS released in the fall.
- *CMS Proposal:* CMS proposes a MA Growth Rate for 2018 is +2.8%. This is an increase from the +2.31% Growth Rate CMS previewed in November. In the past three years, the finalized MA Growth Rate ranged from -3.4% to +4.2%.

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Payment Updates

Rebasing/Re-pricing

- CMS plans to Rebase/Re-price in the final Rate Book to improve accuracy at the county level; impacts will vary geographically.

Change in Star Ratings

- CMS estimates a small negative nationally-averaged impact due to the recent reduction in trend of overall individuals in 4 or higher Star Rated plans; Star Ratings vary by plan and contract.

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Payment Updates

Coding Intensity Adjustment

- CMS reduces risk scores by a certain percentage in what is called the coding intensity adjustment to account for what CMS describes as the coding pattern differences between MA and FFS Medicare.
- CMS proposes to increase this adjustment by the statutory minimum.
- *CMS Proposal:* CMS proposes to increase the coding intensity adjustment by the statutory minimum, 0.25%, resulting in a proposed 2018 coding intensity adjustment of -5.91% (an increase from -5.66% in 2017).

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Payment Updates

Normalization

- The purpose of the FFS normalization factor is to ensure accuracy in MA risk scores by accounting for demographic and coding changes in FFS Medicare.
- *CMS Proposal:* CMS proposes to change the methodology, which resulted in an estimated -1.9% impact year over year.

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Policy Proposals

Encounter Data

- CMS reiterated its continued commitment to eventually phasing into Encounter Data as a diagnosis source for risk adjustment.
- However, due to implementation concerns, it proposes to freeze the phase-in at the 2017 levels and requested comments on developing an adjustment to ensure stability during implementation.
- *CMS Proposal:* CMS proposes to freeze implementation for 2018 and keep the same blend as 2017, which was 25% Encounter Data and 75% Risk Adjustment Processing System (RAPS).

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Policy Proposals

Employer Group Plans

- CMS is considering whether it should fully phase into the new payment methodology for MA employer group plans, called Employer Group Waiver Plans (EGWPs).
- The new methodology bases EGWP payment on non-employer bids and results in a reduction in EGWP payment.
- *CMS Proposal:* CMS is soliciting comment on freezing implementation of the EGWP payment change at the 2017 level or to fully phase-in to the new methodology in 2018 as previously proposed.

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Policy Proposals

Star Rating Changes

- CMS is proposing routine updates to measures and is proposing to continue implementation of the use of audit and enforcement actions as Star Ratings measures.
- CMS is proposing the inclusion of telemedicine in measure calculations, is expressing a commitment to developing care coordination measures, and is requesting feedback on measure calculation for individuals with advanced illness.

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Unaddressed Policies

Benchmark Cap

- CMS stated it shares stakeholder concern that the benchmark cap diminishes quality incentives.
- However, despite legal arguments that have been made that CMS has the regulatory authority to address the issue, CMS reiterated its previous stance that it does not think that it has the authority to fix the policy administratively.

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Unaddressed Policies

Diabetes Prevention Program (DPP)

- CMS did not give guidance to plans on the DPP implementation in MA.

Provider Directories

- After recently releasing a report outlining issues with the accuracy of provider directories, CMS did not include any discussion or proposals on the issue.

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Unaddressed Policies

MACRA/Value Based Arrangements

- CMS did not include a discussion about how MACRA will impact MA, including the calculation of benchmarks. CMS also did not discuss the data it has been collecting from plans on value based arrangements with providers.

Health Insurance Tax

- CMS did not provide guidance on how plans should submit their bids if there is another 1-year moratorium, or repeal, of the Health Insurance Tax.

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What to Expect in the Final?

- The MA Growth Rates are likely to change slightly in the final due to more data for calculations.
- Other changes, including normalization calculation, changes to Encounter Data and EGWPs, and others could also change.
- Additionally, CMS could include a policy related to benchmark caps, or other policies it addressed, in the final that was not included in the proposed.
- CMS will address the comments it receives in the final, so it is important to submit detailed questions on all payment and policy concerns.

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BMA's Priorities for the Final Notice

- Advocate for CMS to lift the benchmark cap for high quality plans.
- Support for a slowdown in the move towards Encounter Data as a diagnosis source.
- Support a freeze for implementation of the new EGWP payment methodology.
- Support for only increasing the coding intensity adjustment by the statutory minimum.
- Express concerns about continual changes to calculations that have a large impact on payment, including the normalization factor.
- Support for continued improvements to the Star Ratings system, including more inclusion of telemedicine and the development of new measures, such as care coordination and behavioral health.
- Articulate concerns about using audit and enforcement as measures for Star Quality Ratings.
- Call for guidance on the Diabetes Prevention Program, implementation of MACRA, and other outstanding issues.

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Key Next Steps

- Provide feedback on BMA priorities and input on other concerns.
- Review and give feedback on comment letter draft.
- Sign onto BMA letter.
- Work with BMA to write individual letters.
- Work with BMA to distribute BMA and individual letters to key policymakers.
- Work with BMA to contact Congressional and Administrative officials about policy priorities.
- Provide quotes of support for use in press releases and potentially participate in press events.
- Support efforts that specifically focus on lifting the benchmark cap for high quality plans.

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Support BMA's "*Lift the Cap*" Advocacy Campaign

February – March 2017

- Share experience and prospective on benchmark caps through letters to policymakers, letters to editors, visits with elected representatives.
- Inform your organization's members and constituency on the issue through your organization's newsletters.
- Inform your constituency of beneficiaries and caregivers about BMA's 2 week digital March on Washington.
- Have your Communications Director be in touch with BMA directly to participate in and promote campaign through tweets, social media, and organizational newsletters.