



February 28, 2013

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

Re: Advance Notice of Methodological Changes for Calendar Year (CY) 2014 for Medicare Advantage (MA) Capitation Rates, Part C and Part D Payment Policies and 2014 Call Letter

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) recently proposed changes to the Medicare Advantage program per the Advance Notice/ Draft Call Letter published February 15, 2013.

As you know, the proposed payment reductions come on top of cuts already scheduled under the Affordable Care Act (ACA). While we understand well the urgent need to address the cost of the Medicare program and the difficult choices that CMS faces in doing so, making cuts to provider payments, including Medicare Advantage, is not a long-term solution and we believe will harm the program instead of strengthening it. Over the past few years, debate on Medicare reform has centered on short-term budget issues rather than the sustainability and quality of the program. We believe this must change.

We are a bi-partisan organization dedicated to the future of the Medicare program. Despite efforts to protect beneficiaries, we believe these cuts will be a detriment to the quality of the program that 14 million Medicare beneficiaries rely on today. Medicare Advantage is a choice beneficiaries make for many different reasons. The cumulative impact of the changes included in the Advance Notice/Call Letter, in combination with the statutorily required MA funding

reductions put in place by the Affordable Care Act (ACA), will reduce Medicare Advantage payments next year by approximately \$11 billion in 2014. On February 26, 2013 Oliver Wyman released a report that found the MA rate cuts in the Advance Notice/Call Letter, combined with the reform law's payment cuts and taxes, will result in benefit reductions and premium increases of between \$50 and \$90 per month for a typical Medicare Advantage beneficiary next year. This clearly raises critical concerns about the stability of the program for MA enrollees – a program in which care coordination, prevention and performance measurement are the cornerstones.

PFM advocates for Medicare reforms that focus on improving quality and outcomes for beneficiaries that will result in lowering costs. We believe the most important step in achieving this goal is to move away from the fee-for-service payment model and toward systems that take into account both a financial and health assessment of new and current enrollees, offering tailored plans and incentives that will improve the overall patient experience and help contain costs. We fear that if the cuts announced are implemented, they will drive more Medicare enrollees to the unreformed fee-for-service model that promotes quantity over quality and hinders care coordination and innovation. In the absence of a permanent legislative resolution to the Medicare physician payment system, we strongly urge CMS to use its authority and assume an actuarially sound estimate of change in the physician fee schedule when calculating the final 2014 Growth Rate, so as to ensure that 2014 MA rates reflect the actual costs of paying providers under Medicare in 2014.

PFM appreciates CMS' recent efforts to test new delivery and health care models, such as Accountable Care Organizations, Patient Centered Medical Homes and Bundled Payments. These new payment models are part of an effort to improve care for Medicare beneficiaries by providing incentives that promote greater care coordination and high-quality care. We view the testing and implementation of successful demonstrations as an important step to achieve a high-quality health care system. At the same time, it is worth emphasizing that Medicare Advantage has already been implementing similar programs for a number of years.

Thank you again for this opportunity to provide our comments. We look forward to working with you as we move forward to create a sustainable Medicare program.

Sincerely,

/s/

Doug Holtz-Eakin

Co-Chair

Partnership for the Future of Medicare

/s/

Kenneth Thorpe

Co-Chair

Partnership for the Future of Medicare