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June 11, 2012

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

Dear Acting Administrator Tavenner,

We believe that much can – and needs to – be done to improve the quality of care offered to beneficiaries eligible for both Medicare and Medicaid (“duals”), and in doing so, we can lower costs. As you know, there are nearly nine million duals with complex health care needs, and the government spends more than \$300 billion annually to provide for their care. We appreciate the work you are doing to advance the goals of better care coordination and cost containment, including the “Financial Models to Support State Efforts to Integrate Care for Medicare-Medicaid Enrollees” or the “Financial Alignment Demonstrations.” We believe that well-designed demonstration projects can be an important step toward improving care for the vulnerable duals population, and we are writing with a few priorities that we believe must be addressed in order to make these demonstrations successful.

We strongly encourage you to structure the size and scope of the duals demonstration programs so that Congress has good data upon which to base policy decisions in the future. By definition, the purpose of a demonstration is to test, including evaluations of control groups and trend data, whether a new approach is effective in providing higher quality care and lowering costs. According to recent reports, as many as 3 million dually-eligible individuals, approximately one-third of all duals, could be enrolled in various demonstration programs. This may cause significant disruptions to beneficiary coverage into untested arrangements. Additionally, this raises concerns that this effort is no longer a demonstration, but rather, an attempt to bypass Congress and make permanent programmatic changes. As CMS reviews demonstration applications, we strongly encourage you to limit the size and scope of these demonstrations to no more than the 2 million beneficiaries CMS originally stated as its target.

Additionally, while there are some merits to a state-based approach, we strongly encourage you to insist that states use good government principles in implementing these demonstrations. For example, we are concerned that due to the compressed timeframe of the demonstration programs and the desire for administrative simplicity, a number of states are proposing to use no-bid contracts for the selection of certain plans for beneficiaries. We

believe that these contracts should instead be competitively bid, and that plans should compete on cost and quality across a level playing field.

Finally, we have significant concerns about the potential impact of the demonstrations on the Medicare prescription drug program (Part D). The Part D program remains a great success in utilizing market forces to reduce costs and offer choice to beneficiaries. The vast majority of seniors are happy with their prescription drug coverage, and the program has come in approximately 40 percent under its original budget. Medicare Part D's bidding process is designed to encourage plan sponsors to bid as low as possible to attract beneficiaries, particularly duals who are auto-assigned in Part D plans that bid below the average. Unfortunately, some states are proposing to substitute the proven choice and competitive dynamic built into the Part D program with ineffective Medicaid drug formularies and price controls. We have strong concerns that the removal of duals from the Part D competitive bidding process will result in higher costs for taxpayers and ultimately less choice for beneficiaries. To maintain the effectiveness of Part D, we urge you to require all demonstrations to not only meet Part D requirements, but also to participate in the Part D competitive bidding process.

Again, we appreciate the work you all are doing to advance better care coordination for dually-eligible individuals. The goal of the suggestions in this letter is to ensure that these demonstrations become a success. We respectfully request a response outlining your plan to address these issues by June 22, 2012.

Sincerely,














