

MAX BAUCUS, MONTANA, CHAIRMAN

JOHN D. ROCKEFELLER IV, WEST VIRGINIA
RON WYDEN, OREGON
CHARLES E. SCHUMER, NEW YORK
DEBBIE STABENOW, MICHIGAN
MARIA CANTWELL, WASHINGTON
BILL NELSON, FLORIDA
ROBERT MENENDEZ, NEW JERSEY
THOMAS R. CARPER, DELAWARE
BENJAMIN L. CARDIN, MARYLAND
SHERROD BROWN, OHIO
MICHAEL F. BENNET, COLORADO
ROBERT P. CASEY, JR., PENNSYLVANIA

ORRIN G. HATCH, UTAH
CHUCK GRASSLEY, IOWA
MIKE CRAPO, IDAHO
PAT ROBERTS, KANSAS
MICHAEL B. ENZI, WYOMING
JOHN CORNYN, TEXAS
JOHN THUNE, SOUTH DAKOTA
RICHARD BURR, NORTH CAROLINA
JOHNNY ISAKSON, GEORGIA
ROB PORTMAN, OHIO
PATRICK J. TOOMEY, PENNSYLVANIA

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

AMBER COTTLE, STAFF DIRECTOR
CHRIS CAMPBELL, REPUBLICAN STAFF DIRECTOR

March 15, 2013

Via Electronic Transmission

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

Dear Acting Administrator Tavenner:

Currently, more than one in four Medicare beneficiaries receive health benefits through the Medicare Advantage (MA) program. We support the participation and growth of high quality private plans in Medicare and believe they should continue to offer a diverse set of options for beneficiaries across the country. To that end, we are writing with concerns regarding the Centers for Medicare and Medicaid Services' (CMS) February 15, 2013 announcements affecting MA program payments and policies. We know that you share our goal of MA program growth, and we urge you to consider the following issues as you finalize the MA rate notice and call letter for plan year 2014.

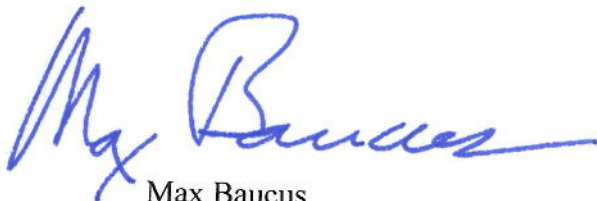
The Affordable Care Act (ACA) linked payment to MA plans with CMS's five-star rating system. We support the goal of using payment to reward quality. We believe that CMS should continue evolving this rating system to measure health care outcomes of beneficiaries across the care continuum, but these improvements must be implemented in a transparent and thoughtful manner. It has come to our attention that MA plans were not provided complete information as part of the February 15th announcement regarding the proposed changes to the calculation of plans' star rating. Subsequent to the February 15th announcement, plans were made aware of additional details that are critical to the calculation of plans' rating. The lack of transparency surrounding this proposal is troubling. We ask that CMS delay any changes to the star rating calculation methodology until these changes can be fully vetted by stakeholders and the public.

We are also concerned with the interaction between the MA rate calculation and the flawed Sustainable Growth Rate (SGR) formula. We remain deeply committed to a permanent, legislative solution to the SGR. However, until Congress can act, MA payment rates reflect a large decrease in payment for physician services that everyone recognizes will never occur. The SGR "cliff" threatens deep cuts that have been prevented by legislative action each of the last 11 years. MA payment rates should reflect this reality. We also understand the Medicare-Medicaid Financial Alignment Demonstration will pay plans a rate that assumes the scheduled cuts under the SGR will not occur. This confirms to us that CMS believes adjusting MA payment rates to reflect a more realistic physician payment outlook is the correct policy. We ask that in the final

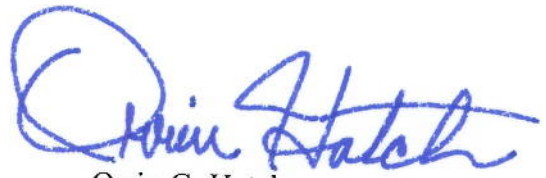
rate notice set to be released on April 1st, CMS adjust the MA growth rate to assume the large, scheduled cut to physician payment will be prevented by legislative action.

We appreciate your prompt attention to these concerns and request a written reply by March 29, 2013.

Sincerely,

A handwritten signature in blue ink that reads "Max Baucus". The signature is fluid and cursive, with the first name "Max" being particularly prominent.

Max Baucus
Chairman

A handwritten signature in blue ink that reads "Orrin Hatch". The signature is fluid and cursive, with the first name "Orrin" being particularly prominent.

Orrin G. Hatch
Ranking Member