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CMS Ensures Higher Value and Quality for Medicare Health and Drug Plans

Rate Announcement Details Plan Payments and Other Program Updates for 2015

Today, the Centers for Medicare & Medicaid Services (CMS) issued the 2015 rate announcement and final call letter for Medicare Advantage and prescription drug benefit (Part D) programs. The announcement sets a stable path for Medicare Advantage and implements a number of policies that ensure beneficiaries will continue to have access to a wide array of high quality, high value, and low cost options while making certain that plans are providing value to Medicare and taxpayers.

Since the Affordable Care Act was passed in 2010, Medicare Advantage premiums have fallen by 10 percent and enrollment has increased by 38 percent to an all-time high of more than 15 million beneficiaries. Today, nearly 30 percent of Medicare beneficiaries are enrolled in a Medicare Advantage plan. Furthermore, enrollees are benefiting from greater quality as over half of enrollees are now in plans with 4 or more stars, a significant increase from 37 percent of enrollees in such plans in 2013.

“The policies announced today will provide improved benefits in Medicare Advantage and the Prescription Drug Plans while keeping costs low for Medicare beneficiaries,” said Jonathan Blum, CMS principal deputy administrator. “We believe that plans will continue their strong participation in the Medicare Advantage program in 2015 and beneficiaries will continue to have access to a wide array of high quality and affordable Medicare health and drug plans.”

After careful consideration of public comments, key changes and updates finalized in the Rate Announcement and final Call Letter include:

- **Lower Out-of-Pocket Drug Spending:** Beneficiaries in the Part D prescription drug coverage gap, or “donut hole,” will benefit from greater savings on prescription drugs. As a result of the Affordable Care Act, in 2015, enrollees who reach the donut hole will receive coverage and discounts of 55 percent on covered brand name drugs and 35 percent on covered generic drugs, an increase from 52.5 percent and 28 percent, respectively, in 2014. The Affordable Care Act’s Coverage Gap Discount Program has provided discounts to more than 7.9 million Medicare beneficiaries, saving \$9.9 billion on prescription drugs, or an average of \$1,265 per beneficiary.
- **Greater Protection for Beneficiaries:** CMS intends to again use its authority, provided by the health care law, to protect Medicare Advantage enrollees from significant increases in costs or cuts in benefits, and, for the 2015 contract year, finalizing the permissible amount of increase in total beneficiary cost to \$32 per member per month (down from \$34 per member per month for the 2014 contract year). CMS also continues to require plans to refine their offerings so that beneficiaries can easily identify the differences between their options.

- **Increased Protections for Beneficiaries Affected by Changes in Medicare Advantage Plan Networks:** The final Call Letter strengthens tools used to ensure compliance with established provider access requirements and establishes best practices for Medicare Advantage Organizations to follow when they make significant changes to their provider networks.
- **Payments to Medicare Advantage Plans:**
 - CMS estimates that the overall net change to plan payments between 2014 and 2015 to be +0.4 percent, compared to the estimated overall net change to plan payments of -1.9 percent for the proposals in the Advance Notice. Individual plan payments will vary by plan based on, but not limited to, its location and star rating.
 - Before the Affordable Care Act, Medicare Advantage plans were paid more than 10 percent compared to traditional Medicare, costing the program more than \$1,000 per person each year, while quality and health outcomes were similar to those enrolled in traditional Medicare. The changes underway reduce excessive payments to Medicare Advantage plans, while incentivizing quality improvements by basing part of Medicare Advantage payment on plan quality performance.
 - To provide for continued stability in the Medicare Advantage program, CMS will implement a new phase-in schedule for the Part C risk adjustment model introduced in 2014. In addition, to improve payment accuracy, CMS has refined its risk adjustment methodology to account for the impact of the influx of baby boomers. In addition, for 2015, CMS will not finalize the proposal to exclude diagnoses from enrollee risk assessments.
- **Other policies that are not being finalized as proposed include:**
 - Delayed implementation of new Part D Risk Adjustment Model.
 - Not implementing some proposed changes to the Star Ratings.
 - Not implementing the proposal to require additional coverage in the gap for generic and brand drugs in Enhanced Alternative plans.

To view a fact sheet on the 2015 Rate Announcement and final Call Letter, please visit: <http://www.cms.gov/Newsroom/Newsroom-Center.html>.

The 2015 Rate Announcement and final Call Letter may be viewed later today through: <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/> and selecting “Announcements and Documents.”