What are the CMS Notices? 45 Day Notice? Call Letter?

The Centers for Medicare & Medicaid Services (CMS) establishes annual payment policy in two steps:

1. On February 20, 2015, CMS will release its 45 Day Notice comprising the agency’s proposed policies to develop 2016 Medicare Advantage (MA) county rates. At the same time, the Agency will release the Draft Call Letter, which will provide the proposed guidance affecting the program in 2016.
2. Forty-five days later CMS will issue the 2016 Final Notice, Call Letter, and MA county rates on April 6, 2015.

Included in these notices are the growth rate and policies for risk adjustment, coding intensity, star ratings, health risk assessment, and provider networks that shape rate development. Medicare Advantage (MA) plans will submit bids to CMS on June 1 reflecting their proposed offerings for 2016. The final impact of these policies on beneficiaries in 2016 will not be known until the CMS review and approval process for MA bids has been completed and the agency releases 2016 MA plan premium and benefit information that will be summarized in the “MA Landscape” in the fall of 2015.

What happened in the CMS 2015 Payment Notice?

Following the Final Rate Notice released in April, analysts projected payments to MA plans to be 3-3.5 percent less on average in 2015. Several elements included in the CMS Final Rate Notice – including lower growth rates, the continued phase-in of ACA funding cuts, and the end of the Quality Bonus Demonstration Project – reduce county rates compared to 2014. However, at that time CMS also announced key payment policies that are expected to partially mitigate the impact of these cuts.

What are the key components of the CMS 2016 Payment Notice?

MA payment methodology is complex and includes a number of factors that interact to impact payments to MA organizations for 2016:
### Component

| Growth Rate | **Factors used to update the MA rates from year to year. The growth rate percentage included in the rate notice is only one factor affecting the change in payments and does not reflect what the impact will be when other factors are taken into account.**  
| Preliminary estimates released by CMS in December were approximately +2%. These are preliminary estimates and subject to change in the 45 Day Notice and the Final Notice as more data becomes available. |
| Risk Adjustment | **CMS has developed a risk adjustment model to appropriately adjust plan payments based on the health status of their enrollees. For the 2014 payment year, CMS began the phase-in of a new model that reduced payments for early stages of certain chronic conditions identified to a greater extent by MA plans than under the Medicare FFS program.**  
| For the 2015 payment year, CMS decided to continue blending risk scores of the 2013 and 2014 models; the blend was 33% for the 2014 model and 67% for the 2013 model. In the upcoming 45 Day Notice CMS will announce its risk adjustment policy for 2016. |
| FFS Normalization Factor | **A factor applied to the risk adjustment model to account for changes in coding practice patterns used to identify the conditions of FFS beneficiaries.**  
| In 2015, CMS incorporated new assumptions about disease prevalence in Baby Boomers that reversed negative adjustments previously applied to MA payments. |
| In-Home Health Risk Assessments | **MA plans commonly conduct health risk assessments in the beneficiary’s home to improve and enhance ongoing plan efforts to manage chronic diseases and prevent their progression.**  
| CMS has raised concerns about the impact of these activities on plan payments. In the 2013 and 2014 45 Day Notices, the Agency proposed to exclude, for payment purposes, diagnoses identified during a home visit that are not confirmed by a subsequent clinical encounter. These proposals were not finalized. |
| Coding Intensity Factor | **Adjusts for coding pattern differences between MA and FFS. -5.41% is the minimum coding intensity adjustment required by law for 2015 and CMS has the statutory authority to increase this adjustment.**  
| The minimum adjustment by law for 2016 is -5.41% and CMS has the authority to increase the adjustment. |
| Stars | **CMS annually proposes a number of technical changes. The way CMS will address the challenges faced by low-income focused plans is unknown.** |
| Provider Networks | **CMS could establish additional limits on MA plan network development (e.g., requiring essential community providers to be included in networks, additional notice to enrollees, new standards for provider directories).** |
How could cuts through payment policies implemented through the 2016 Payment Notice affect beneficiaries?

Further cuts to the program will affect the more than 16 million seniors and individuals with disabilities that have chosen MA for the high quality care it provides, and beneficiaries report overwhelming satisfaction with the program. Reduction in payments to the program will put strain on beneficiaries’ access to valued care:

- **Innovation**: MA plans are leading the way in implementing innovative strategies that are improving outcomes for beneficiaries. Research shows MA plans are more effective than traditional Medicare at addressing critical patient care issues, including reducing preventable hospital readmissions, increasing primary care visits, and managing chronic illnesses.

- **High Quality Care**: Instead of focusing on treating beneficiaries when they are sick, these plans place a strong emphasis on disease and care management, care coordination, and prevention. Research is consistently demonstrating these strategies result in better health outcomes.
  - A 2013 study published in *Health Affairs* found that Medicare Advantage plans’ performance on measures for breast cancer screening, diabetes care, and cholesterol testing for cardiovascular were consistently better compared to FFS Medicare.
  - A recent study published in the *American Journal of Managed Care (AJMC)* found that Medicare Advantage plans had a **readmission rate about 13 percent to 20 percent lower** than in the Medicare FFS.

- **Out-of-Pocket Protections**: MA protects beneficiaries, particularly low-income seniors, against costs that might otherwise pose a serious threat to their financial security by reducing premiums below what many on Medicare pay and by limiting cost-sharing.

**What should be done?**

Changes to the MA payment system should promote innovations that are moving the health system forward. Policymakers need to protect MA enrollees from further cuts to the program that would put at risk their benefits and undercut these innovations. No further cuts to the program should be made in the CMS 2016 rate development process.