



March 4, 2022

Dear Administrator Brooks-LaSure:

Arnold Ventures welcomes the opportunity to provide comments to the Centers for Medicare and Medicaid Services (CMS) on the “Advance Notice of Methodological Changes for Calendar Year 2023 for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies” that was published February 2, 2022.

Arnold Ventures is a philanthropy dedicated to investing in evidence-based policy solutions that maximize opportunity and minimize injustice. Our work in the health care sector is driven by a recognition that the system costs too much and fails to adequately care for the people it seeks to serve. Our work spans a wide range of issues including commercial-sector prices, provider payment incentives, Medicare sustainability, prescription drug prices, and complex care.

First, we want to thank the agency for its important work to help improve the Medicare Advantage and Prescription Drug Benefit programs, and for the opportunity to provide input. Before we comment, we also want to be clear that we support Medicare Advantage as an option for Medicare beneficiaries. Medicare Advantage plans have demonstrated that they can be less expensive than fee-for-service Medicare.¹ And Medicare Advantage plans have greater ability to coordinate and organize delivery systems to improve care. We believe the evidence clearly shows that despite the overheated rhetoric of organized interest groups, the payment changes made in 2010 did not lead to the demise of the managed care industry. Instead Medicare Advantage plans are now bidding more efficiently and enrollment has doubled since 2010. That said, the Medicare program continues to overpay Medicare Advantage plans – and while we support Medicare Advantage plans as a choice in Medicare, we do not support overpaying plans.

There are a number of topics in the notice related to our work; our comments focus on CMS’ proposal to limit the coding intensity factor in the risk adjustment model to the minimum set in statute, 5.9 percent. We strongly support CMS increasing the coding intensity factor. There is clear evidence that the current coding intensity adjustment is too small.

¹ Medicare Payment Advisory Commission. https://www.medpac.gov/wp-content/uploads/2021/10/mar21_medpac_report_ch12_sec.pdf



The Medicare Payment Advisory Commission (MedPAC) found that Medicare Advantage plans' risk scores were 9.5 percent higher than risk scores for similar beneficiaries enrolled in fee-for-service in 2020. Even after accounting for CMS' current coding adjustment, this resulted in costing the taxpayer \$12 billion in excess payments to Medicare Advantage plans in a single year.² Other estimates suggest that Medicare Advantage plans' risk scores could be even higher, including estimates that risk scores were 20 percent higher than in fee-for-service in 2019 and that Medicare overpaid Medicare Advantage plans by more than \$106 billion from 2010 through 2019.^{3, 4} Notably, this problem is getting worse. While CMS' coding intensity adjustment has remained constant, the impact of coding intensity has continued to grow over time, resulting in higher and higher overpayments annually.²

Increasing the coding intensity adjustment would improve the solvency of the Medicare Hospital Insurance Trust Fund, as nearly 45 percent of Medicare Advantage funding comes from the Hospital Insurance Trust Fund. With the trust fund facing insolvency in 2026, the Medicare program cannot afford this level of overpayment.⁵ Policies to more accurately adjust coding intensity in Medicare Advantage could reduce Medicare spending by as much as \$198 to \$355 billion over the next decade (2021-2030), with slightly over half of savings accruing to the Hospital Insurance Trust Fund, thereby extending solvency.⁶

We understand that there is substantial variation in coding behavior across Medicare Advantage plans, so we encourage CMS to contemplate adjusting the factor applied to reflect this variation.¹ However, we cannot allow perfect to be the enemy of good and the current level of Medicare Advantage overpayments is untenable. **We urge CMS to use its authority to apply a higher coding adjustment factor than what is minimally required of it in statute.**

Again, we appreciate the opportunity to comment on the advance notice. Please contact Mark Miller at mmiller@arnoldventures.org with any questions.

Mark E. Miller, Ph.D., Executive Vice President of Health Care, Arnold Ventures

² Medicare Payment Advisory Commission. <https://www.medpac.gov/wp-content/uploads/2021/10/MA-status-MedPAC-Jan22.pdf>

³ Kronick, Richard and Chua, F. Michael. [Industry-Wide and Sponsor-Specific Estimates of Medicare Advantage Coding Intensity](#). November 11, 2021.

⁴ Schulte, Fred. "[Researcher: Medicare Advantage Plans Costing Billions More Than They Should.](#)" Kaiser Health News. November 11, 2021.

⁵ The Centers for Medicare and Medicaid Services. [2021 Annual Report of the Boards of Trustees of the Federal Hospital Insurance Trust Funds](#). August 31, 2021.

⁶ Committee for a Responsible Federal Budget. [Reducing Medicare Advantage Overpayments](#). February 23, 2021.