

March 5, 2018

The Honorable Seema Verma
Administrator
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
Attention: CMS-2017-0163
P.O. Box 8016
Baltimore, MD 21244-8013

Submitted electronically via <http://www.regulations.gov>

RE: CMS-2017-0163: Advance Notice of Methodological Changes for the Calendar Year (CY) 2019 for Medicare Advantage Capitation Rates, Part C and Part D Payment Policies and 2019 draft Call Letter

Dear Administrator Verma:

As organizations representing thousands of employers that provide Medicare Advantage coverage for enrollees through Employer Group Waiver Plans (EGWPs), we urge you to carefully consider the implications of the changes to the EGWP payment methodology proposed in the CY 2019 Advance Notice. Any payment cut to EGWPs has the potential to negatively impact our members in the form of higher premiums and cost sharing, and reduced benefits in both the short and long term.

EGWPs provide health and financial security to more than 4.1 million public and private employer retirees. Representing a full 20 percent of the Medicare Advantage market, EGWPs play an essential role in ensuring seniors have access to quality health coverage, including care coordination and disease management, comprehensive prescription drug coverage, and protections against exorbitant out-of-pocket costs.

As CMS seeks to finalize the proposals in the Advance Notice, we urge you to consider the unique dynamics of the employer retiree market and formulate payments to this market accordingly. As part of the Advance Notice, CMS is proposing to fully transition in 2019 to using only individual Medicare Advantage health plan bids to set payments for EGWPs. However, EGWPs, like the ones offered by our members, predominantly deliver coverage through a Preferred Provider Organizations (PPO) structure, while the individual Medicare Advantage market mostly uses an Health Maintenance Organization (HMO) structure.

Given the differences in the composition of the EGWP and individual Medicare Advantage markets, we are concerned that basing EGWP payment on a predominantly HMO benefit structure will likely cause unintentional coverage disruptions for retirees and may result in less generous benefits for retirees and lower cost savings for employers. We are pleased that CMS is considering alternative policies to capture the differences in the use of HMO

and PPO plans to achieve more accurate payment that reflects the structure of employer retiree Medicare Advantage health plans. We strongly urge you to finalize a payment methodology that accurately sets payments for EGWPs based on their benefit structure.

In addition, as you move forward in finalizing the EGWP policy, we request that you consider easing any payment transition over several years, as opposed to fully implementing a phase-in for 2019. This will help ensure CMS meets its goal, while also help minimize disruption to retirees who depend on this important coverage.

We appreciate your attention to the attached report on policy issues and opportunities related to the EGWP marketplace written by Better Medicare Alliance.

Thank you for your attention to these important issues. We look forward to working with you and Members of Congress from both parties on policies that encourage EGWP plan innovation to improve care and provide stability for employers to maintain consistent coverage and offer meaningful, cost-effective health benefits and services to millions of retirees.

Sincerely,

American Benefits Council
Better Medicare Alliance
Council for Affordable Health Coverage
National Association of Health Underwriters
National Association of Manufacturers
National Business Group on Health
National Retail Federation
Public Sector Healthcare Roundtable
Teachers' Retirement System of Kentucky
The ERISA Industry Committee
U.S. Chamber of Commerce

Enclosure: "Employer Group Waiver Plans White Paper"

Employer Group Waiver Plans

Current Issues, Evolution & Policy Recommendations

WHITE PAPER MARCH 2018

Executive Summary

Employer Group Waiver Plans (EGWPs), also known as employer retiree Medicare Advantage health plans are a type of health plan offered by a public or private employer to its retiree population. There are currently 4.1 million retirees in EGWPs out of nearly 20 million Medicare Advantage beneficiaries. They represent a successful public-private partnership that addresses the health care needs of an important segment of today's retirees. EGWPs provide flexibility, value, and innovation to move providers towards high-value, high-quality care, improving the health care experience for physicians and their patients.

BMA POLICY RECOMMENDATIONS

1. Adjust current rate setting to capture differences in the use of HMO and PPO plans.
2. Do not make changes that result in reductions to EGWP payments to minimize disruption and maintain stability in the market.
3. Educate state and local retirement systems, employers, and union retiree plans on the benefits of EGWPs.
4. Encourage greater access to EGWPs in rural markets.
5. Enable Professional or Group Associations to utilize EGWPs.
6. Simplify the EGWP enrollment process.
7. Engage with EGWP stakeholders before proposing or finalizing program changes.

EGWPs successfully enable employers nationwide to maintain consistent benefits and contain costs for health coverage in retirement for enrollees. Employers, state and local governments, and unions increasingly rely on employer retiree Medicare Advantage health plans to sustain their promise to provide health benefits to retirees.

Prior to 2017, EGWPs were paid using a bid process that mirrors individual Medicare Advantage. For 2017, the Centers for Medicare & Medicaid Services (CMS) phased-in a payment methodology whereby rates are set using individual Medicare Advantage health plan bids rather than EGWP bids, which resulted in reduced payments to EGWPs. For 2018, CMS froze the phase-in of the new methodology due to concerns about potential disruption to the program. For 2019, CMS is proposing to fully transition to using only individual Medicare Advantage health plan bids to calculate the bid-to-benchmark ratios used to set EGWP payments.

The new payment calculation fails to account for the unique geographic attributes of EGWPs. Fully phasing in the previously proposed methodology from 2017 and failing to account for the difference in penetration of Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs) in EGWPs, would have a disruptive effect on employers and beneficiaries who count on EGWPs to provide continuity in Medicare Advantage benefits and affordability.

In the 2019 Advance Rate Notice Call Letter, CMS acknowledged the need for a more accurate methodology that accounts for the unique characteristics in EGWPs and requested feedback on possible solutions.¹ This White Paper offers background on EGWPs and recommendations going forward, given this request and the potential changes that may be made to payment methodology by CMS for EGWPs starting in January 2019.

Better Medicare Alliance (BMA) agrees it is important to build on the success of EGWPs across the country and recommends that:

- CMS should modify the current rate-setting methodology to capture the differences in enrollment patterns in EGWPs that results in the use of PPOs rather than HMOs.
- CMS should avoid further cuts to EGWP payments to stabilize and minimize disruption to the market.
- To grow the EGWP market in underserved areas, CMS should modify direct contracting requirements to encourage greater access to EGWPs in rural markets.
- CMS should modify allowable employer entities to enable professional or group associations to access EGWPs.
- CMS should simplify the EGWP enrollment process to improve engagement with stakeholders who would benefit from employer retiree Medicare Advantage coverage.

Overview of EGWPs

Public and private employers who offer health care benefits to their retirees have a choice to deliver those benefits through a public-private waiver program under Medicare Advantage known as EGWPs. Employer retiree Medicare Advantage health plans currently provide coverage to over 20 percent of Medicare Advantage beneficiaries.² Today, EGWPs are an important comprehensive option for private companies, state and local governments, and unions.

Created by the Medicare Modernization Act of 2003, EGWPs are a type of Medicare Advantage plan with the ability to offer benefits to retirees who receive retiree health coverage through their former public or private employer. Beneficiaries' enrollment in EGWPs is based on employer- or union-sponsored group health plans. Employers may enter into contracts with Medicare Advantage plans to offer Medicare benefits to employees. There are two basic categories of EGWPs, 1) "800 series" EGWPs offered by health plans to employers and unions 2) Direct Contract EGWPs offered by employers or unions that directly contract with CMS to offer health plans. EGWPs can be either self-insured or fully insured, and employers may help reduce cost sharing for retirees.

EGWPs offer Medicare Advantage coverage, which includes all Medicare Part A (hospital) and Part B (physician) Traditional Fee-For-Service (FFS) Medicare benefits, in addition to supplemental benefits, out-of-pocket cost protections, and innovations to enhance beneficiary care. CMS facilitates the offering of EGWPs and waives certain requirements that hinder benefit design or enrollment. EGWPs must follow all Medicare Advantage and Part D prescription drug requirements, except those that are explicitly waived. Waivers enable EGWPs to provide customized benefits, tailored beneficiary educational materials, and more flexible enrollment procedures.

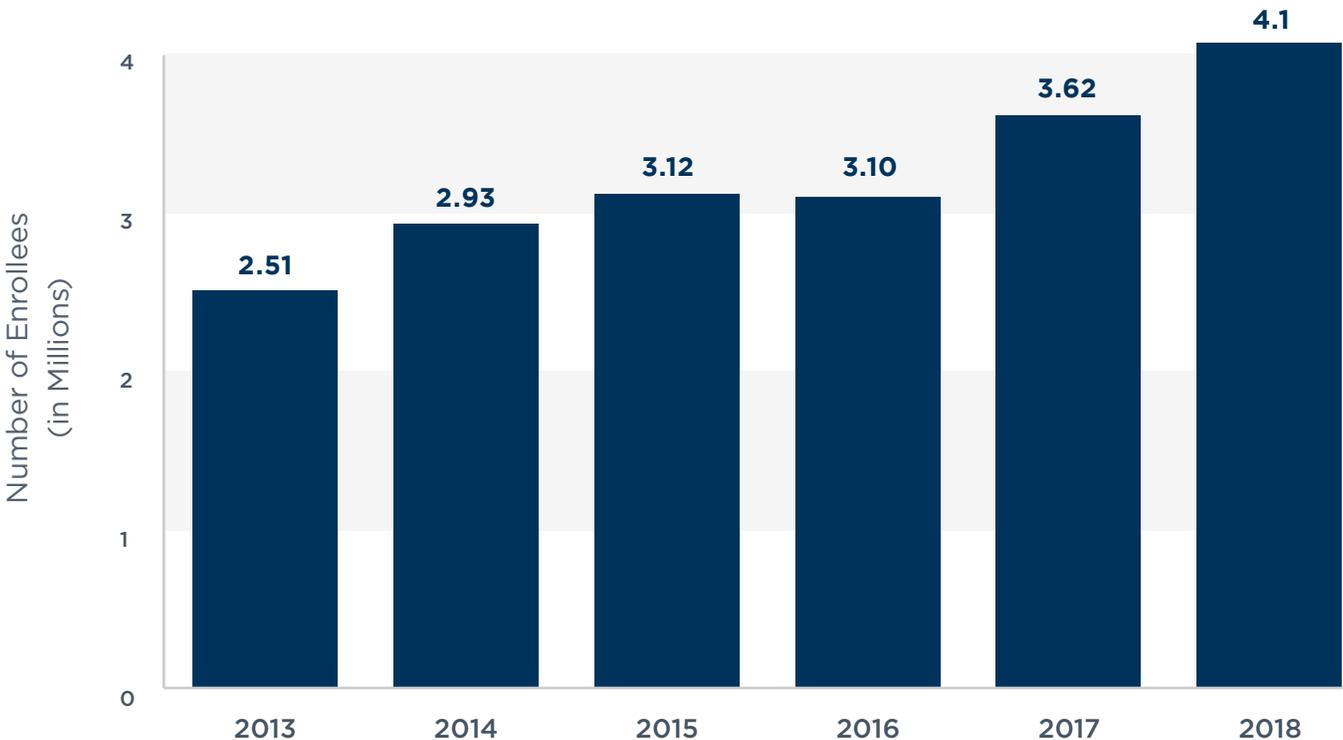
The EGWP payment methodology was previously based on a bidding process that mirrored individual Medicare Advantage, taking into account geographic costs in the employer's county, as well as the broader provider network necessary to meet retirees' health needs. In 2017, CMS decided to terminate the EGWP bidding process and replace it with payment amounts for EGWPs in each county. CMS has proposed setting payment rates based on individual Medicare Advantage health plan bids to calculate bid-to-benchmark ratios. Enrollment in individual Medicare Advantage health plans has resulted in 73% enrollment in health maintenance organization (HMO), while only 25% of EGWPs enrollees are in HMOs. The majority of EGWPs, 76%, are preferred provider organization (PPOs) which drives up the bid-to-benchmark ratios because it is more expensive to cover beneficiaries over larger geographic areas. In the 2019 Advance Rate Notice Call letter, CMS stated that it is also considering adding an adjustment to the EGWP payment formula to account for the difference in the proportion of beneficiaries enrolled in HMOs vs. PPOs.³

Growth and Distribution of EGWPs

EGWPs have grown consistently over the past six years. Between 2013 and 2018, EGWP enrollment in Medicare Advantage grew by 63%, from 2.51 million to 4.1 million as Figure 1 shows. Employers, state and local governments, and unions have increasingly come to rely on the stability of the EGWP market to keep their promise to retirees.⁴

FIGURE 1:

EGWP Enrollment



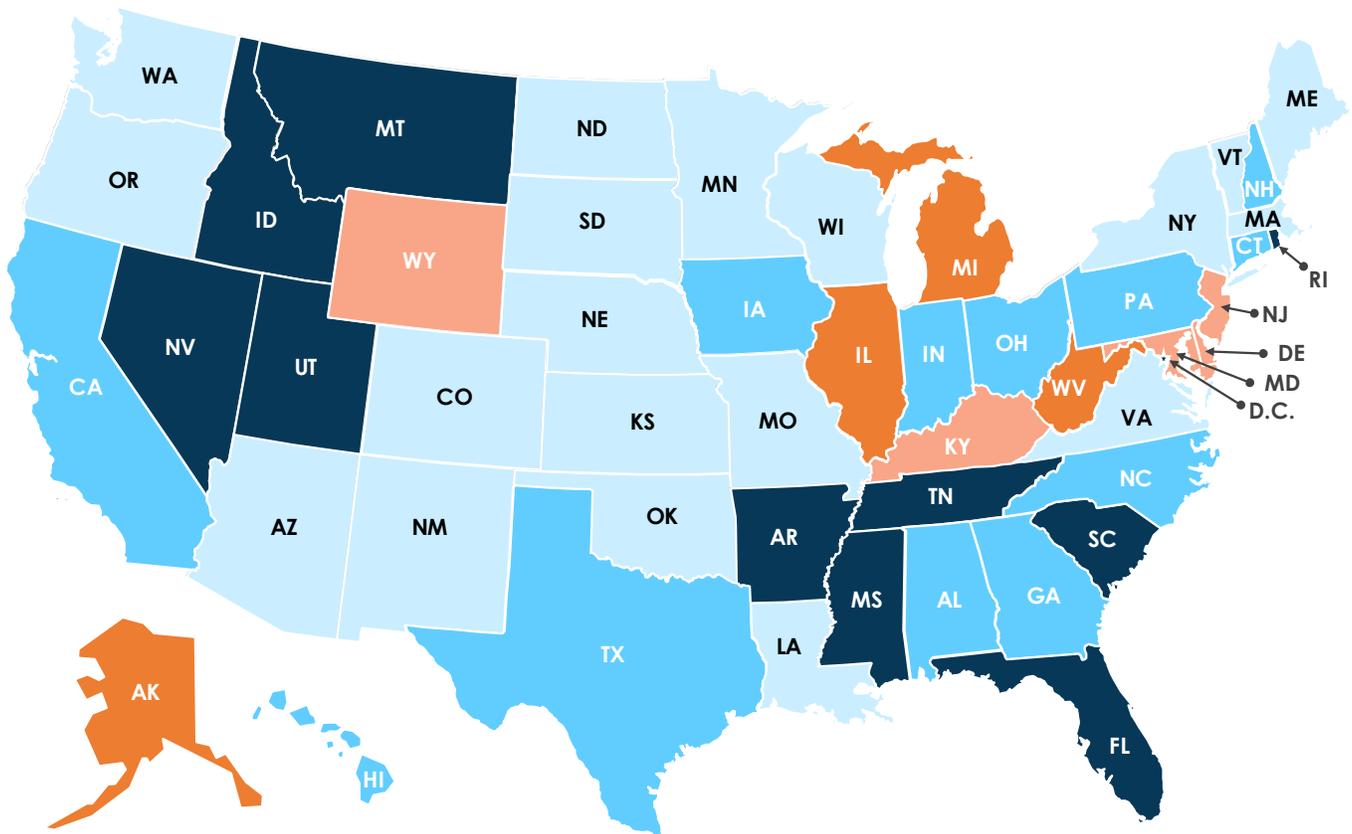
Sources: Centers for Medicare & Medicaid Services. Medicare Advantage enrollment and contract data, January 2018.

Notes: Analysis includes Medicare Advantage EGWP enrollment for counties in all 50 states and DC, except for unknown states and counties. Analysis excludes Cost, Medicare-Medicaid Plans, and PACE plans.

EGWP coverage is offered throughout the country and concentrated based on the percentage of enrollment in the North East, the South, and the Midwest. Michigan, West Virginia, and Illinois have the highest proportion of Medicare Advantage employer retiree coverage, with 40% or more of Medicare Advantage beneficiaries in an EGWP. Wyoming, Kentucky, The District of Columbia, Maryland, Delaware and New Jersey have between 30% and 39% of Medicare Advantage beneficiaries in EGWPs as Figure 2 shows.

FIGURE 2:

EGWP Enrollment as Percent of All Medicare Advantage Enrollment



EGWP ENROLLMENT PERCENT



Sources: Centers for Medicare & Medicaid Services. Medicare Advantage enrollment and contract data, January 2018.

As figure 3 shows, by number of EGWP enrollees, California, Michigan, and Texas are the top three states for employer retiree Medicare Advantage coverage. Michigan, California, and Pennsylvania all have at least two metropolitan areas in the top 10 list of EGWP enrollment. More than half of Medicare Advantage beneficiaries in Detroit and Grand Rapids, Michigan, receive coverage through an employer retiree Medicare Advantage plan as Figure 4 shows. EGWP enrollment is tied to the local economy in metropolitan areas, such as unions in Detroit, and government in Sacramento.

FIGURE 3:

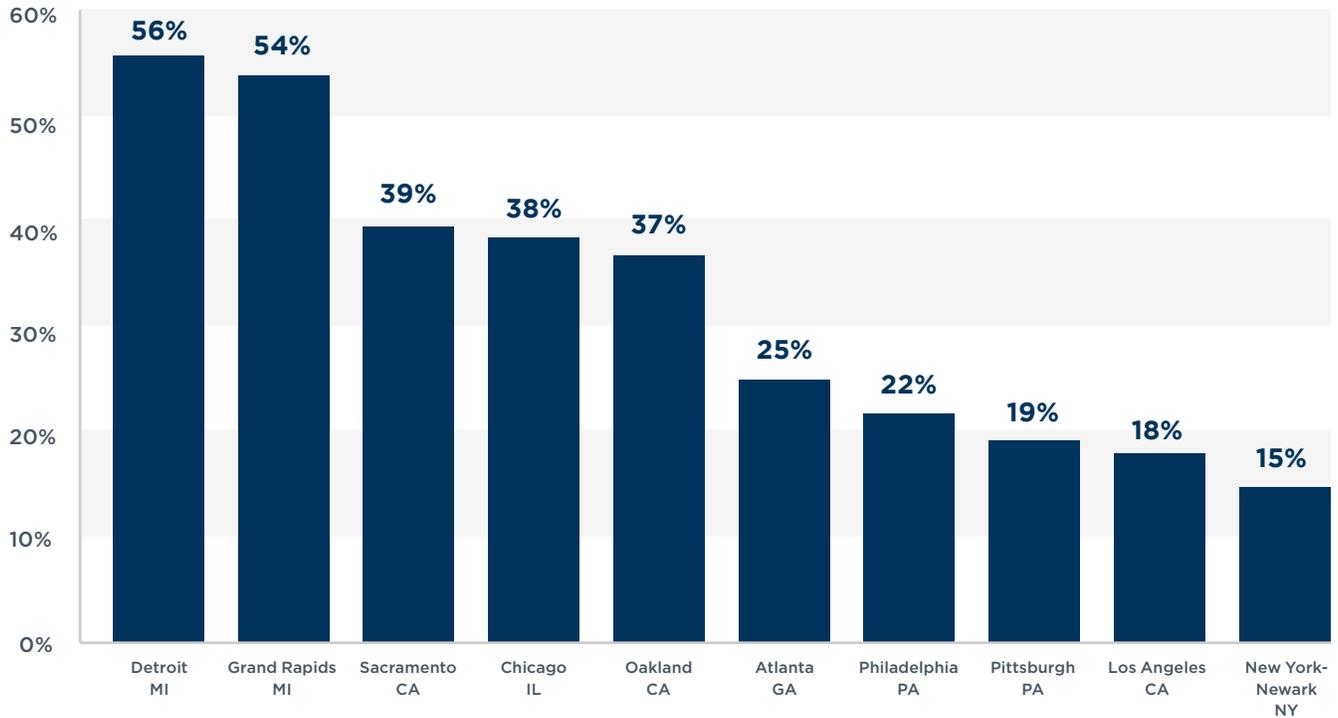
Number of EGWP Enrollees in Top 10 States by EGWP Enrollment

State	Number of EGWP Enrollees	EGWP/Total MA Enrollment
California	559,413	22.96%
Michigan	400,892	52.24%
Texas	318,792	22.51%
New York	260,926	18.79%
Ohio	234,973	27.51%
Pennsylvania	218,453	20.04%
Illinois	204,964	42.35%
North Carolina	176,808	27.79%
Florida	159,060	8.36%
Georgia	158,287	26.33%

Sources: Centers for Medicare & Medicaid Services. Medicare Advantage enrollment and contract data, January 2018.

FIGURE 4:

Percent of Medicare Advantage Enrollees in EGWPs in Eight Largest Metropolitan Areas



Sources: Centers for Medicare & Medicaid Services. Medicare Advantage enrollment and contract data, January 2018.

Benefits in EGWPs

Employer retiree Medicare Advantage coverage delivers high-quality, value-based care to millions of retirees. Employers, including state and local government entities, industries, and unions have turned to EGWPs to provide more affordable options than Medicare Supplement Insurance (Medigap) policies for beneficiaries. Some employers offer retirees the option of an EGWP, or Medigap coverage, and charge beneficiaries less for coverage through an EGWP. Some employers and public entities offer only Medicare Advantage to their retirees. The Medicare Advantage framework offers additional benefits and provides the opportunity to improve service delivery to better meet patient needs and improve outcomes for EGWP enrollees at a more affordable cost.

Unique attributes of EGWPs include:

Risk Adjustment

Like individual Medicare Advantage health plans, payment to employer retiree Medicare Advantage health plans is risk-adjusted based on the health status of beneficiaries. Risk adjustment is an essential mechanism used in health insurance to account for the overall health and expected medical costs of each individual enrolled in a health plan. A stable risk adjustment system ensures adequate resources to cover care and services for beneficiaries based on their health status. A stable risk adjustment system also ensures plan sustainability that allows investments in innovation to deliver high-quality, coordinated, and affordable care to Medicare Advantage beneficiaries.

Cost Protections

Employers report that EGWPs give them the ability to continue coverage that offers the comprehensive, coordinated care their retirees expect, and in many cases, have negotiated in labor contracts. Unlike FFS Medicare, Medicare Advantage provides important additional benefits and services to enrollees through supplemental benefits, such as vision, dental, hearing, and care management. Retirees in Medicare Advantage also have cost protections that are not available in FFS Medicare, such as an annual cap on out-of-pocket costs, lower premiums, and a unified benefits package. A recent study found health care spending for enrollees in Medicare Advantage is 8% lower than for enrollees in FFS Medicare, and consumers who choose Medicare Advantage are better off.⁵

Benefit Design

While employer retiree Medicare Advantage coverage shares many similarities with individual Medicare Advantage coverage, there are several key differences. EGWPs have been granted waivers that provide regulatory flexibilities around enrollment, service areas, premiums, and marketing. These flexibilities enable public and private employers to deliver on the promise of providing health care benefits to retirees.

EGWPs have flexible open enrollment and coordinated annual election periods to enable employers to negotiate contracts throughout the year. EGWPs can be offered at any time during the year, benefits may be enhanced mid-year, and health plans must accept beneficiaries' requests for disenrollment at any time. In addition, the spouses and dependents of participants in the EGWP may also be able to enroll in coverage regardless of Medicare eligibility.⁶

EGWPs often have broad provider networks to provide coverage to retirees living across the country. Due to the wide geography EGWPs often cover, employer retiree Medicare Advantage plans may provide uniform costs in and out of network. EGWPs may vary cost-sharing by providing higher benefit levels, or modified premiums to beneficiaries in different areas, while delivering the same benefit design nationwide. Employer retiree Medicare Advantage plans may also subsidize Part C and D premiums to reduce beneficiary's out-of-pocket costs, enroll only Part B beneficiaries, and provide only Medicare Part D drug coverage.⁷

Educating employers and beneficiaries about EGWPs requires customized educational materials to ensure clear and accurate descriptions of benefits. EGWPs can tailor disclosures without prior CMS approval. EGWPs can also simplify beneficiaries' experience with Medicare by providing a seamless transition from employer to retiree coverage, and provide a combination identification card for medical, Part D, and employer-sponsored non-Medicare supplemental benefits.

Quality and Value

Quality care in Medicare Advantage is measured and reported through a Star Rating System. The Star Ratings play a critical role in promoting high-value outcomes, ensuring public accountability, and offering beneficiaries the tools to choose high-quality plans. Star Ratings evaluate Medicare Advantage plans on a 1-5 scale, with a 5-Star rating being the highest quality. Performance is based on health plan and prescription drug-specific measures. If a Medicare Advantage health plan bids below the benchmark, the health plan receives a rebate on part of the difference between the bid and the benchmark. In addition, Medicare Advantage health plans with at least 4 Stars receive quality bonus payments on rebates. Rebate dollars, along with quality bonuses, must be used to directly benefit beneficiaries.

Blue Cross Blue Shield of Michigan (BCBSM) offers high-quality employer retiree Medicare Advantage health plans that provide comprehensive health benefits, reduce costs, and improve beneficiary engagement. BCBSM EGWPs are available in both PPOs and HMOs, and self-insured and fully insured options. In early 2018, BCBSM provided EGWP benefits to 378,300 Medicare Advantage enrollees in over 200 groups, including 71,000 Medicare Advantage enrollees in 45 states outside of Michigan. BCBSM EGWPs are primarily PPO plans that enable retirees to access a broad BCBSM PPO network, with low rates for out-of-network claims.

BCBSM EGWPs have dedicated representatives to assist employers with CMS rules, enrollment, renewals, and benefit needs. BCBSM manages costs through care management programs, risk adjustment, and product and network strategies. BCBSM EGWPs provide comprehensive coverage, nationwide provider access, and flexible benefit designs that can be tailored to meet beneficiaries medical, medical and drug, and drug only needs. BCBSM EGWPs are a popular option for Michigan government, teachers, and private employers' retirement coverage, with a group retention rate of 98% since 2011.

Employer retiree Medicare Advantage health plans are eligible for bonus payments on Star Ratings.⁸ EGWPs can provide beneficiaries with supplemental benefits, and care management that leads to better health outcomes through care coordination and disease management programs, particularly for high-cost, high-need beneficiaries. Preventive care can improve beneficiary health, and lower future health care costs. EGWPs provide employers with the ability to offer more benefits, and lower out-of-pocket costs to retirees. Studies have shown Medicare Advantage enrollment is associated with a slowdown in overall Medicare spending due to reductions in the inappropriate use of services, and improvements in outcomes.^{9,10}

Beneficiary Rights

Beneficiaries are entitled to all the same rights and protections available to individual Medicare Advantage beneficiaries. Beneficiaries must receive plan information, opt-in with the opportunity to disenroll at any time, and have the opportunity to opt-out of EGWPs. Beneficiaries in EGWPs must receive all Medicare Part A and B benefits provided under FFS Medicare, in addition to the opportunities for additional supplemental benefits and reduced cost-sharing available in Medicare Advantage.

CMS provides oversight to EGWPs and conducts audits based on formularies, appeals and grievances, and compliance programs. EGWPs are required to meet the same reporting requirements as Medicare Advantage and Prescription Drug contracts. This includes reporting to CMS on quality measurement data from the Consumer Assessment of Healthcare Providers and Systems (CAHPS), which measures the experiences of beneficiaries; the Healthcare Effectiveness Data and Information Set (HEDIS), which measures health plan performance and the Medicare Health Outcomes Survey (HOS), which measures beneficiary outcomes.

Payments to EGWPs

EGWP payment rates were previously established through a bidding process similar to individual (non-EGWP) Medicare Advantage health plans, where each plan bids against a county-level benchmark. Similar to individual Medicare Advantage, the bid was subsequently adjusted to account for geographic variation in costs relative to benchmarks in the health plan's service area, the quality performance of the plan, and the health status of the plan's enrollees. After the bidding process was complete, EGWP health plans could negotiate EGWP benefits and premiums with employers.

However, in 2017, CMS changed its methodology and instead proposed setting EGWP payment rates administratively rather than through a bidding process.¹¹ For the past two years CMS has set payment rates based on a 50/50 blend of the enrollment-weighted average bid-to-benchmark ratio for individual Medicare Advantage health plans, and the enrollment-weighted average bid-to-benchmark ratio for EGWPs from 2016. A bid-to-benchmark ratio is an enrollment-weighted national average of bids relative to benchmarks that shows general bidding behavior.

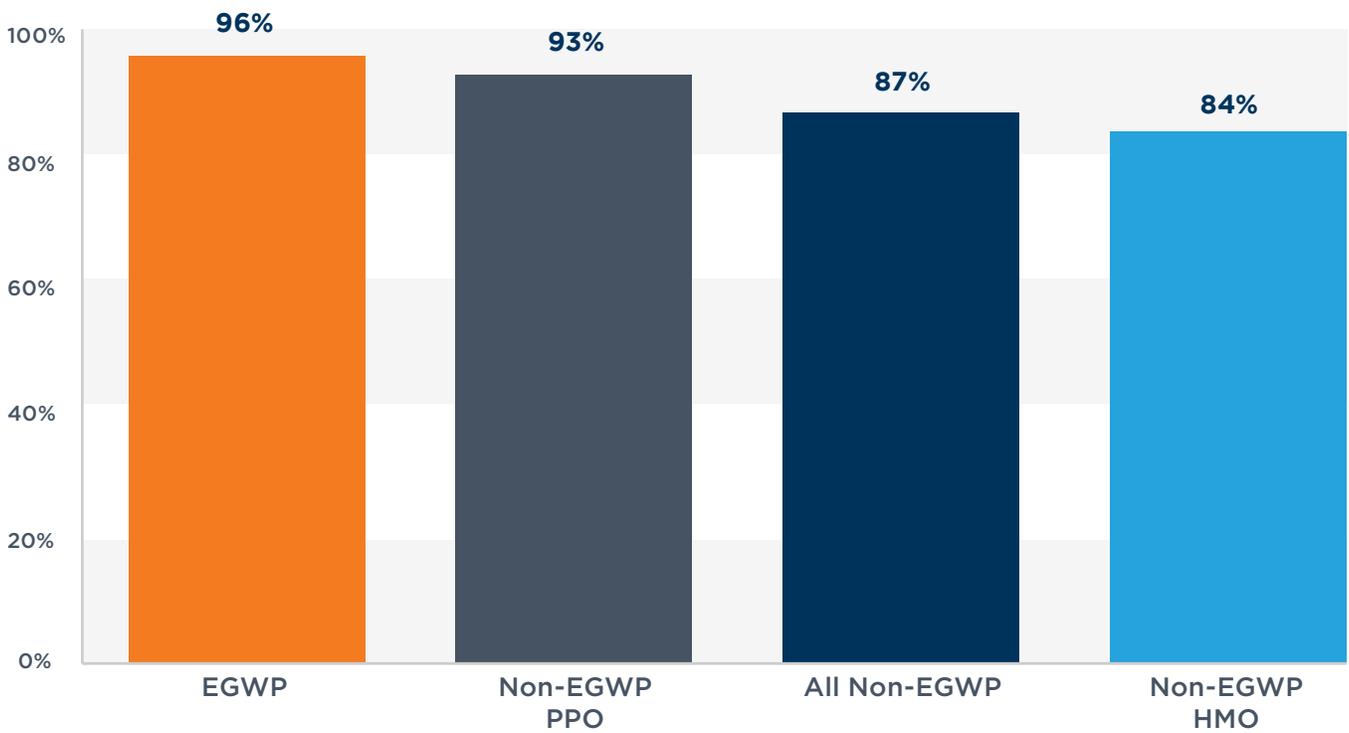
This year, CMS is proposing to fully transition to using only individual Medicare Advantage health plan bids to calculate bid-to-benchmark ratios to set EGWP payments. The full phase-in of the new methodology has been estimated to lead to a 2.5% reduction in payments to EGWPs, and an estimated \$10.7 billion cut to Medicare Advantage over the next decade.^{12 13} In the same proposal, CMS invites comment on alternative approaches, including maintaining the current 50/50 blend payment methodology. CMS is also considering an additional adjustment that would account for the difference between EGWPs that offer PPO plans and the proportion of individual Medicare Advantage offering HMO plans.

Medicare Advantage health plans are incentivized to bid below the benchmark set by FFS Medicare costs. As Figure 5 shows, both EGWP and non-EGWP Medicare Advantage plans bid below the benchmark. The figure also shows that the current rate setting process is flawed, because EGWP bids track more closely to individual Medicare Advantage PPOs. For both EGWP and non-EGWP Medicare Advantage plans, it is costlier to administer the plan through a PPO than an HMO. However, PPOs tend to be necessary to cover EGWP beneficiaries who re-locate in retirement and live across a larger geographic area. In contrast, most non-EGWPs plans are administered through a less costly HMO model. Because EGWPs more commonly utilize the PPO model, their average costs are higher than non-EGWP Medicare Advantage, highlighting the need to account for that difference when setting payment rates.

In the current EGWP payment methodology CMS does not account for the different bid-to-benchmark ratios in HMOs versus PPOs. As Figure 6 shows, 76% of EGWP enrollment is in PPOs, while 26% of individual Medicare Advantage health plan enrollment is in PPOs.¹⁴ The red boxes show individual Medicare Advantage plan HMO and employer retiree Medicare Advantage PPO percentages are essentially the same. Taken together, Figures 5 and 6 illustrate that the group characteristics and large geographic coverage of EGWPs lead to more PPOs than HMOs, and this fact should be taken into account in the payment methodology.

FIGURE 5:

Medicare Advantage Bid-to-Benchmark Ratios: EGWP vs. Individual Medicare Advantage (Non-EGWP); PPO and HMO, 2015



Sources: Centers for Medicare & Medicaid Services. Medicare Advantage Plan Payment, 2015.
 Centers for Medicare & Medicaid Services. Medicare Advantage Ratebook, 2015.
 Centers for Medicare & Medicaid Services. Advance Notice/Call Letter, 2015.
 Centers for Medicare & Medicaid Services. Monthly Enrollment by Plan/County data, December 2015.

FIGURE 6:

Percent of Medicare Advantage Enrollees by EGWPs vs. Plan Type, Individual Medicare Advantage (Non-EGWP), January 2018

Plan Type	MA Non-EGWP	MA-EGWP	All
HMO	73% (11,012,333)	25% (1,000,410)	63% (12,012,743)
Local PPO	17% (2,615,225)	75% (2,941,719)	29% (5,556,944)
Regional PPO	9% (1,307,221)	<1% (3,606)	7% (1,310,877)
Other (PFFS & MSA)	1% (157,667)	0% (36)	1% (157,703)

Sources: Centers for Medicare & Medicaid Services. Medicare Advantage enrollment and contract data, January 2018.

The Teachers’ Retirement System of the State of Kentucky (TRS), one of the founding members of the Public Sector HealthCare Roundtable, utilizes an EGWP to provide health care benefits to 34,000 retirees. The EGWP has high satisfaction rates, provides care coordination, Part D drug coverage and stable benefits and premiums to TRS retirees. By utilizing a combined Medicare Part D drug plan and a Medicare Advantage National Passive PPO, the TRS has eliminated \$1.9 billion in future actuarial liabilities while making additional benefits available to enrollees including hearing aids, incentives for preventive care and gym memberships.

Jane Cheshire Gilbert, CPA, director of Retiree Health Care at TRS said, “Medicare Advantage provides critical care coordination and cost-savings for the Teachers’ Retirement System. Proposed changes to the Medicare Advantage Employer Group Waiver Plans have the potential to increase future costs for our retired educators. I hope these valuable health benefits provided by Medicare Advantage for retired teachers in Kentucky will be preserved and protected for future retirees.”

If CMS continues to transition towards setting benchmarks based on non-EGWP bids, the cuts are likely to increase costs and decrease beneficiaries’ access to high-quality EGWP coverage. Disruptions may come in the form higher premiums and out-of-pocket costs for medical services and prescriptions, reduced access to supplemental benefits, and fewer investments in innovations. There is broad concern about basing EGWP payment solely on individual Medicare Advantage plans bid-to-benchmark ratio without accounting for the cost of administering HMOs versus PPOs and the disruption the policy change could cause in the market.

Policy Recommendations

CMS has the authority to waive or modify requirements that hinder the offering of EGWPs. To build on the success of EGWPs across the country and ensure stability for employer retiree Medicare Advantage health plans, the following recommendations aim to strengthen the program:

1. Adjust current rate setting to capture differences in the use of HMO and PPO plans.

EGWPs are more likely to be PPOs than HMOs. The Medicare Payment Advisory Commission (MedPAC) has acknowledged that EGWPs usually cover broad service areas and laid out a policy option that would have EGWP bids set the majority of the benchmark.¹⁵ It would be more accurate to adjust the EGWP payment calculation to take into account the difference in the bid-to-benchmark ratios for HMO and PPO plans. CMS should implement an adjustment to account for the differences in cost between HMO and PPO health plans to achieve more accurate payment rates for EGWPs.

2. Do not make changes that result in reductions to EGWP payments to minimize disruption and maintain stability in the market. BMA strongly opposed the changes originally proposed in the 2017 Advance Notice and Call Letter that did away with the EGWP bidding process and failed to capture the differences between employer retiree Medicare Advantage and individual Medicare Advantage coverage. Uncertainty about potential changes to the EGWP payment formula and concerns about the return of the Health Insurance Tax in 2020 contribute to instability in the EGWP market and make it more difficult to initiate new contracts. The EGWP market would be strengthened by maintaining the current payment formula this year, facilitating a slower and more predictable phase-in over the next several years, and reducing the frequency and degree of policy and rate changes in years to come.

3. Educate state and local retirement systems, employers, and union retiree plans on the benefits of EGWPs. The Administration can expand the use of EGWPs by developing informational materials, as well as hosting and participating in events to publicize the availability of EGWPs. CMS should engage in greater promotion of EGWPs by targeting informational materials and outreach to entities, such as trade associations and national organizations that represent eligible beneficiaries, private employers, and state and local governments.

CMS should also consider engaging stakeholders by hosting and participating in regional roundtables, seminars, and public events to draw attention to the option of EGWPs. In addition, CMS could draw national attention to this successful initiative by hosting a national roundtable led by the Secretary of the U.S. Department of Health and Human Services (HHS), with business leaders, Governors, union leadership, and beneficiaries who would be invited to D.C. to inform, highlight, and promote the value of the program.

4. Encourage greater access to EGWPs in rural markets. EGWPs can only serve an employer if there is a direct contracting provider network available to at least 51% of the

employer group's retirees. Therefore, if enough retirees move out of the health plan's service area, the employer cannot offer EGWP benefits. Additionally, depending on where retirees move some geographic areas have provider shortages that make meeting network adequacy requirements challenging. Implementing additional flexibilities for provider network requirements could address factors that inhibit the formation of direct contract networks and enable more EGWPs to be offered in rural markets, benefitting employers and retirees.

- 5. Enable Professional or Group Associations to utilize EGWPs.** CMS currently restricts EGWP enrollment to beneficiaries receiving employment-based health coverage from an employer or union sponsored health plan. CMS has stated health coverage obtained through a professional; or group association does not make a beneficiary eligible for EGWP coverage unless the individuals are direct employees of the association.¹⁶ CMS should work with membership organizations such as the Chamber of Commerce to allow professional trade associations to pool membership to enroll in EGWPs.
- 6. Simplify the EGWP enrollment process.** In the EGWP market, health plan sales and contracting teams, agents, and brokers may engage with governments, unions, and employers to identify health plan options. Due to the phase-in of the new EGWP payment methodology, and the complex regulatory environment, more expensive products like Medigap may be easier to understand. CMS should engage with stakeholders to simplify EGWP enrollment and educational materials.
- 7. Engage with EGWP stakeholders before proposing or finalizing program changes.** When the new EGWP payment methodology was proposed in 2016 the impact analysis was not immediately available. CMS should provide more transparency for new policy proposals in the Rate Notice and regulatory process and engage stakeholders to better understand the impact of proposed changes and seek input before the changes are proposed or finalized.

Conclusion

EGWPs enable employers, state and local governments, and unions to provide high-value care to retirees. EGWPs is a highly successful program that offers high-quality coverage and care to over 4 million retirees across the country. With employers and retirees reporting high satisfaction and evidence of strong enrollment growth, EGWPs are a public-private venture that is working and requires stability.

CMS should reconsider its proposal to fully transition to using only individual market plan bids to calculate the bid-to-benchmark ratios used to set EGWP payments and, instead, continue the 2018 payment methodology in 2019 and consider a slower and more predictable phase-in thereafter. In addition, whether CMS freezes the transition or fully implements it, BMA urges CMS to adjust the calculation of bid-to-benchmark ratios to account for the different proportions of HMO versus PPO plan types in EGWPs and individual plans. Fully-phasing-

in administratively set rates and failing to account for the geographic attributes of EGWPs would have a disruptive effect on employers who count on EGWPs to provide continuity in coverage and benefits for their retirees.

A reduction in payment to retiree Medicare Advantage plans will likely cause higher premiums and out-of-pocket costs for medical services and prescriptions, reduced access to supplemental benefits, and fewer investments in innovations. Retirees living on fixed incomes can least afford medical cost shifts. CMS should avoid further cuts to EGWPs, ensure the rate setting process is accurate, maintain stability in this effective program, and expand the opportunity for employers and retirees to participate in EGWPs.

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- ¹ Centers for Medicare & Medicaid Services. “2019 Advance Notices.” [12/27/17](#).
 - ² United States, Department of Health and Human Services, Center for Medicare and Medicaid Services. “Medicare Advantage, Cost, PACE, Demo and Prescription Drug Plan Contract Report – Monthly Summary Report (Data as of January 2018).” [1/18](#).
 - ³ Centers for Medicare & Medicaid Services. “2019 Advance Notice - Part 2.” [2/1/18](#).
 - ⁴ Centers for Medicare & Medicaid Services. “Enrollment in Employer Group Waiver Plans, 2012 to 2017”. Centers for Medicare and Medicaid Services, Department of Health and Human Services, Web. [3/10/2012](#).
 - ⁵ Curto, Vilsa, et al. “Healthcare Spending and Utilization in Public and Private Medicare”, [1/17](#) doi:10.3386/w23090.
 - ⁶ Centers for Medicare & Medicaid Services (US). “Employer/Union Sponsored Group Health Plans.” Employer/Union Sponsored Group Health Plans, Chapter 9, US Department of Health and Human Services, Centers for Medicare and Medicaid Services, [2013](#).
 - ⁷ Centers for Medicare & Medicaid Services (US). “Employer/Union Sponsored Group Health Plans.” Employer/Union Sponsored Group Health Plans, Chapter 9, US Department of Health and Human Services, Centers for Medicare and Medicaid Services, [2013](#).
 - ⁸ EGWP User Call Presentation - Material and Transcript. Employer Group Waiver Plans, Part C & D Teleconference on EGWPs, [11/6/13](#).
 - ⁹ Callison, K. (2016) Medicare Managed Care Spillovers and Treatment Intensity. Health Econ., 25: 873–887. doi: 10.1002/hec.3191.
 - ¹⁰ Robert Graham Center. Understanding the Impact of Medicare Advantage on Hospitalization Rates - A 12 State Study. [3/15/16](#).
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