



California Public Employees' Retirement System

Executive Office

400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3829 | Fax: (916) 795-3410

888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

March 6, 2023

The Honorable Chiquita Brooks-LaSure
Administrator Centers for Medicare & Medicaid Services
Department of Health & Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

Subject: CMS-2023-0010; Advance Notice of Methodological Changes for Calendar Year (CY) 2024 for Medicare Advantage Capitation Rates and Part C and Part D Payment Policies

Dear Administrator Brooks-LaSure,

On behalf of the 1.5 million active members, retirees, and their dependents that the California Public Employees' Retirement System (CalPERS) represents, we thank you for the opportunity to provide comments on the proposed methodological changes for CY 2024 for Medicare Advantage (MA) plan capitation rates. We applaud the administration's efforts to ensure accuracy in payment methodologies and address coding intensity in the MA program. Medicare is the backbone of CalPERS' retiree health benefits, so we appreciate your ongoing efforts to protect the long-term health of the Medicare Trust Fund.

CalPERS is the largest purchaser of public employee health benefits in California and the second largest purchaser after the federal government. Our high-quality, comprehensive health plan offerings include health maintenance, preferred provider, and exclusive provider organization (HMO, PPO, and EPO) plans. In 2019, CalPERS spent an estimated \$10.6 billion purchasing health benefits for our members and employers. To provide these high-quality offerings, CalPERS relies on Medicare Advantage plans, and especially Employer Group Waiver Plans (EGWPs), because they offer enhanced value-based benefits at a lower premium than traditional Medicare. Our members include California's active and retired state and local government, school employees, and their family members, many of whom have fixed incomes and rely on consistently affordable health insurance premiums and out-of-pocket costs. The beneficiaries we serve also report high satisfaction with EGWP plans, and EGWPs act as critical partners in providing them with comprehensive benefits.

While CalPERS is concerned about any policy proposal that could lead to higher costs for public sector retirees, we unequivocally support the intent of the proposed changes and believe coding intensity in MA must be addressed. That said, we are concerned that the proposed payment cuts to EGWPs could pass through to CalPERS, impacting our ability to provide affordable benefits to California's public sector retirees and their dependents. Given this concern, CalPERS asks CMS to consider how the proposed changes to the risk adjustment model could impact EGWP plans and their public sector employees and retirees.

We appreciate the administration's leadership on the issue of risk adjustment and coding intensity. Specifically, CalPERS supports the following proposed changes:

- **Restructured Condition Categories.** We support the proposed technical updates to the MA risk adjustment model to keep the model up to date and improve payment accuracy, including implementing Internal Classification of Diseases (ICD)-10 system codes for the risk adjustment models. CalPERS acknowledges the necessity of keeping the risk adjustment model current and the importance of reducing Medicare program costs to keep beneficiary premiums low.
- **Coding Intensity Adjustment.** CalPERS supports policies that promote the longevity of the Medicare program and improve program efficiency. In MA, higher enrollee risk scores result in higher payments to the plan, creating an incentive to ensure that providers record all possible diagnoses. In 2019, MA risk scores were 9% higher than those for similar FFS beneficiaries because of higher diagnostic coding intensity according to MedPAC.¹ The proposed changes would reduce the sensitivity of the model to coding variations and would support accurate coding and payments across programs.

Thank you for the opportunity to respond to this important notice and we look forward to working with the administration to ensure the best possible options and benefits for public sector retirees.

Sincerely,

Don Moulds
Chief Health Director

¹ Medicare Payment Advisory Commission. 2021. *Report to the Congress: Medicare Payment Policy*. Washington, DC: MedPAC.