



TEACHERS' RETIREMENT SYSTEM

of the State of Kentucky

GARY L. HARBIN, CPA
Executive Secretary

ROBERT B. BARNES, JD
*Deputy Executive Secretary
Operations and General Counsel*

J. ERIC WAMPLER, JD
*Deputy Executive Secretary
Finance and Administration*

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:

My name is Jane Cheshire Gilbert, and I have both the pleasure and the opportunity of serving 34,000 Medicare eligible Kentucky teacher retirees by supplying them with valuable and meaningful insurance coverage. The Teachers' Retirement System of Kentucky (TRS) has accomplished this through the vehicle known as Medicare Advantage Employer Group Waiver Plan (EGWP) since 2007, now in our 12th year. We are 34,000 out of 4.1 million retirees nationwide enjoying the health and financial security provided by EGWPs, now representing 20% of the Medicare Advantage market.

First, TRS and myself would like to thank you as the Advance Notice for this year and the last have spoken very favorably to the desire by HHS and CMS to set the Medicare Advantage program on a stable and sustainable path for the foreseeable future. Thank you for recognizing that EGWPs are a public-private partnership that is successful and worthy of stability.

We ask 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 retired members in the form of higher premiums and cost sharing, and reduced benefits in both the short and long term due to lower cost savings for TRS. More specifically, we ask:

- We would like to encourage CMS to consider alternative payment policies that will render more accurate payments and capture the differences between Preferred Provider Organizations (PPOs) used by TRS and other EGWPs versus the Health Maintenance Organizations (HMOs) used in individual Medicare Advantage markets. CMS' current recognition of this differential is much appreciated. As CMS is aware, Medicare Advantage HMO and PPO plans (individual or EGWPs) both deliver quality care and provide savings over Medicare Fee-For-Service. It is understood that HMO plans typically deliver care at a lower overall cost than PPO/Regional PPO plans due to narrower networks, a higher proportion of value-based contracting with provider incentives, and extensive

coordinated care, while PPO plans provide broader geographic and provider access than HMOs, which results in higher costs. However, like TRS, most groups insure retirees across the country, making a PPO the preferred product because it maximizes the number of individuals that may enroll in the EGWP without significant disruption.

- Since CMS is proposing to fully transition in 2019 to using only individual Medicare Advantage health plan bids to set payments for EGWPs, we request that you consider easing any payment transition over several years as opposed to fully implementing a phase-in for 2019.

We also ask that you consider the following in helping sustain EGWPs in the years beyond 2018:

- Do not require Medicare Part D plans to reimburse directly to beneficiaries a portion of the formulary rebate at the Point of Sale (POS). This will cause TRS and other plan sponsors to simply shift costs to our retired members to make up for this loss in savings.
- Repeal the HIT starting in 2020, saving TRS at least \$12 million per year and preventing us from increasing our Medicare Advantage premium by \$30 or more per retiree per month.

Thank you for your attention to these four 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 coordination and disease management and provide stability for TRS and other employers to maintain consistent coverage and offer meaningful, cost-effective health benefits and services to our 34,000 retirees.

Sincerely,

A handwritten signature in cursive script that reads "Jane Cheshire Gilbert".

Jane Cheshire Gilbert, CPA
Director of Retiree Health Care
Teachers' Retirement System of Kentucky