

March 5, 2018

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

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

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

Dear Administrator Verma:

I am writing to offer you CalOptima's response to CMS' request for comment on the Advance Notice of Methodological Changes for CY 2019 for MA Capitation Rates, Part C and Part D Payment Policies (Advance Notice) and 2019 draft Call Letter. CalOptima is the sole Medicaid managed care plan serving all of Orange County, California. We have approximately 800,000 members, including more than 16,000 who are enrolled in our three Medicare programs — OneCare (Medicare Advantage Dual Eligible Special Needs Plan), OneCare Connect (Medicare-Medicaid Plan) and Program of All-Inclusive Care for the Elderly (PACE). We greatly appreciate CMS' guidance and support for these programs and are committed to their success.

Today, our PACE program serves over 250 participants, all of whom have significant and complex chronic medical conditions in addition to functional and/or cognitive impairments. Utilizing a participant-centered, interdisciplinary team approach to assessment, care planning and service delivery, we comprehensively address our participants' needs for preventive, primary, acute and behavioral health care, as well as long term services and supports.

CalOptima would like to express its support for the comments submitted by the National PACE Association (NPA) on behalf of its members. We believe NPA's comments address the issues of greatest importance to PACE organizations, most importantly, the need for CMS to reconsider its proposed normalization factor for PACE in CY 2019.

We are concerned about the recent trend in the growth of the PACE normalization factor and the substantial increase in the normalization factor that is being proposed for CY 2019. We appreciate that CMS specifically requested input on whether to apply a different approach to determining the normalization factor for the PACE model.

As proposed, the normalization factor for PACE for CY 2019 has a negative impact on Medicare payments by approximately 6.3 percent. While this negative impact will be in part offset by the Medicare Advantage growth factor, its impact on PACE organizations is disproportionately negative relative to prior years. This is driven by a misalignment between the time period used to calculate the factor (five years, 2013-2017) and the length of time since the baseline year of the current payment model (ten years, 2009 – 2019):

- In calculating the PACE normalization factor, CMS used a five-year fee-for-service (FFS) risk score trend (2013-2017). This five-year trend is applied to estimate the impact of population and coding changes over a ten-year period (2009-2019).
- By using a five-year trend rather than the nine-year trend (2009-2017) for which data are available, CMS increases the normalization factor applied to PACE by .047, or 4.2 percent. The increase in this factor results in lower PACE risk scores, resulting in lower payments.

Further, the five-year trend gives more weight to the most recent two years of changes in population and coding than a nine-year trend would:

- These most recent two years of increases in the factor (2017-2018, and 2018-2019) are anomalies relative to prior years and distort the overall trend.
- On average, the year-to-year change in the normalization factor between 2012 – the first year the current CMS-HCC risk adjustment model for PACE was utilized – to 2017 was zero.

The recommended normalization factor of 1.112 is supported by the available data over a time period more closely aligned with the time since the PACE payment model's baseline year. Further, the 2018-2019 increase in the normalization factor of .03 would be consistent with the increase in the normalization factor between 2017 and 2018 (1.051 vs. 1.082).

We would very much appreciate CMS' consideration of NPA's recommendation to utilize a different timeframe for calculating the normalization factor for CY 2019, which would reduce the normalization next year, and to then proceed with efforts to recalibrate the PACE CMS-HCC model in future years to reduce the impact of the normalization factor on subsequent years' risk scores and payments. If the normalization factor proposed by CMS for CY 2019 is implemented, we are very concerned about its impact on our CY 2019 payments.

Thank you for considering our input on this important topic. If you have any further questions regarding this topic or CalOptima generally, please contact Arif Shaikh, Director of Public Policy and Government Affairs, at (714) 246-8418, or, [ashaikh@caloptima.org](mailto:ashaikh@caloptima.org).

Sincerely,

A handwritten signature in blue ink, appearing to read "MSQ, SQn".

Michael Schrader  
Chief Executive Officer