



Statement Submitted for the Record by
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Before the
Subcommittee on Health
Committee on Ways and Means
United States House of Representatives

Hearing on the Future of Medicare Advantage Health Plans
July 24, 2014

Statement of Wayne Lowell, CEO, Senior Whole Health

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On behalf of Senior Whole Health, I would like to thank Chairman Kevin Brady, Ranking Member Jim McDermott, and Members of the Health Subcommittee for holding a hearing on the Future of Medicare Advantage Health Plans and for the opportunity to submit testimony on this important topic. My written testimony will describe the impact of the health insurance fee, certain reductions in Medicare Advantage reimbursement that have been made, and the effect these policies will have on our ability to continue offering the full breadth of critical services to Medicare – and in some cases, Medicaid – enrollees.

Senior Whole Health is a Full-Integrated Dual Eligible Special Needs Plan (FIDESNP). We offer individualized, specialized, and vital services to Medicare and Medicaid beneficiaries with the greatest health needs and least financial and societal resources. Our services ensure that thousands of beneficiaries are able to access and receive the care they need with a focus on community and home care needs to avoid institutionalization. This is what our members and their families want and we coordinate both the Medicare and Medicaid benefits on their behalf.

This whole-person, community-centered approach to care also saves money for the States where we provide these services. By providing in-home, preventative, and person-centered services, thousands of our enrollees are able to remain in their homes where they and their families want them to be. By keeping these people in their homes, the Commonwealth of

Massachusetts alone has realized savings of approximately \$170 million per year, because the State is able to forego the high cost of institutionalized care in a large number of cases. We know this model can and should be replicated across more states – but existing and upcoming policy changes to the Medicare Advantage program may hurt the expansion of these efforts.

There are a few concerns that we have about policies that are affecting these programs:

1. The impact of the health insurance tax established under section 9010 of the Affordable Care Act (ACA); and
2. Reductions in the base Medicare Advantage rate.

Insurance Fee

Senior Whole Health is fully subject to the health insurance tax established under section 9010 of the Affordable Care Act (ACA). Section 9010 of the ACA imposes a new tax on health insurance issuers, with the amount of the tax to be determined based on the issuer's share of net applicable premiums written for health insurance in the United States by applicable issuers in a given year. The first year's tax payment is due to the Internal Revenue Service by September 30, 2014. Other Medicare Advantage plans, including non-profit Special Needs Plans (SNPs), were carved out under the ACA. Senior Whole Health – as a tax-paying organization – remains liable for the **entirety** of the added fee. Additionally, we, as a FIDESNP, do not and cannot charge our beneficiaries a premium. As such, we have no ability to recover this extra cost. At the same time, we cannot adjust benefits to account for the fee, as other plans may, because the majority of benefits we offer are required by law. At the same time, 100% of our revenue is derived from participation in the Medicare and Medicaid programs. While we believe this should afford us some degree of relief from the health insurance tax, the

statute does not permit us to be excluded – exclusively based on our tax-paying status. This also means that we have no private source of income to counterbalance the impact of persistent and often unpredictable statutory and regulatory payment reductions.

We strongly encourage the Committee to repeal this health insurance tax. At a minimum we ask that SNPs receiving 80% or more of their revenue from government programs be treated the same, regardless of our income tax-paying status. This would treat Senior Whole Health the same as entities exempted in Section 9010(c)(2)(C) of the Affordable Care Act. In its current form, this tax is only raising the costs of coverage for many Americans, including those who are very poor and very vulnerable and need the services provided.

Medicare Advantage Reductions

In the Centers for Medicare & Medicaid Services' (CMS) final 2015 call letter, the Agency implemented regulatory updates to payments for Medicare Advantage plans that resulted in an effective rate cut of roughly 2.5% for contract year (CY) 2015. In light of existing and upcoming policies that will significantly add to our costs over the coming years, such as the health insurance tax, these regulatory cuts are increasingly difficult for Senior Whole Health.

These are not the only ways in which we are severely disadvantaged. Findings from a Milliman study indicate that, as a result of recent rate changes, Medicare Advantage plans overall are being paid roughly two percent less than fee-for-service (FFS) for high-risk/high-need beneficiaries, including dual eligibles. Given that our enrollees are, by definition, high-risk/high-need beneficiaries, this disparity disproportionately impacts Senior Whole Health, as compared to the average Medicare Advantage plan. We expect this disparity will persist – if not worsen – under the CY 2015 regulations.

Conclusion

For Senior Whole Health, the simultaneous implementation of these policies means that Senior Whole Health and its enrollees cannot sustain any further cuts without jeopardizing access to the care that our beneficiaries have come to rely on for their health, well-being, and quality of life.

We have encouraged Congress to repeal the health insurance tax – especially as a result of its impact on FIDESNPs. We cannot charge or increase premiums, we cannot reduce benefits, and we do not have private income to supplement the losses we are facing in the coming years. We again urge Congress to act on this proposal to ensure that we can continue providing quality, cost-effective, and critical services to the Medicare and Medicaid beneficiaries that rely on us.

We also encourage CMS to ensure that all Medicare Advantage plans are paid no less than FFS rates for duals and other high-risk beneficiaries. Implementing such equity in rates would have a meaningful impact for SNPs – especially for Senior Whole Health, as we undertake the difficult task of balancing the ACA’s health insurance fee with our limitations on adjusting premiums or benefits.

We hope that this testimony provides insight into the impact that recently implemented and upcoming Medicare Advantage payment policies have on our ability to continue providing access to the critical services our beneficiaries rely on. Thank you and we look forward to working with all Members on these important issues.