

Department of Health & Human Services
Centers for Medicare & Medicaid Services
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Center for Medicare

TO: All Part C and D Plan Sponsors

FROM: Amy Larrick Chavez-Valdez, Director
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DATE: January 31, 2019

SUBJECT: End of Moratorium on Authority to Terminate Medicare Advantage Organization Contracts Based on Low Star Ratings

The purpose of this memorandum is to inform Medicare Advantage (MA) Organizations and Medicare Prescription Drug Plan (PDP) sponsors of CMS' policy for resuming the exercise of its authority to terminate Part C and Part D contracts that have consistently failed to achieve good Star Ratings.

Under the Part C regulations at 42 C.F.R. §422.510(a)(4)(xi), CMS may terminate an MA contract that has failed to achieve a Part C summary rating of at least three stars for three consecutive contract years. The Part D regulations at 42 C.F.R. §423.509(a)(4)(x) provide a similar basis for terminating a Part D sponsor contract based on consistently low Part D summary ratings. In December 2016, the 21st Century Cures Act was enacted and section 17001(b)) prohibited CMS from terminating MA organization contracts through December 31, 2018.

Given the expiration of this prohibition on December 31, 2018, CMS will resume its authority to terminate Part C and Part D contracts that have consistently failed to achieve good Star Ratings. To calculate the number of consecutive years a contract has failed to achieve at least three stars, CMS will use the first Star Ratings released after December 31, 2018 as the first set that may count toward an MA contract's qualification for termination pursuant to 42 C.F.R. §422.510(a)(4)(xi) or a PDP contract's qualification for termination pursuant to 42 C.F.R. §423.509(a)(4)(x).

The Star Ratings for each year are released in the fall of the preceding year. For example, the final 2019 Star Ratings were released in October 2018. Therefore, the 2020 Star Ratings, issued in the fall of 2019, will be the first set of ratings where performance below three stars would be counted toward qualification for termination. The first MA or Part D contract that could be

terminated by CMS following the temporary delay would be qualified for such action based on the contract's failure to achieve at least three stars for the 2020, 2021, and 2022 sets of Star Ratings.

If you have any questions, please contact Scott Nelson at Scott.Nelson2@cms.hhs.gov.