

Supporting Statement for the Risk Sharing Reconciliation PRA Submission

A. Background

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), Title II, Subtitle C (Offering of Medicare Advantage Regional Plans; Medicare Advantage Competition) provided for the establishment of Medicare Advantage Regional Plans. The Regional Preferred Provider Organization (RPPO) program was developed in the following years, and began contracting with Managed Care Organizations (MCOs) and enrolling beneficiaries for the 2006 contract year.

B. Justification

1. Need and Legal Basis

Section 1858 of the Social Security Act provides for risk sharing with RPPOs to be in place for contract years 2006 and 2007. 42 Code of Federal Regulations (CFR) 422.458 provides specific direction with respect to how the Centers for Medicare and Medicaid Services (CMS) will share risk with the RPPOs. The regulations require CMS to collect Allowable Cost data, and to compare this data to Target Amounts. If the comparison demonstrates that there were either savings or losses in the contract year, the regulations provide specific risk corridors to be used in determining the Risk Sharing Reconciliation amount due to either the plan or CMS. The Risk Sharing Reconciliation cost report included in this packet will be used to collect the information necessary to accurately reconcile the payments made to RPPOs for the 2006 and 2007 contract years.

2. Information Users

The information collected will be used by the Division of Capitated Plan Audits (DCPA) in the Financial Services Group (FSG) of the Office of Financial Management (OFM). DCPA will use this information to establish target amounts for each of the RPPOs, and to compare the actual costs of the RPPOs to these established target amounts. DCPA will apply any savings or losses by the RPPOs to risk corridors as described in 42 CFR 422.458.

3. Use of Information Technology

The Division of Capitated Plan Audits (DCPA) has set up an electronic mailbox that will be used to collect this data. Each RPPO will submit a completed cost report to DCPA at RPPOCostReports@cms.hhs.gov upon the completion of the 2006 and 2007 contract years. Within 10 days of the submission of this information, the plan is required to submit a signed cover page and a copy of their independent audit to CMS.

4. Duplication of Efforts

This information collection does not duplicate any other effort and the information cannot be obtained from any other source. CMS currently does not collect actual cost data for the Medicare Advantage Program. There are certain items within this cost report that CMS does currently have available through the Medicare Advantage Bid Process, and this information is pre-populated into the cost report. DCPA and CMS will not ask the RPPOs for any duplicate information.

5. Small Businesses

This collection does not impact small businesses.

6. Less Frequent Collection

CMS will not be in compliance with the Statute or Regulations if this information is not collected. Without the information, CMS will not be able to calculate any savings or losses that the RPPOs had during the 2006 or 2007 contract years. Without the savings and losses information, CMS will not be able to share in the risk that MCOs have taken on with this new program.

7. Special Circumstances

There are no special circumstances associated with this collection.

8. Federal Register / Outside Consultation

The 60-day FR notice published on May 18, 2007.

9. Payments / Gifts to Respondents

This section is not applicable to this collection.

10. Confidentiality

42 CFR 422.458 (d)(3) provides for protection in keeping this information confidential. This section of the regulation states that the information disclosed or obtained in this collection may be used only by officers, employees, and contractors of DHHS, and can only be used for the purposes of implementing this section.

11. Sensitive Questions

There are no questions of a sensitive nature included in this collection.

12. Burden Estimates (Hours & Wages)

DCPA estimates an annual burden of hours of 1,120. This estimate is based on one week of work for two employees at each of the 14 RPPOs. DCPA calculates the cost of these hours to be \$37,234.08. This cost is based on an annual Financial Analyst III salary of \$69,149, which was provided on the salary.com website, and is calculated in the table below.

Total Cost of Burden Hours	
Median Salary of Financial Analyst III according to Salary.com	\$69,149
Weeks per Year	52
Weekly Salary	\$1,329.79
Hours per Week	40
Hourly Salary	\$33.24
Burden Hours per Request	1120
Total Cost of Burden Hours	\$37,234.08

13. Capital Costs

In addition to the cost of labor, the plans will be responsible for auditing the Risk-Sharing Reconciliation. DCPA estimates that the cost of this audit will be \$45,000 per organization. DCPA does not expect the organizations to have any startup costs associated with this collection as the RPPOs will be entering cost information, which is already available, into an excel workbook that CMS has developed. All of the cost of producing this document will be in the labor hours and cost of audit. For the purpose of this request, the cost of additional savings that could be due to CMS is not included in the analysis.

14. Cost to Federal Government

DCPA estimates an annual workload of two months for two employees dedicated to the collection of this data. This time estimate includes time before the reconciliation is provided to the plan for uploading Bid data, and time to review the plans submission upon receipt from the plan. To calculate the cost DCPA assumed the cost report would be reviewed by an employee at the GS-13 level with an annual salary of \$79,397. The cost calculation is below.

Total Cost of Hours to the Federal Government	
Salary of a GS – 13, Step 1	\$79,397
Months per Year	12
Monthly Salary	\$6,616.42
Months Work Required	4
Total Cost of Burden Hours	\$26,465.67

It is important to note that no new employees will be hired due to this collection. DCPA will cover these additional hours with current their current staff.

15. Changes to Burden

The new burden is due to the implementation of the new RPPO program. This program was new for the 2006 contract year. For this reason, all burden hours and costs are new burden hours and costs.

16. Publication / Tabulation Dates

The results of this collection will not be published.

17. Expiration Date

CMS would like to display the expiration date of this collection. The instrument will be used for the 2006 and 2007 contract years. The submission of the 2007 Risk-Sharing Reconciliation is due to CMS February 1, 2009. A three year expiration date will allow CMS enough time to process these reports.

18. Certification Statement

There are no exceptions to the certification statement.

C. Collection of Information Employing Statistical Methods

Statistical methods are not being used for this collection.