
**INSTRUCTIONS FOR COMPLETING
THE REGIONAL PREFERRED PROVIDER
ORGANIZATION (RPPO)
RISK-SHARING RECONCILIATION
FOR CONTRACT YEARS 2006 AND 2007**

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**INSTRUCTIONS FOR COMPLETING
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Introduction

The purpose of these instructions is to provide Regional Preferred Provider Organizations (RPPOs) with guidance on completing the Risk-Sharing reconciliation under Section 1858 of the Social Security Act (herein referred to as the “Act”).

The Act provides for risk sharing to be in effect for RPPOs for Contract Years (CY) 2006 and 2007, if allowed costs are above or below the organization’s established target amount. Risk Corridors, established above and below the target amount, are used to reconcile the amount due to either the RPPO or the Centers for Medicare and Medicaid Services (CMS).

The following steps are involved in the risk-sharing reconciliation process:

- 1) **Calculate the target amount.** The risk sharing target amount is calculated as the allowed revenue for risk sharing multiplied by the target ratio.
- 2) **Calculate associated risk corridor limits.** The first threshold upper limit is 103 percent of the target amount and the second threshold upper limit is 108 percent of the target amount. Similarly, the first threshold lower limit is 97 percent of the target amount and the second threshold lower limit is 92 percent of the target amount.
- 3) **Calculate medical expenses for risk sharing.** RPPOs will report to CMS the total medical expenses that were incurred during the contract year and processed within 12 months after the end of the contract year and any claims reserve. RPPOs will multiply the total medical expenses by the claims adjustment ratio to calculate the medical expenses for risk sharing.
- 4) **Compare medical expenses for risk sharing to the target amount and apply any savings or losses to the calculated risk corridor limits.** If medical expenses for risk sharing fall within 3 percent of the target amount (above or below it), there will be no payment adjustment. If medical expenses for risk sharing are more than 3 percent outside of the risk sharing target amount (above or below it), payments will be adjusted in accordance with the 42 Code of Federal Regulations (C.F.R.) 422.458.

Instructions for Completing the RPPO Risk-Sharing Reconciliation

All RPPOs must submit a separate Risk-Sharing reconciliation for each plan in CY 2006. CMS anticipates claims reserve for CY 2006, however, the RPPOs must provide relevant documentation supporting any claims reserve estimates for each plan.

In accordance with 42 C.F.R. 422.458(d)(1) and the plan's RPPO Contract with CMS, the Risk-Sharing reconciliation submission must be audited by an independent Certified Public Accountant (CPA) at the expense of the RPPO. The CPA must verify the information submitted in the reconciliation, including but not limited to member months, revenue and expense data, and claims data. Revenues and expenses must be reported in accordance with the guidance provided in the final MA rule (pages 234-236), and the instructions for completing the Medicare Advantage Bid. This will specifically affect the reporting of any claims paid to related organizations ("related-party transactions"). The CPA's audit opinion must explicitly acknowledge that the enclosed instructions were followed in preparing the Risk-Sharing reconciliation. CMS reserves the right to conduct an independent audit of the reconciliation.

General Instructions

For each of the reconciliations, include all actual revenue and medical expenses incurred for the contract year and paid through the end of the following calendar year. For example, the CY 2006 reconciliation should include all actual revenue and medical expenses incurred for CY 2006 and processed through the end of 2007. Enter all plan revenue and medical expenses using the same methodology used in the approved bid for each CY.

The enclosed Excel file includes the spreadsheets that will form the basis of the Risk-Sharing reconciliation. CMS generated a worksheet for each Plan. (*See the instructions for the individual "Plan" worksheets*).

Complete only those cells that are highlighted in yellow. The cells that are not highlighted in yellow are either pre-populated or calculated automatically based on the information in the yellow cells, and will be locked.

Risk-Sharing reconciliations are calculated for each individual plan; however, the payment adjustments will be netted together, and the final payment adjustment will be at the contract ("R" number) level as detailed on the "Summary Worksheet" included in the attached Excel file.

Please email the completed Risk-Sharing reconciliation, including all of the associated worksheets, in Excel (not ".PDF") to RPPOCostReports@cms.hhs.gov. Within ten (10) days of the electronic submission, please mail the signed cover page and a copy of the independent audit report to CMS at the following address:

**Centers for Medicare and Medicaid Services
ATTN: RPPO Risk-Sharing Reconciliation
7500 Security Blvd.
Mail Stop: C3-13-06
Baltimore, Maryland 21244-1850**

All worksheets must be reviewed and audited by an independent Certified Public Accountant. Attach a copy of the audit report with the Risk-Sharing Reconciliation.

All Risk-Sharing Reconciliations must be submitted to CMS no later than February 1, 2008 for Contract Year 2006 and February 1, 2009 for Contract Year 2007.

If you have any questions related to these instructions, please send an email to the CMS RPPO inbox at RPPOCostReports@cms.hhs.gov .

Cover Page

The certification at the bottom of this page must be signed by either the CEO or the CFO, and mailed to CMS at the address indicated in the instructions above.

Summary Worksheet

This worksheet contains summary data only. All of the fields on this worksheet are locked and have either been populated by CMS or calculated automatically based on information entered on the individual “Plan” worksheets.

Plan Worksheets

There is a “Plan” worksheet for every plan under the “R” contract. Each worksheet is labeled “Plan” followed by the Plan ID number. Each Plan worksheet is organized into three sections:

- Section #1 - Enrollment, Revenue, and Target Ratios
- Section #2 - Medical Expenses
- Section #3 - Risk-Sharing Reconciliation

Section #1 – Enrollment, Revenue, and Target Ratios

Use this worksheet to report actual allowed plan revenue for the contract year subject to reconciliation and calculate the Risk-Sharing target amount. The actual plan revenue is the sum of the net government capitation payments and Rebatable Integrated Benefits (RIBs) or basic enrollee premium revenue.

I. General Information – This information is pre-populated.

II. Enrollment, Non-ESRD CY member months - Enter the total member months for enrolled beneficiaries.

III. Actual Plan Revenue - The reported actual allowed revenue is calculated using the methodology in the approved bid.

Line 1: A/B capitation payments for non-ESRD enrollees – On line 1, enter the net government A/B capitation payments for non-ESRD enrollees only. Include all retroactive adjustments that apply to the contract year even though they were processed after the contract year end.

Lines 2a-2d: Adjustments – On line 2a, enter an adjustment to subtract any revenue where Medicare is the Secondary Payor. On line 2b, enter an adjustment to subtract any non-covered user fees. Enter these adjustments at the Plan level. If applicable, identify any additional adjustments on Line 2c and explain the exact nature of the adjustment in the “Notes” section at the end of the worksheet. Enter the section and Line number when including information in the “Notes” section. Failure to provide CMS with a description of the adjustment may result in its disallowance. If the adjustment increases the actual allowed revenue, enter it as a positive number, if it decreases the revenue; enter it as a negative number. Line 2d is calculated automatically and represents the total of all adjustments from Lines 2a-2c.

Lines 3a-3c: Rebatable Integrated Benefits (RIBs) – On line 3a, enter the amount of MA Rebates used to reduce A/B cost sharing. On Line 3b, enter the amount of MA rebates for other mandatory supplemental benefits for non-Medicare covered benefits.

Instructions for Completing the RPP0 Risk-Sharing Reconciliation

Line 3c is calculated automatically and represents the total of all adjustments from Lines 3a-3b.

Line 4: Basic Enrollee Billed Premium – On line 4, enter the basic enrollee premium revenue.

Line 5: Allowed Revenue for Risk Sharing – Line 5 is calculated automatically representing the sum of Line 1, Line 2d, Line 3c, and Line 4. This amount will be used in the computation of the target amount.

IV. Risk Sharing Target Ratio – The Risk Sharing Target Ratio is the projected allowed medical expenses divided by the projected allowed revenue. CMS populates this section using information from the approved bid.

V. Risk Sharing Target Amount - The Risk-Sharing Target Amount is calculated by multiplying the Allowed Revenue for Risk-Sharing from Line 5 of Part III of this Section by the target ratio from Line 3 of Part IV of this Section. This amount will be used to establish the risk corridors.

VI. Claims Adjustment Ratio - CMS populates this section using information from the approved bid.

Section #2 – Medical Expenses

Use this worksheet to report actual medical expenses (supported by actual claims data) and calculate the Medical Expenses for Risk-Sharing.

I. Actual Medical Expenses – Use this section to **calculate the total medical expenses.**

Line 1: Member Months – On line 1, enter the total member months for this reconciliation period.

Lines 2, 3 and 4 - There are three columns for each of the line items.

- (1) **In Network and OON Claims Incurred during the CY and Paid within 12 months of CY** – Enter all claims incurred during the CY and paid through 12 months after the end of the CY.
- (2) **Claims Reserve** – Enter the claims reserve for each medical expense category.
- (3) **Total Incurred Claims** – This column is automatically calculated as the sum of Column 1 and Column 2 for each line item.

Lines 2a – 2l: Medicare-Covered Expenses – Enter the expense amounts in Column 1 and the corresponding claims reserve in Column 2. Line 2l is calculated automatically and represents the total of Lines 2a-2k.

Lines 3a – 3g: Non-Covered Expenses - Enter the non-covered expense amounts in Column 1 and the corresponding claims reserve in Column 2. For Line 3f, Other Non-covered, specify the source of the expenses in the Notes section of this worksheet. Line 3g is calculated automatically and represents the total of Lines 3a-3f.

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Lines 4a – 4f: Outside Claim System – List each type of claim separately and specify the source. Line 4f is calculated automatically and represents the total of Lines 4a-4d. Enter any category that reduces expenses as a negative number.

Line 5: Total Medical Expenses – Line 5 is calculated automatically as the sum of Line 2l, Line 3g, and Line 4f.

II. Medical Expenses for Risk Sharing - The Medical Expenses for Risk-Sharing is calculated by multiplying the Total Medical Expenses from Part I, Line 5 of this section, by the claims adjustment ratio from Section #1, Part VI, Line 3.

Section #3 – Risk-Sharing Reconciliation Ratios

This is the summary section of this worksheet. All of the fields in this section are locked and have either been provided by CMS or calculated automatically based on information provided in Section #1 (Enrollment, Revenue, and Target Ratios) and Section #2 (Medical Expenses).

Claim Data Worksheets

Submit a separate Claims Lag Data worksheet for each Plan.

Use this worksheet as a guide when developing the Claim Data Worksheets. This worksheet shows the minimum required data elements to be included in the Claim Data Worksheets. The claims data must be reported separately for each Plan and must include claims that were incurred in the contract year covered by this reconciliation and paid through 12 months after the end of the contract year covered by this reconciliation.

Disclosure Statement

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According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is _____. The time required to complete this information collection is estimated to average 80 hours per response, including the time to review instructions, search existing data resources, gather the data needed and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, Attn: Reports Clearance Officer, 7500 Security Boulevard, C5-14-03, Baltimore, Maryland 21244-1850.

Appendix A: Acronyms

<u>Term</u>	<u>Definition</u>
Act	Social Security Act
CMS	Centers for Medicare & Medicaid Services
C.F.R.	Code of Federal Regulations
CPA	Certified Public Accountant
CY	Contract Year
ESRD	End Stage Renal Disease
HPMS	Health Plan Management System
MA	Medicare Advantage
MAO	Medicare Advantage Organization
MMA	Medicare Modernization Act of 2003
OACT	CMS Office of the Actuary
OMB	Office of Management and Budget
OON	Out-of-Network
PMPM	Per-member per-month
RIB	Rebatable Integrated Benefits
RPPO	Regional Preferred Provider Organization