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INSTRUCTIONS FOR COMPLETING  
THE MEDICARE ADVANTAGE  
BID PRICING TOOL

AND

THE MEDICAL SAVINGS ACCOUNT  
BID PRICING TOOL

FOR CONTRACT YEAR 2011

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March 16, 2010

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## I. INTRODUCTION

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### BACKGROUND

Medicare Advantage (MA) organizations must submit a separate bid to the Centers for Medicare & Medicaid Services (CMS) for each plan that they intend to offer under the Medicare Advantage program, including MA plans, Medical Savings Account (MSA) plans, and MSA Demonstration (MSA Demo) plans. For plans with service area segments, a separate bid must be submitted for each segment.

Organizations must submit the information via the CMS Health Plan Management System (HPMS) in the CMS-approved electronic format—the MA Bid Pricing Tool (BPT) or the MSA BPT. The MA BPT is not to be completed for Section 1876 Cost plans, Section 1833 Cost plans, or PACE (Programs of All-Inclusive Care for the Elderly) plans. An actuarial certification and supporting documentation must be submitted for each bid as described in Appendix A and Appendix B, respectively.

The submitted bids will be subject to review and negotiation by CMS or by any person or organization that CMS designates. As part of the review/negotiation process, CMS or its representative may request additional documentation supporting the information contained in the BPT. Organizations must be prepared to provide this information in a timely manner.

If the MA plan includes prescription drug benefits under the Medicare Part D program (that is, an MA-PD plan), then an additional Part D BPT must also be completed and submitted to CMS. Prescription drug benefits under the Medicare Part D program are not allowed to be offered with an MSA plan.

### DOCUMENT OVERVIEW

This document contains general pricing considerations and detailed instructions for completing the BPT. Following are the contents of each section:

- Section I, “Introduction”: contains background information and a list of key changes from the CY2010 BPT, and provides sources of additional information regarding the bidding process.
- Section II, “Pricing Considerations”: includes guidance for the overall approach to pricing in the BPT and topic-specific issues for bidders to consider. The section topics are arranged alphabetically.
- Section III, “Data Entry and Formulas”: contains line-by-line instructions on each data entry field and describes the formulas for calculated cells.
- Section IV, Appendices A through H: contain information on Actuarial Certification, Supporting Documentation, Part B-Only Enrollees, MA Products Available to Groups, Rebate Reallocation and Premium Rounding, Suggested Mapping of MA Plan Benefit Package (PBP) Categories to BPT Categories, the MSA BPT, and DE#.

**NEW FOR CONTRACT YEAR 2011 (CY2011)**

Key features that are new for the CY2011 BPTs, and key changes from the CY2010 BPTs, are listed below. The changes improve the usability and functionality of the BPT and reflect current regulatory guidance. The revisions are grouped by worksheet. See the sections of these instructions titled “Pricing Considerations” and “Data Entry and Formulas” for more information regarding these changes.

**MA Bid Pricing Tool**

- Two-Year Look-Back Form (2YRLB)
  - The Two-Year Look-Back Form has been eliminated for CY2011.
- Worksheet 1
  - In Section I, line 14, an input field has been added for “SNP Type”. The field is displayed on all other worksheets, as well.
  - In Section I, line 9 (“Enrollee Type”), the drop-down menu options have been revised for regional plans (RPPOs).
  - In Section II, line 1, “Time Period Definition” has been pre-populated with incurred dates (that is, 1/1/2009 through 12/31/2009 in the CY2011 BPT).
  - In Section II, line 5, “Plans in Base” now accommodates eight entries, rather than four. Also, member months are now entered in this line, rather than member month percentages.
  - In Section III, column d (“Net PMPM”) and column e (“Cost Sharing”) have been added.
  - In Section IV, the unit cost adjustment column has been separated into two columns: column n (“Inflation Trend”) and column o (“Other Factor”).
  - In Section V, the text box is now also used to describe any “Unit Cost Adjustment - Other Factors” entered in Section IV, column o.
  - Section VI has been added to summarize base period revenue, net medical expenses, non-benefit expenses, and gain/loss margin.
    - Note: Section VI must be completed in total dollars (not PMPMs), and include all beneficiaries (i.e., ESRD + hospice + all other).
- Worksheet 2
  - In Section II, column q (“DE# Allowed PMPM”), the default formulas have been removed.
  - In Section II, column o (“Total Blended Allowed PMPM”), formulas have been revised to require data entry in column e (“Utilization Type”).
  - In Section II, column h (“Projected Experience Allowed PMPM”), formulas have been revised to incorporate column o from Worksheet 1 (“Unit Cost Adjustment - Other Factor”).
- Worksheet 3
  - In Section III, column l, formulas have been revised to require data entry in column e (“Measurement Unit Code”).
  - A new input field was added to the footnote, in cell H66, to capture the actual combined plan-level deductible, if applicable.

## INTRODUCTION

- Worksheet 5
  - In Section III, line 1, the “Savings” formula (cell E23) has been revised to remove logic that is no longer necessary.
  - In Section VI, columns t and u (formerly “FFS equivalent cost sharing – Part A and Part B” in last year’s BPT) were removed.
- Worksheet 6
  - In Section IIB, line 3, “plan intention for full Part B premium buy-down” has been removed.
  - In Section IIIC, lines 7a, 7b, 8a, and 8b (Part D premiums and rebates) are not applicable for employer-only or union-only group waiver plans (EGWPs) and MA-only plans.
- Worksheet 7
  - A “Description” field has been added for each Optional Supplemental Benefit (OSB) package.

### MSA Bid Pricing Tool

- Worksheet 5
  - A “Description” field has been added for each OSB package.

### BIDDING RESOURCES

In addition to these instructions, the following resources provide information on CY2011 bidding:

- The CY2011 Call Letter may be found at <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/Downloads/Advance2011.pdf>
- The CY2011 Advance Notice may be found at <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/Downloads/Advance2011.pdf>
- The CY2011 Payment Notice may be found at TBD
- The CY2011 Actuarial Bid Training is offered as a web-based conference. The conference materials, including slides and streaming video downloads, are available at TBD
- For questions about the bid form, e-mail the CMS Office of the Actuary (OACT) at [actuarial-bids@cms.hhs.gov](mailto:actuarial-bids@cms.hhs.gov).
- OACT will host weekly technical user group calls regarding actuarial aspects of the CY2011 bidding process. The conference calls will include live Question and Answer sessions with CMS actuaries. The call-in information is as follows:
  - Every Thursday from April 15 through June 3, 2010
  - 11:00am – 12:30pm ET
  - Dial-In Number: TBD
  - Password: TBD
  - Call Leader: TBD

## INTRODUCTION

- For technical questions about the BPT, HPMS, or the upload process, refer to the following resources:
  - The Technical Instructions are located in HPMS, under HPMS Home > Plan Bids > Bid Submission > CY2011 > Documentation > BPT Technical Instructions
  - The *Bid Submission User's Manual*, also available in HPMS
  - HPMS Help Desk: 1-800-220-2028 or [hpms@cms.hhs.gov](mailto:hpms@cms.hhs.gov)

## II. PRICING CONSIDERATIONS

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### BIDDING/PRICING APPROACH

By statute, the bid must represent the revenue requirement of the expected population. Therefore, in most circumstances, plan sponsors must use credible bid-specific experience in the development of projected allowed costs. This approach does not preclude plan sponsors from reaching specific benefit and premium goals; the gain/loss margin guidance allows sufficient flexibility to achieve pricing targets provided that the overall margin meets the requirements in the guidance and that anti-competitive practices are not used.

It is important to note the distinction between reporting base period experience data in Worksheet 1 and projecting credible data for pricing. Base period experience must be reported at the bid level if the plan existed in CY2009, regardless of the level of enrollment. This experience must also be projected in Worksheet 2 and assigned an appropriate level of credibility by the certifying actuary. Data may be aggregated for determining manual rates to blend with partially credible projected experience rates or to account for significant changes in enrollment from the base period to the contract year.

### SPECIFIC TOPICS

#### Topic

Bad Debt	Non-Benefit Expenses
Base Period Experience: Plan Terminations and Enrollment Shifts	Non-Covered Limited Benefits
Capitated Arrangements for Medical Services: Base Period Data, Projected Allowed Costs	Part B Premium and Buydown
Coordination of Benefits (COB)/ Subrogation	Plan Premiums, Rebate Reallocation, and Premium Rounding
Cost Sharing	Plan Intention for Target Part D Basic Premium
Credibility	Point-of-Service (POS)
Disease Management	Preventative Services Incentives
Dual-Eligible Beneficiaries	Projected Allowed Costs
Employer-only or union-only group Waiver plans (EGWPs)	Regional Preferred Provider Organizations (RPPO)
End-Stage Renal Disease (ESRD)	Rebate Allocations
Enrollment	Risk Score Development for CY2011
Gain/Loss Margin	Risk Score Definitions and Information Sources
Hospice Enrollees	Risk Score Calculation Approaches
Inpatient Hospital Non-Covered Days	Service Area Changes
Manual Rating	Service Categories
Medicare Secondary Payor (MSP) Adjustment	Skilled Nursing Facility
	Supporting Documentation



## PRICING CONSIDERATIONS

### Bad Debt

For private fee-for-service (PFFS) plans that match Medicare fee-for-service (FFS) payment rates, bad debt for uncollected enrollee cost sharing for inpatient hospital and skilled nursing facility care is to be included in medical costs. Other plans types are prohibited from directly paying for member cost sharing, but they may adjust fee schedules to account for any cost sharing that is projected to be uncollected.

### Base Period Experience

CMS requires base experience data to be based on claims incurred in calendar year 2009 and generally expects at least 30 days of paid claim run-out; 2-3 months of paid claim run-out is preferable.

Worksheet 1 must be completed with data at the bid level, that is, with a contract number, Plan ID, and segment combination for each bid. Note that these data must—

- Be submitted in Worksheet 1 at the bid level for all plans with experience data in 2009, regardless of the level of enrollment or the source data for manual rates.
- Be provided for plans acquired by the plan sponsor.
- Reconcile in an auditable manner to financial data.
- Be reported without adjustment in Section III. Adjustments may be made in Section IV to accommodate population, benefit design, or other changes between the base period and the projection period.
- Not be used to aggregate data from multiple plans in order to achieve credibility. Credibility is addressed on Worksheet 2.
- Reflect the current best estimate of incurred claims on an experience basis, including estimates of unpaid claims, but excluding margin for adverse deviation (which must be included as part of the gain/loss margin on Worksheet 4).
- Include any provider incentive payments.
- Include total services (in-network and out-of-network, Medicare-covered, and mandatory supplemental).
- Be reported on an allowable basis (before any reduction for reinsurance recoveries or cost sharing) and on a net basis.
- Reflect the full level of plan cost sharing in the plan benefit PBP for all enrollees, including the DE# beneficiaries. See the pricing consideration for dual-eligible beneficiaries for more information about DE# beneficiaries.
- Include capitation amounts allocated to the appropriate service category line on a reasonable basis. See the pricing consideration for capitated arrangements for medical services.
- Exclude claim experience for hospice enrollees for the time period that an enrollee is in hospice status. See the pricing consideration for hospice enrollees.
- Exclude end-stage renal disease (ESRD) claim experience for the time period that an enrollee is in ESRD status based on CMS eligibility records.
- Exclude claims experience for optional supplemental benefits. Such experience must be uploaded as supporting documentation with the initial June bid submission.

***Plan Terminations and Enrollment Shifts***

The requirements for reporting base period data for plan terminations and enrollment shifts are described below.

✓ **Rule 1 – Plan Termination**

When a plan is terminated and the members are retained and cross-walked into an existing or new plan, the terminated plan’s base period experience must be reported on Worksheet 1 of each plan into which the members are cross-walked. CMS allows data for more than one plan to be aggregated only in this circumstance. Note that this rule applies when members are cross-walked within the same contract, and when members are cross-walked between contracts.

✓ **Rule 2 – Shifts in Enrollment**

When enrollment shifts among plans and the base period plan is offered in the contract period, then the base period experience must be reported only in Worksheet 1 of the base period plan.

✓ **Rule 3 – Partial Experience**

Base period experience must be reported in total at the bid level for every contract-plan ID-segment ID; do not include partial plan experience on Worksheet 1.

**Example 1:**

An MA organization offers plans 001-00 and 002-00 in CY2009 and plans 002-00 and 003-00 in CY2011. Plan 001-00 terminated and the membership is cross-walked into plans 002-00 and 003-00 for CY2011. Base period experience must be reported on Worksheet 1 of the CY2011 BPT as follows:

For plan 002-00 BPT, report aggregate base period experience for plans 001-00 and 002-00 (Rule 1 and Rule 3).

For plan 003-00 BPT, report base period experience for plan 001-00 (Rule 1 and Rule 3).

**Example 2:**

An MA organization offers plans 001-00 and 002-00 in CY2009 and plans 002-00 and 003-00 in CY2011. Plan 001-00 terminates and the membership is cross-walked to plan 003-00 for CY2011. The certifying actuary expects most of the current membership in plan 002-00 to enroll in plan 003-00 for CY2011; however, plan 002-00 is still offered. Base period experience must be reported on Worksheet 1 of the CY2011 BPT as follows:

For plan 002-00 BPT, report base period experience for plan 002-00 (Rule 2 and Rule 3).

For plan 003-00 BPT, report base period experience for plan 001-00 (Rule 1).

## PRICING CONSIDERATIONS

### Capitated Arrangements for Medical Services

Similar to the requirements for related-party administrative agreements in the non-benefit pricing consideration, medical costs must reflect the costs that would have been incurred or projected in the absence of the related-party relationship. Any difference is considered gain/loss margin.

#### ***Base Period Data***

If medical services are provided under a capitated arrangement, then the utilization rates entered on Worksheet 1 must be based on claims or encounter data for the plan whether or not a related party is involved.

The requirements for the “Allowed PMPM” and “Net PMPM” entered on Worksheet 1 depend on whether or not a related party is involved.

- If a non-related party provides medical services under a capitated arrangement, the allowed cost is the capitation amount plus any related cost sharing.
- If a related party provides medical services under a capitated agreement, the allowed cost and net medical cost may need to be adjusted.
  - If the capitation paid to a related party is greater (or less) than the average cost that the related party would charge a non-related party for such services, only the average cost is included in the allowed cost. The excess (or deficiency) is considered gain/loss margin.
  - If the related party does not have credible data on which to base the average cost, such as data for a similar arrangement with a non-related party, FFS data may be used to estimate this amount.

#### ***Projected Allowed Costs***

The “Blended Rate, Total Allowed PMPM” in Worksheet 2 must reflect only the average cost that the related party would charge a non-related party for such services. The excess or deficiency (that is, the difference between the capitation and the average cost) is considered gain/loss margin.

### Coordination of Benefits (COB)/Subrogation

The COB/Subrogation service category is intended to include only those amounts that are to be settled outside the claim system. If an MA organization pays claims for its estimated liability only (that is, net of the amount that is the responsibility of another payer, such as an employer plan or auto policy), the MA organization’s net liability amount (before cost-sharing reductions) may be entered on Worksheet 1, Section III, lines a through q.

### Cost Sharing

The cost-sharing information entered in the BPT must tie to data in the PBP and, as such, must contain enough descriptive information to be easily cross-checked by CMS. Note that, although there are not individual entries for each cost-sharing item listed in the PBP, the value of all cost-sharing items must be reflected in the total per member per month (PMPM) amount in Worksheet 3. Further, the description entered in each line of Worksheet 3 must identify all plan cost sharing associated with the PMPM amount on that line.

## PRICING CONSIDERATIONS

The cost-sharing descriptions in Worksheet 3 are to be used by plan managers, marketing staff, and plan actuaries to ensure that the benefits priced in the BPT are consistent with those benefits, as part of the quality control process for bid submissions. CMS recommends that the actuary include the PBP service categories (description of the cost-sharing amounts and the corresponding PBP line numbers) that are priced in each row of Worksheet 3. However, any PBP line numbers must be shown in addition to, and not in lieu of, a description of the cost-sharing amounts.

For plan cost sharing designed to match Medicare FFS cost sharing (an approach used by some employer-only or union-only group waiver plan sponsors), the user must enter “Medicare FFS cost sharing” (or similar wording) in the cost-sharing description for each applicable category. This wording is needed because the final cost-sharing dollar amounts will not be known when the bid is initially submitted. Note that this approach applies for the BPT but not the PBP.

The actuary may also use the actuarial equivalent cost-sharing factors shown in Worksheet 4 to estimate the PMPM amount for plan cost sharing that is designed to match Medicare FFS cost sharing. In this case, the user may enter the entire value of cost sharing in columns i and j. This approach does not apply for other levels of cost sharing.

We expect that the cost sharing for travel benefits (obtained outside the plan’s service area) will be entered as out-of-network (OON) cost sharing in Worksheet 3 (columns m and n). Further, if the plan applies different cost sharing for travel benefits than for “local” benefits (obtained within the service area), then this difference must be specified in the OON cost-sharing description in column m. However, if the travel benefit is provided in-network—that is, within the network established by the MA organization or its affiliate for other health plans in other service areas—then the plan sponsor may enter the cost sharing for the travel benefit as in-network (Worksheet 3, columns e through j). As is the case with OON cost sharing, if the plan applies different cost sharing for travel benefits than for “local” benefits (obtained within the service area), then this difference must be specified in the in-network cost-sharing description in column h.

Any member premium(s) and Part D cost sharing must be excluded from Worksheet 3.

### **Credibility**

Based on an application of classical credibility theory to Medicare FFS experience, CMS has established a guideline for full credibility for MA plans of 24,000 total base period member months. The formula for partial credibility is the square root of the result of base period member months divided by 24,000. This formula is a guideline; actuaries must consider the quality of the base period experience when calculating credibility. Plan sponsors may use a different credibility methodology only if the alternate method is consistently applied among all plans in the contract and is deemed acceptable by CMS.

The certifying actuary must adhere to the following rules of overriding the CMS credibility formula for partial credibility.

- If the CMS formula for partial credibility is applied to base period members months and the resulting credibility is—
  - Less than or equal to 20 percent (that is, 960 or fewer MA member months), then the actuary may override the computed credibility with 0 percent.

## PRICING CONSIDERATIONS

- Greater than or equal to 90 percent (that is, 19,440 or more MA member months), then the actuary may override the computed credibility with 100 percent credibility.

The override is applicable only to the CMS credibility formula; it is not applicable to any alternative credibility formula. If the certifying actuary overrides the CMS credibility, then the override option must be applied consistently among all bids and cannot be applied selectively to certain bids. If the certifying actuary proposes a variation to the override, then the alternate credibility method proposal and documentation requirements apply.

The credibility assumption for projected allowed costs may vary—

- By service category, which may be appropriate if a subset of providers is reimbursed on a capitation basis or if manual rates are being used for newly added benefits.
- By line of business within a contract—for example, special needs plans (SNPs) as compared to other plans.
- From the credibility method used in the development of risk scores, as risk scores tend to reach full credibility at lower levels of membership.
- From the credibility method used for ESRD membership—which may reach full credibility at lower levels of members months due to the high amount of claims.

Credibility factors are applied to PMPM costs in the BPT. Therefore, actuaries that use different credibility factors for utilization than for unit costs must develop blended factors to use in the bid form.

When assessing the credibility of plan experience, actuaries must consider ASOP No. 8, *Regulatory Filings for Health Plan Entities*.

### **Disease Management**

Disease management (DM) expenses are to be treated as medical expenses, non-benefit expenses, or both. DM services furnished in a clinical setting by approved providers are to be treated as medical expenses. The cost of durable medical equipment (DME) associated with DM activities is typically classified as supplemental medical expenses. Care management services provided under a SNP model of care—, for example, services provided by an interdisciplinary care team—are treated as medical expenses. Guidance for SNP models of care was released via an HPMS memorandum dated September 15, 2008. Absent additional CMS guidance, other DM and care coordination efforts—such as costs incurred during recruitment, enrollment, and general program communications—are to be classified as non-benefit, or administrative, expenses. In all cases, the classification of DM expenses in the bid must be explained in the supporting documentation for projected allowed costs and non-benefit expenses.

### **Dual-Eligible Beneficiaries**

Dual-eligible beneficiaries are individuals who are eligible for both Medicare and Medicaid benefits under Titles XVIII and XIX of the Social Security Act, respectively. There are several categories of dual-eligible beneficiaries, such as qualified Medicare beneficiaries (QMBs), with different benefits based on income and other qualifying circumstances. Some dual-eligible beneficiaries receive benefits in the form of reduced or eliminated Medicare cost sharing. For descriptions of the dual-eligible beneficiary categories, and the type of Medicaid benefits to

which they are entitled, see

[http://www.cms.hhs.gov/DualEligible/02\\_DualEligibleCategories.asp](http://www.cms.hhs.gov/DualEligible/02_DualEligibleCategories.asp).

The BPT reflects the difference in cost-sharing liability for certain dual-eligible beneficiaries in the development of total medical costs.

**Definition of DE#**

In the BPT and these instructions, the term “DE#” (*d-e-pound*) refers to dual-eligible beneficiaries without full Medicare cost-sharing liability. Included are dual-eligible beneficiaries who receive benefits in the form of reduced, as well as eliminated, Medicare cost sharing. The non-DE# population includes dual-eligible beneficiaries with full Medicare cost-sharing liability and beneficiaries who are not eligible for Medicaid (that is, non-duals).

Per federal statute, QMBs and qualified Medicare beneficiaries with full Medicaid benefits (QMB+) are not liable for Medicare cost sharing; therefore, these beneficiaries are always considered to be DE# beneficiaries. The certifying actuary must determine which additional beneficiaries are DE# based on the Medicaid cost-sharing policy for the states or territories in the plan’s service area.

**Bidding**

The BPT must reflect data and costs for the DE# and non-DE# populations separately, as explained in this section and summarized in Appendix I.

The certifying actuary may use plan-specific enrollment data available in HPMS, under the “Risk Adjustment” link, to determine the DE# population as follows:

- Consider the membership data posted in HPMS for the July 2009 cohort of the contract plan-ID segment(s) listed in Worksheet 1 for the base period.
- Consider the QMB and QMB+ membership to represent the entire DE# population only if the percentage of total dual-eligible beneficiaries (which includes all dual-eligible categories and not just QMB and QMB+) is less than 10 percent of total beneficiaries.
- If the percentage of total dual-eligible beneficiaries is greater than or equal to 10 percent of total beneficiaries, then determine which dual-eligible beneficiaries, in addition to QMB and QMB+ beneficiaries, are DE# based on the Medicaid cost-sharing policy for the states or territories in the plan’s service area.

See the pricing consideration for risk score for more information about the risk score data posted in HPMS.

✓ **Worksheet 1 – Base Period Data**

The user must enter base period member months and risk scores separately for the total and non-DE# populations regardless of the size of the actual and projected DE# populations. The BPT calculates base period member months and risk scores for the DE# population based on the user-entered values for the total and non-DE# populations. All other data on Worksheet 1 are to be entered for the total population.

## PRICING CONSIDERATIONS

### ✓ **Worksheet 2 – Projected Allowed Costs (Blended Rates)**

The BPT calculates blended allowed costs for the total population (column o) based on the projected experience rate and manual rate. The CMS credibility guideline applies to total (DE# plus non-DE#) member months.

The user must enter projected allowed costs for both the non-DE# and DE# populations (columns p and q) as follows:

- Enter projected allowed costs for the non-DE# beneficiaries in column p and allowed costs for the DE# beneficiaries in column q.
- If DE# projected member months are between 10 percent and 90 percent inclusive of the total projected member months (excluding ESRD), then enter distinct DE# and non-DE# projected allowed costs (columns p and q).
- If DE# projected member months are less than 10 percent or greater than 90 percent of the total projected member months (excluding ESRD), then the user may, at the discretion of the certifying actuary, enter—
  - Non-DE# projected allowed costs (column p) equal to the projected allowed costs for the total population (column o); and
  - DE# projected allowed costs (column q) equal to the projected allowed costs for the total population (column o).
- If the projected member months for the DE# population or for the non-DE# population are equal to zero, then enter projected allowed costs for the non-DE# beneficiaries (column p) and for the DE# beneficiaries (column q) equal to the projected allowed costs for the total population (column o). Do not enter zero for these costs.
- Complete Worksheet 2, column p on a “per non-DE# member per month” basis, and complete column q on a “per DE# member per month” basis.

### ✓ **Worksheet 3 – Cost Sharing**

The user must enter cost-sharing information in Worksheet 3 based on benefits outlined in the PBP, including the case when the number of projected non-DE# members months equals zero.

The in-network utilization values apply to the total population or to the non-DE# population as follows:

- If (i) DE# projected member months are less than 10 percent, or greater than 90 percent, but not equal to 100 percent of total projected member months (excluding ESRD), and (ii) the projected allowed costs in Worksheet 2 for the total, DE#, and non-DE# populations are all equal, then the utilization rates entered in Worksheet 3, and hence the PMPM value of cost sharing, may, at the discretion of the certifying actuary, apply to either—
  - The non-DE# population; or
  - The total population.
- If DE# projected member months are 100 percent of total projected member months (excluding ESRD), then the utilization rates entered in Worksheet 3, and hence the PMPM value of cost sharing, must apply to the total population.

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- In all other cases, the in-network utilization and PMPM value of cost sharing apply to the non-DE# population.

### ✓ **Worksheet 4 – Projected Required Revenue**

Total medical expenses are calculated separately for non-DE#s, DE#s, and all beneficiaries in subsections A, B, and C, respectively.

- In subsection A (non-DE#s), net medical expenses for Medicare-covered benefits (column o) are calculated based on FFS actuarially equivalent cost-sharing proportions (column k).
- In subsection B (DE#s), comparable medical expenses are calculated for DE# beneficiaries based on state or territory Medicaid cost sharing (column k).
- In subsection C (all beneficiaries), the BPT weights the non-DE# and DE# costs by their respective projected member months (from Worksheet 5) to calculate costs for all beneficiaries. The user must enter total non-benefit expenses and gain/loss margin for all beneficiaries.
- Considerations for developing data for DE# beneficiaries include the following:
  - All values must be calculated on a “per DE# member per month” basis.
  - In subsection B, column f, plan cost sharing reflects the cost sharing that would be paid if the beneficiary actually paid the plan cost sharing in the PBP.
    - This amount is calculated automatically based on DE# allowed costs in Worksheet 2 and the ratio of non-DE# plan cost sharing and allowed costs in subsection A.
    - However, the default formulas may be overwritten at the discretion of the certifying actuary.
  - In subsection B, column k, the state or territory Medicaid required level of beneficiary cost sharing reflects the cost sharing that the beneficiary is liable to pay. This amount includes the following:
    - Cost-sharing amounts required by state or territory Medicaid programs.
    - Plan cost sharing for non-covered, non-Medicaid benefits.
  - The user must enter the plan cost sharing for non-covered, non-Medicaid benefits because the actual cost sharing (column g) is the minimum of plan cost sharing (column f) and the state or territory Medicaid required level of beneficiary cost sharing (column k). The user must—
    - Calculate this cost sharing based on the state or territory eligibility rules for subsidized cost sharing for DE# beneficiaries in the plan’s service area.
    - Calculate this cost sharing on a “per DE# member per month” basis as a weighted average of the PMPM cost sharing for all DE# members.
    - Enter data in all cases. The cells must not be left blank.
- If (i) DE# projected member months are less than 10 percent of total projected member months (excluding ESRD), and (ii) the projected allowed



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costs in Worksheet 2 for the total, DE#, and non-DE# populations are all equal, then the user may, at the discretion of the certifying actuary, enter—

- A zero amount; or
- The state or territory Medicaid required level of beneficiary cost sharing, if any.
- In all other cases, the user must enter the state or territory Medicaid required level of beneficiary cost sharing.

In Section V, if the plan sponsor has a separate contract with a state or territory for Medicaid services, then enter projected Medicaid revenue and benefits for members of the MA plan.

- The projected Medicaid benefits—
  - Are those benefits that the plan sponsor has contracted to provide under the Medicaid program in the state or territory that are not reflected elsewhere in the bid.
  - Reflect the full cost, which includes non-benefit expense and gain/loss margin.
  - May include prescription drug benefits required by the Commonwealth of Puerto Rico to be offered in order to participate in the Platino Program.
- The projected Medicaid revenue is the corresponding revenue not reflected elsewhere in the bid.
- The values must be on a “per-DE#-member-per-month” basis.

### ✓ **Worksheet 5 – Benchmark**

The user must enter county-specific projected member months and projected risk factors for the total population in Section V (column e).

In Section II, the BPT automatically calculates total member months and average risk factor for the total population based on the county-level information. Values for the DE# population are calculated automatically from the values for the total and the non-DE# populations.

Non-DE# and DE# projected member months are determined as follows:

- The user must enter distinct projected member months for the non-DE# population.
- The user must not round projected DE# member months to 0 percent or 100 percent, even if DE# projected member months are less than 10 percent, or greater than 90 percent, of total projected member months (excluding ESRD).
- CMS expects non-zero DE# projected member months when there are DE# members in the base period. The DE# projected member months may be zero only if—
  - All of the existing DE# members terminated and the probability of enrolling DE# members is zero;
  - The certifying actuary adequately explains why the DE# projected membership is zero; and

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- The user enters non-DE# projected member months and risk score equal to the corresponding values for the total population.
- Non-DE# and DE# projected risk scores are determined as follows:
  - If the projected allowed costs in Worksheet 2 for the total, DE#, and non-DE# populations are not all equal, then the user must enter a distinct non-DE# projected risk factor.
  - If the projected allowed costs in Worksheet 2 for the total, DE#, and non-DE# populations are all equal, then the user must enter a projected risk factor for the non-DE# population equal to the projected risk factor for the total population.

### **Employer-Only or Union-Only Group Waiver Plans (EGWPs)**

Each employer-only group bid must reflect the composite characteristics of the individuals expected to enroll in the plan for the contract year and the expected underwriting assumptions for all groups, in aggregate. In addition, projected enrollment within the plan's service area must be consistent with the location of employer groups.

Note that the user must enter a county code in Worksheet 5 for each county in the plan's service area in order to generate a county-level payment rate, although the projected member months (and risk factor) can be zero.

See Appendix D, "MA Products Available to Groups", for more information.

### **End-Stage Renal Disease (ESRD)**

All information provided on Worksheets 1 through 7 must exclude the experience for enrollees in ESRD status, for the time period that enrollees are in that status based on CMS eligibility records, with the exception of: (i) Worksheet 1, Section VI and (ii) Worksheet 4, Section III, "ESRD Subsidy", as described below. Note that all plan sponsors must enter the projected CY ESRD member months in the ESRD Subsidy section of Worksheet 4. Do not leave this field blank.

#### ***ESRD Subsidy***

The benchmarks calculated in the MA bid form exclude enrollees in ESRD status, as does the projection of plan expenditures. However, all individuals enrolled in the plan, including those in ESRD status, are required to pay the same plan premium and are offered the same benefit package. In order to account for the projected marginal costs (or savings) of plan enrollees in ESRD status, the BPT allows for an adjustment that is allocated across all plan members (ESRD and non-ESRD enrollees). The adjustment is split into two sections, basic benefits and supplemental benefits, although the entire subsidy is added to A/B mandatory supplemental benefits.

#### **✓ Basic Benefits**

The inputs in the Medicare-covered section are (i) projected CMS capitation revenue, (ii) projected net medical expenses, and (iii) projected non-benefit expenses. The projected margin requirement is calculated based on the values for the non-ESRD bid. All fields in this section are to reflect Medicare levels of cost sharing (for example, 20 percent cost sharing for Part B services once the

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deductible has been met) and must be reported on a “per ESRD member per month” basis.

If the organization does not have fully credible ESRD experience, it may blend the experience with manual rates similar to what is done on Worksheet 2 for non-ESRD enrollees.

The BPT will automatically calculate the plan’s costs for basic benefits of ESRD enrollees and will allocate these costs across all plan members (ESRD and non-ESRD enrollees).

### ✓ **Supplemental Benefits**

The inputs in this section are (i) the projected cost-sharing reduction PMPM for ESRD enrollees, and (ii) the projected PMPM cost of additional benefits for ESRD enrollees. Entries must be reported on a “per ESRD member per month” basis.

The BPT will calculate the incremental cost of supplemental benefits for ESRD enrollees and will allocate these costs across all plan members (ESRD and non-ESRD).

If a zero incremental cost of Mandatory Supplemental (MS) is intended, then the user may either—

- ▶ Leave the MS input fields blank; or
- ▶ Set these costs equal to the projected cost-sharing reduction PMPM and cost of additional benefits PMPM for non-ESRD enrollees.

### **Enrollment**

The projected enrollment for the MA bid must be consistent with that for the corresponding Part D bid and must reflect the same underlying population. Acceptable differences in projected member months entered in the Part D bids include out-of-area members, ESRD members, and possibly hospice members, as outlined in these instructions.

If the projected enrollment in a particular county in the plan’s service area is zero, the user must enter the county code with zero projected member months in order to generate a county-level payment rate for that county.

### **Gain/Loss Margin**

Gain/loss margin refers to the additional revenue requirements beyond medical expenses and non-benefit expenses. It is allocated to Medicare-covered services and A/B mandatory supplemental benefits based on the allocation of total medical expenses (excluding the impact of the ESRD subsidy).

When Medicare benefits are funded by an outside source (such as a state Medicaid program or an employer group), the gain/loss margin must be consistent for Medicare and the other funding source (s).

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### ***General Enrollment Plans and Institutional/Chronic Care SNPs***

Overall Medicare margin levels for general enrollment and institutional/chronic care SNP plans are to be consistent with the plan sponsor's corporate requirement. Overall Medicare margin levels may be determined either at the contract level or at a more aggregated level.

The sponsor's Medicare margin requirement, as measured by percentage of revenue, is to be within a reasonable range, not to exceed plus or minus 1.5 percent of other lines of business. Additionally, for sponsors that price based on return on investment (ROI) or return on equity (ROE), the projected Medicare returns must be consistent with the company's return requirements. Comparisons to other lines of business must take into account the degree of risk or surplus requirements of the business.

The overall margin-level expectations are to be consistent on a year-by-year basis. Actual organization returns are expected to vary year to year, in practice, but to achieve the organization's requirement over a longer-term period (for example, 3 to 5 years).

The overall margin levels included in the MA and Part D components of MA-PD bids must be within a reasonable range of each other, not to exceed plus or minus 1.5 percent, with any variation reflecting the different levels of financial risk for the two components. The individual Part D margin of an MA-PD bid can either be the same for all plans or vary by plan in relation to the MA margin.

There is flexibility in setting gain/loss margin at the plan level provided that the overall margin meets CMS requirements, anti-competitive practices are not used, the plan offers benefit value in relation to the margin level, and negative margin satisfies the guidance in this subsection.

For plans with negative margins, the plan sponsor must develop and follow a business plan to achieve profitability. Exceptions to the business plan requirement are cases in which —

- MA products are paired in a given service area and the pricing reflects implicit “subsidies” across benefit or service area offerings—if, for example, a low-benefit plan with a positive margin is paired with a rich-benefit plan with a negative margin such that the combined gain/loss margin is positive and satisfies the guidance in this subsection.
- The combined margin for an MA-only and an MA-PD plan with the same MA benefits is positive and satisfies the guidance in this subsection.

Note that exceptions to the business plan requirement do not include a positive margin at the contract level or at a more aggregated level.

Anti-competitive practices will not be accepted. For example, significantly low or negative margins for plans that have substantial enrollment and stable experience, or “bait and switch” approaches to specific plan margin buildup, will be rejected, absent sufficient support that such pricing is consistent with these instructions.

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### ***Employer-Only or Union-Only Group Waiver Plans (EGWPs)***

The foundation for the claim and administrative costs for EGWPs must be based on appropriate EGWP experience. The margin requirements for EGWPs depend upon whether or not corresponding general enrollment plans are offered.

- If corresponding general enrollment plans are offered, the assumptions used for general enrollment plans must be the basis for the margin requirements for EGWPs. The difference in the margin level between EGWP and general enrollment plans must not exceed 1 percent, calculated at the contract level.
- If corresponding general enrollment plans are not offered, then the margin guidance for general enrollment plans applies to the EGWP margin pricing.
  - Overall EGWP margin levels are to be consistent with the organization's margin requirement.
  - Overall EGWP margin levels are to be within a reasonable range of the margin for other similar lines of business, not to exceed plus or minus 1.5 percent of the margin.

### ***Special Needs Plans Serving Dual-Eligibles (DE-SNPs):***

The foundation for the claim and administrative costs for DE-SNPs must be based on appropriate experience. The margin assumptions used for DE-SNP plans depend upon whether or not corresponding general enrollment plans are offered.

- If corresponding general enrollment plans are offered, the assumptions used for general enrollment plans must be the basis for the margin requirements for DE-SNPs.
  - Organizations may choose to use the overall margin levels for general enrollment plans at a contract level or at a more aggregate level as the basis for the DE-SNP margin assumptions, or they may rely on the margins used in comparable general enrollment plans.
  - There may be a small difference (that is, up to 1percent) in the margin level between DE-SNPs and general enrollment plans.
- If corresponding general enrollment plans are not offered, then the margin guidance for general enrollment plans applies to the DE-SNP margin pricing.
  - Overall DE-SNP margin levels are to be consistent with the organization's margin requirement.
  - Overall DE-SNP margin levels are to be within a reasonable range of the margin for other similar lines of business, not to exceed plus or minus 1.5 percent, of the margin.

### ***Relationship of Margin Requirements and Non-Benefit Expenses***

The gain/loss margin may reflect revenue offsets not captured in non-benefit expenses (such as investment expenses, income taxes, and changes in statutory surplus) and may also include investment income.

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### Hospice Enrollees

When a Medicare Advantage enrollee goes into hospice status, original Medicare assumes responsibility for Part A and Part B services, and the MA plan continues to cover supplemental benefits. Since the plan sponsor is not liable for Medicare-covered benefits, in this situation, base period member months, base period risk scores, projected member months, and projected risk scores must exclude enrollees for the time period that they are in that status. The “Monthly membership Report” (MMR) data include hospice status.

However, since hospice enrollees continue to receive mandatory supplemental benefits from the MA plan, the projected allowed cost PMPM may reflect claim costs for these enrollees for mandatory supplemental benefits, at the discretion of the certifying actuary—for example, for a dental or another additional benefit.

### Inpatient Hospital Non-Covered Days

CMS developed a 1.2 percent factor based on FFS data that can be used as a “safe harbor” for determining the proportion of inpatient days that are non-covered. If the non-covered hospital pricing is based on an assumption other than the safe harbor, support for the data and methodology used in the development of that assumption is required.

### Manual Rating

#### ***Manual Rating with FFS Data***

Special considerations, and corresponding documentation, are required when using Medicare FFS data as a manual rating source. Many of the available FFS data are not directly applicable and/or detailed enough to be used as the sole source for projection of medical expenses. For example, it is inappropriate to tabulate claims data using Medicare Public Use Files (PUFs) without making adjustments for corresponding demographic, health, and geographic profiles of the claimants and to account for the non-claimants. Similarly, since the FFS data published in the BPT and/or MA ratebook development files are not split by benefit type, another appropriate source must be used to allocate the data to all of the BPT service categories. Further, as is the case with use of all manual rating sources, adjustments must be made to account for claim expenses that are not reflected in the FFS data, such as claim run-out, inclusion of expenses excluded from the data, and adjustments for medical education expenses.

#### ***FFS Costs Used for the Actuarial Equivalent Cost-Sharing Factors***

Please note that the FFS costs used for the actuarial equivalent cost sharing do not include home health care costs since there is no cost sharing for home health services in Medicare FFS. Experience for ESRD enrollees is excluded, as are the costs for hospice services, since MA enrollees do not receive Medicare-covered hospice services through the MA plan. However, hospice enrollees have not been excluded in calculating the PMPM FFS costs. Further details on the development of the cost-sharing factors, such as the handling of Indirect Medical Education (IME), Graduate Medical Education (GME), and other costs, may be found at [www.cms.hhs.gov](http://www.cms.hhs.gov) under Medicare > Medicare Advantage Rates & Statistics > Ratebooks & Supporting Data.

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### Medicare Secondary Payer (MSP) Adjustment

The Medicare Secondary Payer (MSP) adjustment is used in the BPT to reflect the reduced payments to MA plans for enrollees whose primary coverage is not Medicare (that is, working aged and working disabled enrollees). Although CMS reduces payments for MSP status at the beneficiary level, the BPT applies the MSP adjustment at the bid level.

The projected MSP adjustment must be consistent with the development of projected allowed costs. MSP data provided by CMS serve as the basis for projecting the MSP adjustment. See TBD for information about such data. See TBD for information about bid-specific data available via HPMS.

The BPT uses the MSP adjustment to reduce the standardized A/B benchmark; the method to calculate the MSP adjustment is described below.

- $\text{MSP adjustment} = 1 - A/B$ , where
  - A = Actual, total plan payments reflecting reduced payments for MSP beneficiaries, and
  - B = Total plan payments that would be paid if no beneficiaries had a payer that was primary to Medicare.
- The total plan payments used to calculate the MSP adjustment exclude MA rebates.

**Example:**

A = \$9,747,000 and B = \$10,000,000

The MSP adjustment = 2.53% =  $.0253 = 1 - \$9,747,000 / \$10,000,000$ .

### Non-Benefit Expenses

Non-benefit expenses are all administrative costs of operating the MA plan, other than medical, DME/supplies, prescription drugs, and other benefits.

Worksheet 4 distributes the non-benefit expenses proportionately between Medicare-covered and A/B mandatory supplemental (excluding the PMPM impact of the ESRD subsidy). Non-benefit expenses are also distributed within A/B mandatory supplemental benefits between “Additional Services” and “Reduction of A/B Cost Sharing.”

The non-benefit expenses must be entered separately on the BPT for the following categories:

- Marketing & Sales (for example, the cost of marketing materials, commissions, enrollment packages, identification cards, and the salaries of sales and marketing staff).
- Direct Administration (for example, functions that are directly related to the administration of the Medicare Advantage program). Examples of direct administration functions are as follows:
  - Customer service.
  - Billing and enrollment.
  - Medical management.
  - Claims administration.
  - Medicare user fees, which are estimated to be \$0.33 PMPM on a national basis for CY2011.
  - Uncollected enrollee premium.

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- Disease management functions (such as patient education and disease monitoring).
- Indirect Administration (for example, functions that may be considered “corporate services,” such as CEO, accounting operations, actuarial services, legal services, and human resources).
- Net Cost of Private Reinsurance (that is, reinsurance premium less projected reinsurance recoveries).

All non-benefit expenses must be reported using appropriate, generally accepted accounting principles (GAAP). For example, acquisition expenses and capital expenditures must be deferred and amortized according to the relevant GAAP standards (to the extent that is consistent with the organization’s standard accounting practices, if not subject to GAAP). Also, acquisition expenses (marketing and sales) must be deferred and amortized in a manner consistent with the revenue stream anticipated on behalf of the newly enrolled members. Guidance on GAAP standards are promulgated by the Financial Accounting Standards Board (FASB). Of particular applicability is FASB’s Statement of Financial Accounting No. 60, *Accounting and Reporting by Insurance Enterprises*.

Costs not pertaining to administrative activities must be excluded from non-benefit expenses. Such costs include goodwill amortization, income taxes, changes in statutory surplus, investment expenses, and the cost of lobbying activities. Similarly, non-insurance revenues pertaining to investments and fee-based activities cannot be reflected in the bid. See the announcement about lobbying activities released via an HPMS memorandum dated October 16, 2009.

Start-up costs that are not considered capital expenditures under GAAP are reported as follows:

- Expenditures for tangible assets (for example, a new computer system) must be capitalized and amortized according to relevant GAAP principles.
- Expenditures for non-tangible assets (for example, salaries and benefits) must be reported in a manner consistent with the organization’s internal accounting practices and the reporting of similar expenditures in other lines of business.

Non-benefit expenses that are common to offering an MA-PD plan must be allocated proportionately between the Medicare Advantage and Part D BPTs.

When Medicare benefits are funded by an outside source (such as a state Medicaid program or an employer group), the non-benefit expenses must be allocated proportionately between the Medicare revenue and the other funding revenue.

### ***Related-Party Agreements***

The level of disclosure of related-party agreements must demonstrate that the operating results and financial positions for organizations participating in such agreements are not significantly different from the operating and financial arrangements that would have been achieved in the absence of the relationships.

These requirements for related-party agreements apply to a plan sponsor that enters into any type of service agreement involving a parent company and subsidiary or between subsidiaries of a common parent. CMS requires plan sponsors to disclose all related-



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party agreements at the time of bid submission and to prepare the bid in accord with the guidance below for each related-party agreement identified.

A plan sponsor in a related-party agreement with an organization that does not have an agreement with an unrelated party must prepare the BPT in a manner that does not recognize the independence of the subcontracted related party. A plan sponsor in this type of agreement must—

- Disclose the related-party agreement to CMS at the time of bid submission.
- Prepare the BPT in a manner that does not recognize the independence of the subcontracted related party. For purposes of completing the BPT, the plan sponsor must consider the gain/loss and non-benefit expense of the related party to be those of the sponsor. The plan sponsor cannot allocate all administrative costs in the related-party agreement to non-benefit expense.
- Develop the gain/loss and non-benefit expense of the related-party subcontractor in accord with these Instructions for completing the bid pricing tool.
- Support the development of the gain/loss and the actual costs associated with the non-benefit expense as required by these instructions for completing the bid pricing tool.

A plan sponsor in a related-party agreement with an organization that has an agreement with an unrelated party must either (i) demonstrate that fees associated with the sponsor's related-party transaction are comparable to the fees between the related-party organization and other related parties of similar size and market position to the plan sponsor, or (ii) prepare the BPT in a manner that does not recognize the independence of the subcontracted related party.

To demonstrate that fees associated with a related-party transaction are comparable to the fees between the related-party organization and other unrelated parties of similar size and market position, a plan sponsor must—

- Disclose the related-party agreement to CMS at the time of bid submission.
- Provide a written document at the time of bid submission fully explaining the manner in which the terms of one or more of the agreements between the related-party organization and other unrelated parties and the associated fees are comparable.
- Prepare the BPT in a manner that recognizes the independence of the subcontracted related party by allocating all administrative costs in the related-party agreement to non-benefit expense.

A plan sponsor in a related-party agreement with an organization that has an agreement with an unrelated party and chooses to prepare the BPT in a manner that does not recognize the independence of the subcontracted related party must—

- Disclose the related-party agreement to CMS at the time of bid submission.
- Prepare the BPT in a manner that does not recognize the independence of the subcontracted related party. For purposes of completing the BPT, the plan sponsor must consider the gain/loss and non-benefit expense of the related party to be those of the sponsor. The plan sponsor cannot allocate all administrative costs in the related-party agreement to non-benefit expense.

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- Develop the gain/loss and non-benefit expense of the related-party subcontractor in accord with these instructions for completing the bid pricing tool.
- Support the development of the gain/loss and the actual costs associated with the non-benefit expense as required by these instructions for completing the bid pricing tool.

To satisfy proprietary concerns, CMS can initiate separate contact with the plan sponsor and subcontracted related party when addressing related-party issues in the bid. Plan sponsors interested in this level of discussion must request it and identify a point of contact at the related party at the time of bid submission.

Regardless of the bidding approach, plan sponsors must substantiate all information presented in the BPT pertaining to related-party agreements even when that information is held by the related party.

### Non-Covered Limited Benefits

For non-covered limited benefits with no cost sharing, the amounts over the limit must not be included as allowed costs in the bid form.

**Example:** The PBP contains a hearing aid benefit with a \$500 annual cost limit and no cost sharing. If the average cost of a hearing aid is \$2,500, the allowed PMPM must be based on the \$500 maximum benefit, not on a \$2,500 cost offset by a cost-sharing entry in Worksheet 3 for the \$2,000 paid by the beneficiary.

### Part B Premium and Buydown

MA enrollees are required to pay the Part B premium, but it may be reduced by the MA organization through the use of rebate dollars.

Section 1839 of the Social Security Act, as amended by section 811 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) and section 5111 of the Deficit Reduction Act of 2005, provides for an income-related reduction in the government subsidy of the Medicare Part B premium. Under this provision, for those beneficiaries meeting specified income thresholds, a monthly adjustment amount will be added to the Part B premium. The addition of monthly adjustment amounts to the Part B premium obligation of higher-income beneficiaries was phased in over 3 years, beginning in 2007.

In addition, some beneficiaries pay less than the standard premium; those whose premium increase is limited by the increase in their Social Security checks—the “hold harmless” provision—and those for whom the state or another third party pays for the Part B premium.

Given the MA requirement that benefits must be uniform within an MA plan, the effect of this provision on MA plans is that the amount of rebate dollars that can be applied to the Part B premium is limited to the amount pre-populated in the BPT by CMS when the form is released.

The bid pricing tool and instructions are released annually in April, but the Part B premium is not announced by CMS for the upcoming contract year until several months later. Therefore, plans must use the CMS pre-populated amount in the bid form to determine the level of rebates to allocate.

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For plans that have allocated Part B rebates equal to the amount pre-populated at the time that the bid form is released, CMS can issue further guidance directly to the plan sponsors when the final Part B premium is announced by CMS.

### **Plan Premiums, Rebate Reallocation, and Premium Rounding**

The MA BPT calculates the plan's premium for services under the Medicare Advantage program. Estimated Part D premiums, calculated in the separate Part D BPT, are then entered in the MA BPT in order to—

- Underscore the relationship of MA rebates and Part D premiums.
- Recognize the integrated relationship of the MA and Part D programs, which are viewed by the enrollee as a single product with a single premium.
- Display the total estimated plan premium (sum of MA and Part D).

When the bid is initially submitted in June, the Part D basic premium entered in the MA BPT is an estimated value. The actual premium will be calculated by CMS following CMS' publication of the Part D national average monthly bid amount, the Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, and the MA regional preferred provider organization (RPPO) benchmarks (typically in August). Therefore, for MA-PD plans, the premium shown on the MA BPT may not be the final plan premium for CY2011.

For local MA-only plans, the premium shown on the MA BPT in the initial June submission is the final actual premium (not an estimate), since these plans are not affected by the Part D national average monthly bid amount and regional PPO benchmark calculations. Local MA-only plans do not have an opportunity to resubmit in August for rebate reallocations. The initial June bid submission must reflect the desired plan premium.

For RPPO plans, the initial bid submission in June contains an estimated MA premium. The actual MA premium will not be known until August, when the regional PPO benchmarks are calculated by CMS. Note that after the MA regional PPO benchmarks are released by CMS, all regional MA plan sponsors are required to resubmit the MA BPTs in order to reflect the actual plan bid component in Worksheet 5, and they may need to re-allocate rebates accordingly. This requirement also applies to EGWP regional MA plans (that is, all EGWP RPPOs are required to resubmit the MA BPTs in August after the announcement of the regional MA benchmarks).

MA-PD plans and regional MA-only plan sponsors have the opportunity to reallocate rebates after the release of the Part D national average bid amount and regional PPO benchmarks. Appendix E contains rebate reallocation and rounding rules, including the following:

- A description of the rebate reallocation period.
- The types of benefit changes that are permitted during the rebate reallocation period.
- A summary of the circumstances under which rebate allocation is required, permitted, or not permitted.
- Limitations on significant changes to the BPT when rounding premiums.
- Specific rules for returning to the target Part D basic premium.
- Examples of rebate allocation and rounding.

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It is important to note that for all plans, the initial June bid submission must reflect the desired level of premium rounding, since there are specific rules regarding the level of premium rounding permitted during the rebate reallocation period.

### **Plan Intention for Target Part D Basic Premium**

Following CMS' publication of the Part D national average monthly bid amount, the Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, and the MA regional benchmarks, MA organizations may reallocate MA rebate dollars in certain MA-PD bids in order to return to the target Part D basic premium. MA-PD plan sponsors must choose one of the following two options for the target premium: "Premium amount displayed in line 7d" or "Low Income Premium Subsidy Amount."

The target Part D basic premium is the Part D basic premium net of any MA rebate dollars that were applied to reduce (buy down) the premium; it does not include the Part D supplemental premium or the MA premium. Similarly, the low-income premium subsidy amount applies to the Part D basic premium and does not cover the cost of Part D supplemental benefits. The Part D bid instructions contain further information regarding the target Part D premium options.

MA-PD plan sponsors must choose a plan intention for the target Part D basic premium option in the initial June bid submission and cannot change the chosen target in a subsequent resubmission. CMS will consider only the option selected in the initial June bid submission as the plan's intention.

### **Point-of-Service (POS)**

There is no separate service category for POS; therefore, POS base period experience data and projected allowed costs must be included in the appropriate service categories.

### **Preventive Services Incentives**

The CY2010 Call Letter outlined requirements for items or services that a plan offers conditional to an enrollee taking some action (for example, receiving a flu shot) or participating in some program (for example, a smoking cessation program).

When an incentive program incurs a cost, then this cost must be priced in the bid. The projected PMPM cost of incentives must be combined with the cost of other non-covered benefits and entered in line q of the MA BPT. Note that combining the costs with "Other Non-Covered" does not change the nature of incentives, which cannot be "benefits", as explained in the CY2010 Call Letter. Supporting documentation is required with the initial June bid submission.

### **Projected Allowed Costs**

The BPT determines net medical costs from projected allowed costs and cost sharing. If (i) plan cost sharing matches Medicare FFS cost sharing, and (ii) the certifying actuary uses the actuarial equivalent cost-sharing factors shown in Worksheet 4 to estimate the PMPM value of the cost-sharing amount in Worksheet 3, then the actuary may adjust the projected allowed costs in order to reflect this PMPM value of the cost-sharing amount.

This type of adjustment to projected allowed costs does not apply for other levels of cost sharing.

**Regional Preferred Provider Organizations (RPPOs)**

***Part B-Only***

An RPPO plan must cover enrollees eligible for both Part A and Part B of Medicare.

***Intra-Service Area Rate (ISAR) Factors***

In the event that the variation in the MA rates is not an accurate reflection of the variation in a plan's projected costs in its service area, CMS will consider allowing MA organizations, on a case-by-case basis, to request that payment rates for RPPOs be developed using plan-provided geographic intra-service area rate (ISAR) factors. See the instructions for Worksheet 5 for more details on ISAR factors.

**Rebate Allocations**

The following rules apply for rebate allocations in the initial June bid submission:

- The fifth column of Worksheet 6, Section IIIB shows the maximum amount that may be applied for each rebate option. Each rebate allocation cannot exceed the applicable maximum. Note that if the maximum value is negative (such as a negative Part D basic premium before rebates), then the rebate allocation must be blank or zero.
- The total rebates allocated must equal the total rebates available. Plans are not permitted to under- or over-allocate rebates in total. This rule applies to all bids, including 800-series EGWP bids.
- No rebate allocations may be negative.
- Rebate allocations for "Reduce A/B Cost Sharing" and "Other A/B Mandatory Supplemental Benefits" must be rounded to two decimals.
- The rebate allocations for Part B premium, Part D basic premium, and Part D supplemental premium are rounded by the BPT to one decimal (that is, the nearest dime) due to withhold system requirements.
- Employer-only group bids (that is, "800-series" plans) cannot allocate rebates to Part D.
- MA-only bids cannot allocate rebates to Part D.
- Rebates allocated to buy down the Part B premium are subject to the maximum amount shown on Worksheet 6 when the bid form is released by CMS. See the "Part B Premium and Buydown" pricing consideration and the instructions for Worksheet 6 Section II for further information about rebates applied to the Part B premium.

**Risk Score Development for CY2011**

[TBD]

The projected CY2011 risk score must —

- Be based on the risk model used in payment years 2010 and 2011.
- Reflect appropriate projection factors, including, but not limited to, the plan's aggregate coding trend.
- Include a frailty factor, if applicable.
- Be adjusted for FFS normalization.
- Include the appropriate MA coding pattern differences adjustment factor.

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- Be consistent with the development of projected medical expenses.
- Be consistent with the projected risk score for the corresponding Part D bid and must reflect the same underlying population.

### **Risk Score Definitions and Information Sources**

#### ***HCC-Risk Model***

The CMS- HCC risk model was calibrated in 2007 to use for MA payments in CY2009 and CY2010. Additional information on the CMS- HCC Model, including the 2011 normalization factor, is contained in the 2011 MA payment notice.

#### ***Normalization***

At time of payment, the risk scores for each plan enrollee will be divided by a factor, known as the FFS normalization factor for 2011. This adjustment accounts for the expectation of higher intensity in the aggregate risk scores for the contract year versus the model denominator year (2007). Accordingly, the projected risk scores in the CY2011 bids must reflect the normalization factor of TBD.

#### ***MA Coding Pattern Differences Adjustment Factor***

In addition to normalization, the projected risk scores in the CY2011 bids must reflect the MA coding pattern differences adjustment factor, which is TBD percent. To apply this adjustment, multiply the projected CY2011 normalized risk scores by TBD.

#### ***Risk Adjustment Information Sources***

The following materials can be found under the “Medicare Advantage Rates and Statistics” page of the CMS website at

<http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/>:

- The 2010 MA ratebook announcement.
- The 2011 MA advance payment notice.
- The 2011 MA ratebook announcement.

See the links under “Risk Adjustment”, “Announcements & Documents”, and “Ratebooks & Supporting Data”.

Additional information on the risk adjustment process can be found under

<http://www.csscooperations.com/new/usergroup/traininginfo.html>

### **Risk Score Calculation Approaches**

#### ***Preferred Experienced-Based Approach***

The preferred method for projecting the 2011 risk scores for plans with credible risk score data is use of the CMS- HCC risk scores for the 2009 enrollee cohort. Plan-specific risk score data that may be used as the basis for projecting CY2011 risk scores are available in HPMS under the “Risk Adjustment” link from the HPMS Home page. (Note: You must have HPMS user access to view this information. The HPMS weblink

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is either <https://32.90.191.19/hpms/secure/home.asp> or <https://gateway.cms.hhs.gov>, depending on your firm's connection method.) The risk score data posted in HPMS are accompanied by technical notes to assist actuaries with understanding the material presented.

There are several advantages to using the 2009 cohort HCC risk scores in the projection of the CY2011 risk score:

- They are consistent with the base-period medical expenses.
- They are based on a mid-year cohort and require no adjustment for seasonality.
- They reflect the most complete MA diagnosis data for 2008 dates of service submitted through January 31, 2010, which is the final reporting deadline for this period.
- They are based on the latest risk model.
- The risk score data posted in HPMS are disaggregated by Medicaid status.

Please note that the HPMS reported scores are based on a mid-year cohort with nearly complete run-out of data and require no explicit adjustment for (i) transition from lagged to non-lagged diagnosis data, (ii) incomplete reporting of diagnosis data, and (iii) seasonality. However, the starting risk score is to be projected from 2009 to 2011 with explicit adjustment for the following factors, as appropriate:

- The plan's aggregate coding trend.
- Changes in plan population.
- Other appropriate factors.

Finally, the projected risk scores must be normalized by dividing by the 2011 FFS normalization factor and by adjusting for MA coding pattern differences.

### ***Alternate Experienced-Based Approaches***

For plans with credible risk score data, below are alternate approaches to forecasting the CY2011 MA risk scores.

#### **✓ CMS- HCC model**

The first step under this method is to use the CMS- HCC model to generate scores for the expected plan enrollment. Plans must follow the requirements for appropriate diagnostic data sources for the CMS- HCC risk adjustment model, which can be found at [http://www.csscooperations.com/new/usergroup/2007raps/ra-participantguide\\_120607.pdf](http://www.csscooperations.com/new/usergroup/2007raps/ra-participantguide_120607.pdf).

The starting risk score is to be trended to CY2011 with explicit adjustment for the following factors:

- The plan's aggregate coding trend;
- Impact of lagged versus non-lagged diagnosis data;
- Run-out of diagnosis data;
- Seasonality;
- Population changes; and

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- Other appropriate factors.

Once projected to CY2011, the scores must be normalized by dividing by the 2011 FFS normalization factor and by adjusting for the MA coding pattern differences adjustment factor. Note that, if you are normalizing a nominal or actual risk score associated with a different model calibration year, the contract year 2011 FFS normalization factor is not the appropriate normalization factor.

### ✓ **Monthly Membership Report (MMR) Data**

The base scores under this approach are scores from a Monthly Membership Report (MMR) file. This method may be appropriate if the plan was first offered in 2010, if there was limited enrollment in 2009 or if there were significant changes in plan or enrollment characteristics between 2009 and 2010.

The starting “raw” risk scores for this alternative approach are the average risk scores from one or more of the MMR files for non-adjustment records. Note that such score is normalized from the model denominator year to the payment year.

These scores are trended to 2011 with explicit adjustment for the following factors:

- Conversion to a raw risk score (that is, multiplication by the FFS normalization factor of the payment year);
- The plan’s aggregate coding trend;
- Impact of lagged versus non-lagged diagnosis data;
- Run-out of diagnosis data;
- Seasonality;
- Population changes;
- A frailty factor, if applicable;
- Other appropriate factors.

Finally, the projected scores must be normalized by dividing by the CY2011 FFS normalization factor of TBD.

### ✓ **Other Approaches**

If the method used to develop projected risk scores is not one of the approaches described above, then supporting documentation that clearly demonstrates consistency with these approaches is required, as is use of the following:

- A normalization factor that differs from the CY 2011 FFS normalization factor.
- A risk model change factor that differs from the bid-specific model change factor available via HPMS.
- Average risk scores from more than one MMR report.
- An alternate starting risk score.
- Any adjustment factor that is not calculated as described in these instructions.



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### ***Manual Rating Approach***

Plans without appropriate base period experience or without credible risk score data must estimate risk scores based on the expected medical expenses for their projected enrollees. Further, the risk scores for new plans must be developed in a manner consistent with the CMS-HCC model.

### **Service Area Changes**

The initial bid submission must reflect pending service area expansions and changes. The user must enter county-level data on Worksheet 5 for each county in the proposed service area. If the pending request is later denied, then the plan sponsor must resubmit a BPT that includes only the approved counties. The revised bid values must reflect only the change in the service area.

### **Service Categories**

Following are the three types of service categories:

- Services that can be only Medicare-covered.
- Services that can be only non-covered (for example, transportation benefits in line 1, “Transportation (Non-Covered”).
- Medicare-covered services that may be supplemented, as an A/B mandatory supplemental benefit (for example, the cost for additional days not covered by Medicare in line a, “Inpatient Facility”).

See Appendix F for a suggested mapping of BPT and PBP service categories. For more information on benefits and service categories, see Chapter 4 of the Medicare Managed Care Manual, “Benefits and Beneficiary Protections,” at

<http://www.cms.hhs.gov/Manuals/IOM/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=1&sortOrder=ascending&itemID=CMS019326>

### **Skilled Nursing Facility**

MA regulation 42 CFR §422.101(c) states that “MA organizations may elect to furnish, as part of their Medicare covered benefits, coverage of post hospital SNF care . . . in the absence of prior qualifying hospital stay that would otherwise be required for coverage of this care.”

When the PBP reflects the waiver of prior hospitalization requirement as a mandatory supplemental benefit, you do not need to reflect the cost of this “additional benefit” as a supplemental benefit in the bid pricing tool. It may be priced as a Medicare-covered benefit instead. Further, certifying actuaries do not need to qualify their actuarial opinions to reflect this PBP-to-BPT difference.

### **Supporting Documentation**

In addition to the BPT and actuarial certification, organizations must submit supporting documentation for every bid. See Appendix B for a description of the supporting documentation requirements including content, quality and timing.

### III. DATA ENTRY AND FORMULAS

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This section contains line-by-line instructions for completing the Medicare Advantage (MA) Bid Pricing Tool (BPT) and the Medical Savings Account (MSA) BPT. It also describes the formulas for calculated cells.

#### **MEDICARE ADVANTAGE**

To complete the MA bid form, organizations must provide a series of data entries on the appropriate form pages.

The MA bid form is organized as outlined below:

- Worksheet 1 - MA Base Period Experience and Projection Assumptions
- Worksheet 2 - MA Projected Allowed Costs PMPM
- Worksheet 3 - MA Projected Cost Sharing PMPM
- Worksheet 4 - MA Projected Revenue Requirement PMPM
- Worksheet 5 - MA Benchmark PMPM
- Worksheet 6 - MA Bid Summary
- Worksheet 7 - Optional Supplemental Benefits

All worksheets must be completed, with the following exception: if the plan does not offer any optional supplemental benefit packages, then Worksheet 7 may be left blank.

#### **MEDICAL SAVINGS ACCOUNT**

Appendix G provides additional guidance in completing the MSA BPT for MSA and MSA Demonstration (MSA Demo) plans. Appendix G highlights only the differences between the MSA BPT and the MA BPT.

#### **DATA ENTRY**

Do not leave a field blank to indicate a zero amount. If zero is the intended value, then enter a "0" in the cell.

## MA WORKSHEET 1 - MA BASE PERIOD EXPERIENCE AND PROJECTION ASSUMPTIONS

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The purpose of Worksheet 1 is to capture bid-specific experience for the base period, regardless of the level of enrollment and credibility, and to summarize the key assumptions used to project allowed costs to the contract period.

Section I contains general plan information that will be displayed on all MA BPT worksheets.

Section II captures base period background information.

Section III summarizes the base period data for the plan.

Section IV captures the factors used to project the base period data to the contract period.

Section V contains a text field that describes other utilization factors and/or additive factors used in Section IV.

Section VI contains a summary of the base period data.

Section I must be fully completed for all bids. (Note that some fields may be pre-populated by the Plan Benefit Package (PBP) software.) Sections II through VI must be completed for all plans with experience data for 2009 regardless of the level of enrollment.

### SECTION I – GENERAL INFORMATION

The fields of Section I have been formatted as the “General” format in Excel, in order to support the functionality to link spreadsheets. Therefore, certain numeric fields, such as Plan ID, Segment ID, and Region Number, must be entered as text (that is, using a preceding apostrophe) and must include any leading zeros. All fields in Section I must be completed; none can be left blank.

#### Line 1 – Contract Number

Enter the contract number for the plan. The designation begins with a capital letter H (local plan), R (regional Preferred Provider Organization plan), or E (Employer/Union Direct Contract Private Fee-for-Service) and includes four Arabic numerals (for example, H9999, R9999, E9999). Be sure to include all leading zeros (for example, H0001).

#### Line 2 – Plan ID

The Plan ID (accompanied by the corresponding contract number) forms a unique identifier for the plan benefit package being priced in the bid form. Plan IDs contain three Arabic numerals. This field must be entered as a text input (that is, must include a preceding apostrophe) and must include any leading zeros (for example, ‘001).

If the bid is for a plan that is offered only to employer or union groups, then the Plan ID will be 800 or higher. This plan may be referred to as an “800-series plan,” a “group plan,” an “employer/union-only group waiver plan (EGWP),” or an “employer-only group plan.”

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**Line 3 – Segment ID**

If the bid is for a “service area segment” of a local plan, enter the segment ID. This field must be entered as a text input (that is, must include a preceding apostrophe) and must include any leading zeros (for example, ‘01).

**Line 4 – Contract Year**

This cell is pre-populated with the calendar year to which the contract applies.

**Line 5 – Organization Name**

Enter the organization’s legal entity name. This information also appears in HPMS and the PBP.

**Line 6 – Plan Name**

Enter the plan name of the plan benefit package. This information also appears in HPMS and the PBP.

**Line 7 – Plan Type**

Enter the type of MA plan. The valid options are listed in the table below. The MA bid form is not completed for MSA, Cost, and PACE plans. There is a separate MSA Bid Pricing Tool.

Note that an MA organization must offer at least one benefit plan (of any plan type) that includes Part D coverage for each service area. This requirement does not apply to private-fee-for-service (PFFS) plans, which can be offered in a service area without Part D coverage.

Type of Plan	Plan Type Code
Local Coordinated Care Plans:	
Health Maintenance Organization (HMO)	HMO
Religious Fraternal Benefit HMO	RFB HMO
Religious Fraternal Benefit HMO with a Point-of-Service (POS) Option	RFB HMOPOS
HMO with a POS Option	HMOPOS
Provider-Sponsored Organization (PSO) with a State License	PSO State License
Religious Fraternal Benefit with a State License	RFB PSO State License
Preferred Provider Organization (PPO)	LPPO
Religious Fraternal Benefit PPO	RFB LPPO
Regional Coordinated Care Plan:	
Regional Preferred Provider Organization (RPPO)	RPPO
Private Fee-for-Service Plans:	
Private Fee-for-Service (PFFS)	PFFS
Religious Fraternal Benefit PFFS	RFB PFFS
Employer/Union Direct Contract Private Fee-for-Service Plan:	
Employer/Union Direct Contract PFFS	ED PFFS
Employer/Union Direct Contract LPPO	ED LPPO
Demonstration Plan:	
Continuing Care Retirement Community (CCRC)	CCRC

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**Line 8 – MA-PD**

If the plan is offering Part D benefits during the contract year (and is therefore submitting a separate Part D bid form for the same Plan ID), enter “Y”. Otherwise, enter “N”.

**Line 9 – Enrollee Type**

If the bid prices a plan covering enrollees eligible for both Part A and Part B of Medicare, enter “A/B”. If the bid prices a plan covering enrollees eligible for Part B only, enter “PART B ONLY”. (See Appendix C for additional information regarding Part B-only plans.)

If the plan type equals “RPPO”, then the enrollee type must equal “A/B”.

**Line 10 – MA Region**

If the MA plan is a regional PPO (that is, plan type equals RPPO), then input the region number associated with the region that the plan will cover. This field must be entered as a text input (that is, must include a preceding apostrophe) and must include any leading zeros (for example, ‘01).

For regional PPO plans, valid entries are shown in the following table:

Region	Description
01	Northern New England (New Hampshire and Maine)
02	Central New England (Connecticut, Massachusetts, Rhode Island, and Vermont)
03	New York
04	New Jersey
05	Mid-Atlantic (Delaware, District of Columbia, and Maryland)
06	Pennsylvania and West Virginia
07	North Carolina and Virginia
08	Georgia and South Carolina
09	Florida
10	Alabama and Tennessee
11	Michigan
12	Ohio
13	Indiana and Kentucky
14	Illinois and Wisconsin

Region	Description
15	Arkansas and Missouri
16	Louisiana and Mississippi
17	Texas
18	Kansas and Oklahoma
19	Upper Midwest and Northern Plains (Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota, and Wyoming)
20	Colorado and New Mexico
21	Arizona
22	Nevada
23	Northwest (Idaho, Oregon, Utah, and Washington)
24	California
25	Hawaii
26	Alaska

**Line 11 – Actuarial Swap or Equivalences Apply**

If an individual-market plan will use actuarial swaps or equivalences for employer or union groups, enter “Y”. Otherwise, enter “N”. (See Appendix D for further information on using swaps or equivalences.)

**Line 12 – SNP**

If the plan is a Special Needs Plan (SNP), enter “Y”. Otherwise, enter “N”.

**Line 13 – Region Name**

No user input is required. This field contains the region name, based on the region number previously entered in this section.

**Line 14 – SNP Type**

If the plan is a Special Needs Plan, enter the SNP type. Valid options are “Institutional”, “Dual-Eligible”, or “Chronic or Disabling Condition”. This entry must match the SNP type in the PBP.

**SECTION II – BASE PERIOD BACKGROUND INFORMATION**

**Line 1 – Time Period Definition**

CMS requires base experience data to be based on claims incurred in calendar year 2009 and generally expects at least 30 days of paid claims run-out; 2 - 3 months of paid claim run-out is preferable. See the “Pricing Considerations” section of these instructions for more information.

The incurred dates are pre-populated on the first two lines, as 1/1 through 12/31 for the 2 years prior to the contract year. Enter the “paid through” date on the third line. For example, if the data reflect payment information through February 2010, then the “paid through” date is 2/28/2010. The “paid though” date must be a date occurring after the “incurred to” date.

**Line 2 – Member Months (excluding ESRD)**

Enter the total member months represented in the base period experience, excluding ESRD enrollees for the time period that enrollees are in ESRD status based on CMS eligibility records.

Then enter the subset of member months that represents the non-DE# enrollees. The DE# subset will be calculated as the difference between the total and the non-DE# amounts entered.

The “member months” fields must not be left blank.

**Line 3 – Non-ESRD Risk Score**

Enter the risk score for the non-ESRD members of the population represented in the base period data using the CMS- HCC risk model for payment in CY2009. The risk score must be normalized for payment in CY2009 and must reflect both a mid-year cohort (or be adjusted for seasonality) and non-lagged diagnosis data with full run-out. Note that risk scores posted in HPMS are not normalized, as stated in the accompanying technical notes.

Also enter the risk score for the non-DE# subset. The DE# subset will be calculated based on the total and non-DE# amounts entered. If DE# members equals zero, then the non-DE# risk score must equal the total risk score.

**Line 4 – Completion Factor**

Enter the multiplicative factor used to adjust the paid data to an incurred basis. The base period data must represent the best estimate of incurred claims for the time period, including any unpaid claims as of the “paid through” date. The factor entered must be the amount to adjust

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only the portion of paid claims that requires completion (that is, omit capitations from the calculation of this factor).

For example, assume the following:

Incurred Date	1/1/2009 – 12/31/2009
Paid Through Date	2/28/2010
Capitation Payments	\$100
PTD Claims Requiring Completion	\$400
<u>Estimate of Unpaid 2009 Claims as of 2/28/2010</u>	<u>\$30</u>
Total Incurred Claims for 2009	\$530

The Completion Factor would be calculated as:  
Completion Factor =  $(400 + 30) \div 400 = 1.075$

### Line 5 – Plan/Segments Included in Base Period Data

Enter the contract number and Plan ID (in the format H9999-999) of the plan for the base period data. If the segment is “01” or greater, include the segment ID (H9999-999-01). CMS expects that the contract number, Plan ID, and segment ID, if applicable, for the base period data will be the same as that shown in Section I, except for Plan ID changes and plan cross-walks. In the second column, input each plan’s member months. The sum of the member months entered must equal the total member months reported in line 2.

Plan IDs are to be reported in descending order of member months, such that the plan with the largest member months is listed first. For example:

5. Plans in Base	<u>Contract-Plan ID</u>	<u>Member Months</u>
	a. H9999-032	5,000
	b. H8888-004-02	1,000
	c.	
	d.	

If members of more than eight plans are cross-walked into the Plan ID of the bid, then the plan sponsor must submit supporting documentation that provides the base period member months for each plan included in the data. In this situation, plan sponsors may enter “All Other” for the contract number/Plan ID indicated in the last line.

### Line 6 – Base Period Description

Use the text box provided to briefly describe changes in the benefit plan, service area, or contract number/Plan ID/segment ID from the base period to the contract year.

## SECTION III – BASE PERIOD DATA (AT PLAN’S NON-ESRD RISK FACTOR) FOR 1/1/2009 – 12/31/2009

Section III summarizes the base period data by benefit service category.

In lines a through r:

#### ✓ Column c, lines a through r – Service Category

The benefit service categories are displayed in column c. See Appendix F for a suggested mapping of BPT and PBP service categories. For more information on

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benefits and service categories, see Chapter 4 of the *Medicare Managed Care Manual*, Chapter 4, “Benefits and Beneficiary Protections,” at

<http://www.cms.hhs.gov/Manuals/IOM/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=1&sortOrder=ascending&itemID=CMS019326>

✓ **Column d, lines a through r – Net PMPM**

Enter the net medical PMPM for each of the benefit service categories for the base period.

✓ **Column e, lines a through r – Cost Sharing**

These fields are calculated automatically, as the difference between column i (allowed PMPM) and column d (net PMPM). The values must be greater than or equal to zero. Line r, COB, must equal zero.

✓ **Column f, lines a through q – Utilization type**

Column f displays the utilization types entered on Worksheet 2. Utilization types are required inputs on Worksheet 2, whether the pricing is based on base period experience data or manual rates.

✓ **Column g, lines a through q – Annualized Utilization/1,000**

Enter the annualized utilization per thousand enrollees for each of the benefit service categories for the base period data. The utilization/1000 must be reported consistently with the utilization type displayed in column f.

✓ **Column h, lines a through q – Average Cost**

These cells are calculated automatically using the utilization provided in column g and allowed PMPM provided in column i.

✓ **Column i, lines a through r – Allowed PMPM**

Enter the allowed PMPM by service category for the base period. Input any COB/Subrogation offsets to costs as a negative number, since line r will be added to total medical expenses.

See Appendix B for information regarding supporting documentation for the allocation of allowed PMPM by service category.

**Line s – Total Medical Expenses**

Calculated automatically as the sum of lines a through r. Value should be greater than zero if base period member months are greater than zero.

**Line t – Subtotal Medicare-Covered Service Categories**

Calculated automatically as the sum of lines a through k.

### SECTION IV – PROJECTION ASSUMPTIONS

Section IV contains the utilization, average unit cost, and other adjustment assumptions to project the base period data to the contract period. The values in columns j through n are the



total adjustment factor from the base period to the contract period, not annual trend rates. For example, assume that the base period is calendar year 2009 and that the contract year is 2011. If the utilization trend is 5 percent from 2009 to 2010 and 6 percent for projecting 2010 to 2011, then enter “1.113” in column j (1.05 x 1.06).

**In lines a through r:**

✓ **Column j – Utilization Adjustment - Utilization/1,000 Trend**

Enter the utilization trend factor from the base period to the contract period by service category. Entering 1.000 would indicate 0 percent trend. Do not leave blank. Do not enter zero (0).

✓ **Column k – Utilization Adjustment - Benefit Plan Change**

Enter the multiplicative adjustment factor for any benefit plan changes (for example, increase in coverage level from base period to contract period) that affect the base period utilization by service category. Entering 1.000 would indicate 0 percent change. Do not leave blank. Do not enter zero (0).

✓ **Column l – Utilization Adjustment - Population Change**

Enter any expected demographic or morbidity changes that are necessary to adjust the base period data to the contract period. The population change adjustment entered in column l of Section IV must be consistent with the development of the CY2011 risk score. Entering 1.000 would indicate 0 percent change. Do not leave blank. Do not enter zero (0).

✓ **Column m – Utilization Adjustment - Other Factor**

Enter any other utilization factor adjustments by service category. Describe the reason for any adjustments in Section V if a factor other than 1.000 is used. An example of the use of this factor would be to adjust the base period service area to the contract year service area. Entering 1.000 would indicate 0 percent adjustment. Do not leave blank. Do not enter zero (0).

✓ **Column n – Unit Cost Adjustment - Inflation Trend**

Enter the unit cost trend factor from the base period to the contract period by service category. Entering 1.000 would indicate 0 percent trend. Do not leave blank. Do not enter zero (0).

✓ **Column o – Unit Cost Adjustment - Other Factor**

Enter any other unit cost factor adjustments by service category. Describe the reason for any adjustments in Section V if a factor other than 1.000 is used. Entering 1.000 would indicate 0 percent adjustment. Do not leave blank. Do not enter zero (0).

✓ **Columns p and q – Additive Adjustments**

Use these columns to reflect adjustments that are additive; adjustments in columns j through o are multiplicative factors. For example, a benefit that is no longer being offered, but is included in the base period data, might need to be deleted/removed. In this case, enter the adjustment as a negative number in column q. For benefits that need

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to be added, if they are not included in the base period experience data but will be offered in the contract period, utilize the manual rates section of Worksheet 2.

Describe the reason for any additive adjustments in Section V.

### **SECTION V – DESCRIPTION OF OTHER UTILIZATION ADJUSTMENT FACTOR, OTHER UNIT COST ADJUSTMENT FACTOR, AND ADDITIVE ADJUSTMENTS**

Use this “text box” field to describe the reason for using a multiplicative factor other than 1.000 in columns m and o, and any additive adjustments entered in columns p and q.

### **SECTION VI – BASE PERIOD SUMMARY FOR 1/1/2009 – 12/31/2009 (EXCLUDES OPTIONAL SUPPLEMENTAL)**

Section VI contains a summary of the actual base period revenue and expenses. This section must be completed consistently with the “Plans in Base” information, reported in Section II line 5.

Please note that Section VI must be completed in total dollars (not PMPMs), and must include all beneficiaries (i.e., ESRD + hospice + all other). To reiterate: the revenue (line 3), net medical expenses (line 4), and non-benefit expenses (line 5e) should include ESRD and hospice beneficiaries in addition to all other beneficiaries.

Section VI should not include amounts that are entered in Worksheet 1 of the Part D bid pricing tool (for example, do not include MA rebates applied to Part D premiums).

Section VI must not include Optional Supplemental benefits.

This section must not be left blank.

#### **Line 1 – CMS Revenue**

This field captures MA revenue from CMS for the base period. Enter bid-based MA payments and accruals from CMS, including rebates for the reduction of A/B cost sharing and other A/B mandatory supplemental benefits. The payment accrual must account for the final risk adjustment reconciliation payment for CY2009, which will be received in mid-2010. Do not include rebates applied to Parts B and D premium buydowns. Also, report the CMS revenues gross of user fee reductions.

#### **Line 2 – Premium Revenue**

Enter the revenue from earned MA premiums for the base period. Include premiums associated with Medicare-covered and A/B mandatory supplemental benefits. Do not include premiums for Optional Supplemental benefits. Do not include Part D premiums.

Note that uncollected premiums must be included in Line 5d (Direct Administration).

#### **Line 3 – Total Revenue**

This line is calculated as the sum of lines 1 and 2.

**Line 3b – Subset Revenue (ESRD and hospice)**

Similar to lines 1 and 2, enter the revenue (from CMS and premiums) for the base period associated with the ESRD and hospice beneficiaries. This amount is a subset of the amount entered in Line 3 (Total Revenue).

**Line 4 – Net Medical Expenses**

Enter the net medical expenses for the base period. Include net medical expenses associated with Medicare-covered and A/B mandatory supplemental benefits. Do not include expenses for Optional Supplemental benefits and do not include expenses for Part D benefits.

**Line 4b – Subset Net Medical Expense (ESRD and hospice)**

Similar to line 4, enter the net medical expenses for the base period associated with the ESRD and hospice beneficiaries. This amount is a subset of the amount entered in Line 4 (Net Medical Expenses).

**Line 5 – Non-Benefit Expenses**

Enter into lines 5a through 5d the MA non-benefit expenses for the base period. Line 5e computes the total MA non-benefit expenses.

**Line 6 – Gain/Loss Margin**

Calculated as MA revenue (line 3) less net medical expenses (line 4) less MA non-benefit expenses (line 5e).

**Line 7 – Percent of Revenue**

Lines 7a, 7b, and 7c compute the percentage of MA revenue for net medical expenses, non-benefit expenses, and gain/(loss) margin for the base period.

**MA WORKSHEET 2 – MA PROJECTED ALLOWED COSTS PMPM**

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This worksheet calculates the projected allowed costs for the contract year. For plans without fully credible experience, it will be necessary to input manual rate information. The service category lines are the same as those on Worksheet 1.

**SECTION I – GENERAL INFORMATION**

This section displays the information entered on Worksheet 1, Section I.

**SECTION II – PROJECTED ALLOWED COSTS**

**Lines 1 and 2 – Projected Member Months and Projected Risk Factor**

The projected member months and projected risk factors are obtained from Worksheet 5 for total, non-DE#, and DE# members.

**In lines a through r:**

✓ **Column e – Utilization Type**

Enter the type of utilization in column e for each benefit category that contains PMPM costs in column o. Do not leave this column blank. If manual rates are not used, entries in this column are still required and are displayed on Worksheet 1.

For each service category line, enter the appropriate utilization type that reflects the annualized utilization/1000 enrollees entered in columns f and i. The valid utilization types are listed below. Note that the valid utilization types vary by service category, as indicated in the BPT cells.

- A – Admits
- D – Days
- BP – Benefit Period
- V – Visits
- P – Procedures
- T – Trips
- S – Scripts
- O – Other

✓ **Columns f through h – Projected Experience Rate**

Columns f through h are calculated automatically using the information provided in Sections III and IV on Worksheet 1. No user inputs are needed. Column f calculates the projected utilization, column g is the expected average cost, and column h is allowed PMPM for the contract period, projected based on base period experience data.

✓ **Columns i through k – Manual Rate**

For a plan with less than fully credible experience or no experience, enter manual rate information for the contract period, and provide a description of the source of the manual rate in line u.

✓ **Column i – Annual Utilization/1,000**

Enter utilization/1000 assumptions by service category in column i for lines a through q. Do not leave the utilization type (column e) blank.

✓ **Column j – Average Cost**

Average cost will be calculated automatically based on the entries in columns i and k.

✓ **Column k – Allowed PMPM**

Enter PMPM amounts in column k.

✓ **Line r – COB/Subrogation (outside claim system)**

Enter any COB/Subrogation offsets to costs as a negative number, since line r will be added to total medical expenses.

✓ **Column l – Experience Credibility Percentage**

Enter the experience credibility percentage by service category in column l.

The percentage entered must be between 0 percent and 100 percent. This percentage must be between 0 percent and 99 percent if the plan is using a manual rate in the projection. The percentage must equal 100 percent if a manual rate is not being used in the projection.

Between lines s and t of column l, the BPT displays the credibility percentage that is calculated based on CMS guidance and the base period member months entered on Worksheet 1. If the CMS credibility does not equal the credibility entered by the plan, then supporting documentation must be uploaded to HPMS.

✓ **Columns m through o – Blended Rate**

Columns m through o calculate the blended contract year rate, based on the projected experience rate, the manual rate, and the credibility percentage.

Note that, in column o, if the allowed PMPM is greater than zero and a utilization type is not entered, the BPT results in an error. A utilization type must be entered in column e for all service categories in which allowed PMPMs are projected.

PMPM values in column o must be greater than or equal to zero, with the exception of line r (COB/Subrg.), which may be negative.

✓ **Columns p and q – Non-DE# and DE# Allowed PMPMs**

Columns p and q capture the separate allowed PMPM costs for non-DE# and DE# enrollees. Column p must be entered on a “per non-DE# member per month” basis, and column q must be entered on a “per DE# member per month” basis. The amounts entered in columns p and q are used on Worksheet 4.

The BPT contains validations such that the total allowed PMPM in column o must be approximately equal to the weighted average of the non-DE# and DE# PMPMs.

- For each service category, the PMPM value for the total population must be within \$0.05 (5 cents) of the weighted average of the non-DE# and DE# PMPMs.

## WORKSHEET 2

- The BPT will finalize only if the total PMPM for all enrollees is within \$0.50 (50 cents) of the weighted average of the non-DE# and DE# PMPMs.

See the “Pricing Considerations” section of these instructions for more information on the reporting requirements of DE# pricing.

Enter any COB/Subrogation offsets to costs as a negative number, since line r will be added to total medical expenses.

PMPM values entered in columns p and q must be greater than or equal to zero, with the exception of line r (COB/Subrg.), which may be negative.

### ✓ **Column r – Percentage of Services Provided Out-of-Network**

Enter the percentage of total allowed costs that are expected to be provided out-of-network for each service line. Enter a 0 if zero percent is expected; do not leave the field blank to indicate 0 percent. The percentage entered must be between 0 percent and 100 percent.

If the plan has OON cost sharing PMPM on Worksheet 3, or is an RPPO plan type, then it is expected that the percentage of services provided out-of-network on Worksheet 2 will be greater than 0 percent.

### **Line s – Total Medical Expenses**

Calculated automatically as the sum of lines a through r. Values must be greater than or equal to zero.

### **Line t – Subtotal Medicare-Covered Service Categories**

Calculated automatically as the sum of lines a through k. Values must be greater than or equal to zero.

### **Line u – Manual Rate Description**

Use the text box to describe the general approach to manual rating, including a description of the source of the manual rate. This description is in addition to the required supporting documentation (see Appendix B). If the experience credibility used is less than 100 percent, then the manual rate description must not be left blank.

## **MA WORKSHEET 3 – MA PROJECTED COST SHARING PMPM**

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Worksheet 3 summarizes the projected MA cost sharing for the contract year and includes both in-network and out-of-network cost sharing.

See the “Pricing Considerations” section of these instructions for more information on cost sharing in general and the cost sharing for DE# beneficiaries.

### **SECTION I - GENERAL INFORMATION**

This section displays the information entered on Worksheet 1, Section I.

### **SECTION II – MAXIMUM COST SHARING PER MEMBER PER YEAR**

The responses to the plan-level (out-of-pocket) OOP maximum drop-down questions depend on how Section D of the PBP is completed for network plans (for example, HMO and POS) and non-network plans (for example, PPO).

For network plans, the response to the plan-level (out-of-pocket) OOP maximum drop-down questions must be “No” if the corresponding in-network, out-of-network, or combined Plan Level Maximum Enrollee Out-of-Pocket Cost is blank in Section D of the PBP. However, if an in-network, out-of-network, or combined Plan Level Maximum Enrollee Out-of-Pocket Cost is entered in Section D of the PBP, the corresponding response on the BPT must be “Yes,” and the amount entered on the PBP must be entered in the corresponding amount field on the BPT.

For non-network plans, if a Maximum Enrollee Out-of-Pocket Cost is entered in Section D of the PBP, the combined plan-level OOP maximum response on the BPT must be “Yes” and the amount entered on the PBP must be entered in the amount field on the BPT. Further, the in-network and out-of-network plan-level OOP maximum responses should be “No”.

When the response to the OOP maximum drop-down question is “Yes”, the entry in the OOP maximum amount field must be numeric and greater than 0.

Any service-level category OOP maximums must be described in column h and must not be considered plan level in Section II.

#### **Line 1 – In-Network**

In the first field, select “Yes” or “No” to the question “Is there a plan-level in-network OOP maximum?” If the answer is “Yes”, then enter in the second field the maximum total dollar amount that a member could pay for in-network cost sharing for the contract year.

#### **Line 2 – Out-of-Network**

In the first field, select “Yes” or “No” to the question “Is there a plan-level out-of-network OOP maximum?” If the answer is “Yes”, then enter in the second field the maximum total dollar amount that a member could pay for out-of-network cost sharing for the contract year.

**Line 3 – Combined**

In the first field, select “Yes” or “No” to the question “Is there a plan-level combined OOP maximum?” If the answer is “Yes”, then enter in the second field the maximum total dollar amount that a member could pay in the contract year for cost sharing both in- and out-of-network. The answer is “Yes” only if the plan has a combined in-network and out-of-network OOP maximum. Do not sum separate in-network and out-of-network OOP maximums.

**Line 4 – Maximum Cost-Sharing Description**

In the text box provided, briefly explain the methodology used to reflect the impact of maximum cost sharing on the PMPM values entered in Section III.

**SECTION III – DEVELOPMENT OF CONTRACT YEAR COST SHARING PMPM (PLAN’S NON-ESRD RISK FACTOR)**

Section III summarizes the cost sharing for all services included in the plan benefit package. The service categories are the same as presented in previous worksheets, except that line r (COB) has been omitted. Please note that for some service categories (for example, “Inpatient Facility”), there is more than one cost-sharing line available. A number of lines allow you to enter multiple cost-sharing items in a service category to better match the PBP. In addition to the lines presented, you may also use the ten blank lines at the bottom of the section to include additional cost-sharing items that do not fit into an already defined service category line item. Do not insert any additional rows.

The BPT allows for flexibility in entering cost-sharing information. Following are some examples:

**Example 1:** The PBP contains in-network inpatient cost sharing of \$100 per day for both acute and psychiatric stays with no maximum cost sharing. Assume that the total in-network inpatient utilization/1000 is 2,000 days, 1,900 of which are for acute and the remaining 100 for psych. There is no in-network cost sharing maximum. These figures could be reflected in the bid form in either of the following ways:

**Option A:**

<u>Column d</u>	<u>Column g</u>	<u>Column j</u>	<u>Column k</u>
Line a1 – Acute	1,900	\$100.00	\$15.83
Line a2 – Mental Health	<u>100</u>	<u>\$100.00</u>	<u>\$ 0.83</u>
Total	2,000	\$100.00	\$16.67

**Option B:**

<u>Column d</u>	<u>Column g</u>	<u>Column j</u>	<u>Column k</u>
Line a1 – Acute	<u>2,000</u>	<u>\$100.00</u>	<u>\$16.67</u>
Total	2,000	\$100.00	\$16.67

**Example 2:** The PBP has in-network professional copays of \$10 for PCP, \$20 for specialists excluding mental health (MH) services, \$20 for MH group sessions, and \$40 for individual MH sessions. There is no in-network maximum cost sharing. Assume that in-network office visit utilization is distributed as follows:



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<u>Type of Service</u>	<u>Utilization</u>
PCP	5,000
Mental Health – Individual	50
Mental Health – Group	50
Other Spec	2,900
Total	8,000

Following are some of the options that could be used to complete the bid form:

**Option A:** Use the finest level of detail, with individual MH in line i3 and group MH in line i6.

<u>Line - Description</u>	<u>Column g</u>	<u>Column j</u>	<u>Column k</u>
Line i1 – PCP	5,000	\$ 10.00	\$ 4.17
Line i2 – Specialist excl MH	2,900	\$ 20.00	\$ 4.83
Line i3 – Mental Health	50	\$ 40.00	\$ .17
Line i6 – Other	<u>50</u>	<u>\$ 20.00</u>	<u>\$ .08</u>
Total	8,000	\$ 13.88	\$ 9.25

Note that one of the blank rows at the bottom of the form could also be used to enter one of the MH copays.

**Option B:** Same as Option A, but combine the individual and group MH copays onto line i3.

<u>Line - Description</u>	<u>Col g</u>	<u>Col h</u>	<u>Col j</u>	<u>Col k</u>
Line i1 – PCP	5,000	\$10 per visit	\$ 10.00	\$ 4.17
Line i2 – Specialist excluding MH	2,900	\$20 per visit	\$ 20.00	\$ 4.83
		\$20/visit for group MH sessions, \$40/visit for individual MH		
Line i3 – MH	<u>100</u>		<u>\$ 30.00</u>	<u>\$ .25</u>
Total	8,000		\$ 13.88	\$ 9.25

**Option C:** Enter all services on one line (for example, i6).

<u>Line - Description</u>	<u>Col g</u>	<u>Col h</u>	<u>Col j</u>	<u>Col k</u>
		\$10/visit PCP		
		\$20/visit non-MH specialist		
		\$20/visit for group MH		
<b>Line i6</b>	<u>8,000</u>	\$40/visit for individual MH	<u>\$ 13.88</u>	<u>\$ 9.25</u>
Total	8,000		\$ 13.88	\$ 9.25

**Column c – Service Category**

This column is pre-populated for most of the available rows. When the blank rows at the bottom of the worksheet are used to provide detailed cost-sharing information, the valid entries are as follows:

- Inpatient Facility
- Skilled Nursing Facility
- Home Health
- Ambulance

- DME/Prosthetics/Supplies
- Outpatient (OP) Facility – Emergency
- OP Facility – Surgery
- OP Facility – Other
- Professional
- Part B Rx
- Other Medicare Part B
- Transportation (Non-covered)
- Dental (Non-covered)
- Vision (Non-covered)
- Hearing (Non-covered)
- Health & Education (Non-covered)
- Other Non-covered

Technical note: When the blank rows at the bottom of the worksheet are used, the service category entries must match those listed above exactly. If there is a typographical error in the entry, the BPT will not recognize the entered cost-sharing information on Worksheet 4.

**Column d – Service Category Description**

This column provides a description for many of the fixed-line cost-sharing items. For lines with multiple options (for example, “Inpatient Facility”), the description is intended to help you provide detailed information that can easily be checked against the PBP. You may input a description if you are using a blank row at the bottom of the worksheet to enter additional cost-sharing lines.

**Column e – Measurement Unit Code**

For each cost-sharing line, enter the appropriate measurement unit from the list below. The valid types vary by service category, as indicated in the BPT cells.

- A – Admits
- D – Days
- BP – Benefit Period
- V – Visits
- P – Procedures
- T – Trips
- S – Scripts
- O – Other
- Coin – Coinsurance
- Ded – Deductible (used only for single-line items, such as per-benefit period deductibles; deductibles that apply to multiple service categories are entered in the footnote and column f)

**Column f – In-Network Effective Plan-Level Deductible PMPM**

If there is an in-network plan-level deductible, you must enter the effective amount of the deductible on each service category line affected. For each service that is subject to the plan-

level deductible, enter an amount such that the sum total represents the effective PMPM value of the deductible. Enter the actual in-network plan-level deductible amount (for example, \$500) in the footnote. If an effective deductible is entered in column f, then an actual deductible must be entered in the footnote.

**Columns g through k - In-Network Cost Sharing after Plan-Level Deductible**

These fields pertain to the in-network cost sharing priced in the BPT.

✓ **Column g – In-Network Util/1000 or PMPM**

Enter the projected in-network utilization/1000, or PMPM value in the case of coinsurance, after the plan-level deductible has been satisfied and including the impact of the OOP maximum.

✓ **Column h – In-Network Description of Cost Sharing/Additional Days/Benefit Limits**

Enter a description of the in-network cost sharing for each service category, including any benefit limits. This is a text field.

This BPT field must provide descriptions of all plan cost sharing contained in the PBP, including descriptions of all PBP benefits priced together within each BPT service category. These details are necessary since each BPT category may map to several PBP benefit categories.

All descriptions entered must be easily matched back to the PBP.

Plan sponsors are to use this field to describe all in-network benefits priced in the BPT. The user must enter a description for each service category based on the following rules:

- Show the PBP line number and specific cost sharing amount for each item in the BPT line.
- Show both minimum and maximum cost-sharing amounts, if applicable.
- Enter information in the following format:
  - “(4a) \$50/visit, (4b) \$25/visit”
  - “9a \$150, 9b \$150”
  - “\$150 days 1 - 5, \$0 after day 5, unlimited coverage”
  - “\$100 eye exam every 2 years”
- Enter cost sharing designed to match Medicare FFS cost sharing (that is, original Medicare cost sharing) as “FFS.”
- Even if there is no cost sharing for a particular service category, you must enter a comment indicating the zero cost-sharing arrangement (that is, “\$0.00” or “0%”). Do not leave this column blank.

In the footnote of column h, enter the actual combined (in-network and out-of-network) plan-level deductible (if applicable), consistent with the PBP.

✓ **Column i – In-Network Effective Copay/Coinsurance before OOP Max**

Enter the projected effective in-network cost-sharing amount after the plan-level deductible has been satisfied and before the impact of the OOP max. This amount must

represent either the effective copay (if utilization is entered in column g) or the effective coinsurance percentage (if PMPM is entered in column g).

Note that this cell is not used to calculate the in-network PMPM in column k. However, if a value is entered in column j, then a corresponding value must be entered in column i for each service category.

✓ **Column j – In-Network Effective Copay/Coinsurance after OOP Max**

Enter the projected effective in-network cost-sharing amount after the plan-level deductible has been satisfied and including the impact of the OOP max. This amount must represent either the effective copay (if utilization is entered in column g) or the effective coinsurance percentage (if PMPM is entered in column g). This cell is used to calculate the in-network PMPM in column k. The values in column j must be less than or equal to the corresponding values in column i.

Enter the PMPM pricing impact of the in-network OOP maximum in the second footnote in column k. This value must reflect the PMPM difference in pricing for cost sharing before the OOP max and after the OOP max has been applied.

✓ **Column k – In-Network PMPM**

These cells are calculated automatically and reflect the projected cost-sharing value PMPM for in-network services, excluding the effective in-network plan-level deductible and including the impact of the OOP maximum. The formula uses the utilization or PMPM amounts in column g and the effective copay or coinsurance in column j.

- If the measurement unit is coinsurance (“Coin”), then the calculation is column g times column j.
- For measurement units other than coinsurance, the calculation is column g times column j divided by 12,000.

✓ **Column l – Total In-Network Cost Share PMPM**

These cells are calculated automatically as the sum of columns f and k. This column is the total projected cost sharing for in-network services.

Note that, in column l, if the cost sharing PMPM is greater than zero and a utilization type is not entered, the BPT result is an error. A utilization type must be entered in column e for all service categories into which cost sharing PMPMs are entered.

✓ **Column m – Out-of-Network Description of Cost Sharing/Additional Days/Benefit Limits**

Enter a description for the out-of-network cost sharing of each service category. This is a text field. See the instructions for in-network cost sharing in line h for additional information.

Plan sponsors are required to use this field to describe all out-of-network benefits priced in the BPT. Even if there is no cost sharing for a particular service category, the user must enter a comment indicating the zero cost-sharing arrangement (that is, \$0.00 copay or 0 percent coinsurance). For plans that have out-of-network benefits, this field must not be left blank.

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✓ **Column n – Out-of-Network Cost Sharing PMPM**

Enter the effective value of cost sharing for out-of-network benefits for each service category. This column must reflect the total projected cost sharing for all out-of-network services.

Enter the actual out-of-network plan-level deductible in the footnote.

Enter the pricing impact of the out-of-network OOP maximum in the second footnote. This value must reflect the PMPM difference in pricing for out-of-network cost sharing both before and after the OOP maximum has been applied.

✓ **Column o – Grand Total Cost Share PMPM (In-Network and Out-of-Network)**

This column is calculated automatically as the sum of the in-network cost sharing (column l) and the out-of-network cost sharing (column n).

## MA WORKSHEET 4 – MA PROJECTED REVENUE REQUIREMENT PMPM

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This worksheet uses the allowed costs (Worksheet 2) and cost sharing (Worksheet 3) to determine net medical costs in Section II. Below are the subsections contained in Section II:

- Subsection A - “Non-DE# (Non-Dual Eligible Beneficiaries AND Dual Eligible Beneficiaries with full Medicare cost sharing liability)”.
- Subsection B - “DE# (Dual-Eligible Beneficiaries without full Medicare cost sharing liability)”.
- Subsection C - “All Beneficiaries”.

Subsection C is the weighted average total of subsections A and B.

Non-benefit expenses and gain/loss margin are entered in Section IIC to establish the plan’s revenue requirements for the contract year. Values are allocated between Medicare-covered benefits and A/B mandatory supplemental benefits and reflect the plan’s non-ESRD risk factor for the contract period. The allocation of values between Medicare-covered benefits and A/B mandatory supplemental benefits must be consistent with the benefit type classification in the PBP.

In Section III, the plan sponsor must enter the projected member months for ESRD enrollees and may enter the projected ESRD “subsidy”. ESRD enrollees must be excluded from all other sections of the BPT.

The plan sponsor may use Section IV to provide the costs associated with additional “unspecified” benefits for employer/union-only group waiver plan (EGWP) bids. Section V captures projected Medicaid data for DE# beneficiaries.

See the “Pricing Considerations” section of these instructions for information on completing Worksheet 4 for DE# beneficiaries.

### SECTION I – GENERAL INFORMATION

This section displays the information entered on Worksheet 1, Section I.

### SECTION II – DEVELOPMENT OF PROJECTED REVENUE REQUIREMENT

#### Subsection A – Non-Dual-Eligible Beneficiaries and Dual-Eligible Beneficiaries with Full Medicare Cost-Sharing Liability (Non-DE#)

The non-ESRD risk factor for non-DE# beneficiaries is obtained from Worksheet 5 and displayed at the top of this section.

**In lines a through r:**

- ✓ **Column e – Allowed PMPM for Total Benefits**

The allowed PMPM is obtained from column p of Worksheet 2.

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✓ **Column f – Plan Cost Sharing for Total Benefits**

The total in-network and out-of-network cost sharing PMPMs are obtained from column o of Worksheet 3 (except for line r). The total cost sharing must equal the total on Worksheet 3.

✓ **Column g – N/A**

This column is left intentionally blank; it is not applicable to this section.

✓ **Column h – Net PMPM for Total Benefits**

The net PMPM is calculated automatically as column e less column f. Values must be greater than or equal to zero.

✓ **Columns i and j – Percentage for Covered Services**

The PMPM amounts shown in columns e, f, and h reflect all benefits covered by the MA plan. In columns i and j, you must enter the expected percentages of these benefits that represent Medicare-covered. The percentages in column i are used to allocate allowed costs (column e) between Medicare-covered (column m) and A/B mandatory supplemental benefits. The percentages in column j are used to allocate the plan’s cost sharing (column f) between plan cost sharing for Medicare-covered services (column l) and cost sharing for A/B mandatory supplemental benefits.

The percentage entered must be between 0 percent and 100 percent.

For services that are non-covered as defined, the percentage is defaulted to 0.0 percent (for example, line l, “Transportation Non-covered”). For all other services, the plan sponsor must estimate the percentage of covered services for both the allowed costs and the cost sharing. Enter these percentages in columns i and j. If the plan’s benefit for a service is richer than that under FFS Medicare, the percentage entered must be less than 100 percent.

**Example:**

The plan sponsor estimates that 99.9 percent of the allowed PMPM in column e for outpatient facility emergency services is for Medicare-covered services and 0.1 percent is for A/B mandatory supplemental benefits, whereas 98.0 percent of the cost sharing PMPM in column f is for Medicare-covered services and 2.0 percent of the cost sharing is for A/B mandatory supplemental benefits. The entries in columns i and j would be as follows:

(c) Service Category	(i) (j) % for Cov. Svcs	
	Allowed	Cost Sharing
f. OP Facility – Emergency	99.9%	98.0%

See Appendix C for instructions on completing columns i and j for Part B-only plans.

For the Medicare-covered service categories (lines a through k), the values entered in columns i and j must generate appropriate pricing for mandatory supplemental benefits

## WORKSHEET 4

in columns p through r, consistent with the PBP. In addition, the relationship of the PBP benefits and the BPT pricing is to be consistent with the suggested mappings contained in Appendix F. Any deviations from the suggested mappings must be documented in supporting exhibits. For example, if a plan covers additional inpatient hospital days, then, absent supporting documentation that identifies a different mapping, the PMPM pricing for the non-covered inpatient services is to be represented in line a, column p, “Net PMPM for Additional Services.”

✓ **Column k – FFS Medicare Actuarial Equivalent (AE) Cost-Sharing Proportions**

These values are populated automatically based on the enrollment projections entered in Worksheet 5.

✓ **Column l – Plan Cost Sharing for Medicare-Covered Services**

This column calculates the portion of the plan’s cost sharing that is attributable to Medicare-covered benefits (calculated as column f times column j). This column is used to determine the reduction of A/B cost sharing in column q.

Plan cost sharing for Medicare-covered services is compared to Medicare FFS actuarially equivalent cost sharing in the BPT “red-circle” validations.

✓ **Columns m through o – Medicare-Covered using Actuarial Equivalent Cost Sharing**

These columns are calculated automatically and are the basis for the costs included in the “Plan A/B Bid.”

✓ **Column m – Allowed PMPM**

The Medicare-covered allowed costs are calculated automatically based on the percentage of Medicare-covered benefits input in column i. Column m is calculated as column e times column i.

✓ **Column n – Fee-for-Service Medicare Actuarial Equivalent (AE) Cost Sharing**

The FFS Medicare AE cost sharing PMPMs are based on the proportions in column k. Column n is calculated as column k times column m.

✓ **Column o – Net PMPM**

Calculated as column m minus column n.

**Columns p through r – A/B Mandatory Supplemental (MS) Benefits**

These columns are calculated automatically and are the basis for the costs included in the A/B mandatory supplemental premium.

✓ **Column p – Net PMPM for Additional Services**

These amounts reflect the net costs (that is, allowed costs less enrollee cost sharing) for non-covered benefits. This column is calculated automatically as the allowed costs for non-covered benefits (column e minus column m) less the cost sharing for non-covered benefits (column f minus column l). These values must be greater than or equal to zero (except line r, COB, which may be negative).



✓ **Column q – Reduction of A/B Cost Sharing**

This column is the difference between FFS AE cost sharing and the plan cost sharing for Medicare-covered services, calculated automatically as column n minus column l. This reduction is sometimes referred to as the “FFS cost-sharing buydown.”

✓ **Column r – Total A/B Mandatory Supplemental Benefits**

This column is calculated automatically as the sum of columns p and q.

**Line s – Total Medical Expenses**

The total medical expense is the sum of lines a through r, except for columns i, j and k.

**Subsection B – Dual-Eligible Beneficiaries without Full Medicare Cost-Sharing Liability (DE#)**

The non-ESRD risk factor for DE# beneficiaries is obtained from Worksheet 5 and displayed at the top of this section.

**In lines a through r:**

✓ **Column e – Reimbursement plus Actual Cost Sharing for Total Benefits**

Calculated automatically as the sum of columns g and h.

✓ **Column f – Plan Cost Sharing for Total Benefits**

This column contains a formula that may be overwritten by the user. The default formula divides the non-DE# beneficiary cost sharing by the non-DE# allowed, and then multiplies by the DE# allowed from column q of Worksheet 2. See the “Pricing Considerations” section of these instructions for more guidance.

✓ **Column g – Actual Cost Sharing for Total Benefits**

Calculated automatically as the minimum of columns f and k.

✓ **Column h – Plan Reimbursement for Total Benefits**

Calculated automatically as column q from Worksheet 2 less column f.

✓ **Columns i and j – Percentage for Covered Services**

See instructions under Worksheet 4, subsection IIA, columns i and j.

✓ **Column k – State Medicaid Required Beneficiary Cost Sharing**

Enter values in accordance with the “Pricing Considerations” section of these instructions.

✓ **Column l – Actual Cost Sharing for Medicare-Covered Services**

Calculated automatically as column g times column j.

✓ **Columns m through o – Medicare-Covered using Medicaid Cost Sharing**

These columns are calculated automatically and are the basis for the costs included in the “Plan A/B Bid.”

✓ **Column m – Allowed PMPM**

The Medicare-covered allowed costs are calculated automatically based on the percentage of Medicare-covered benefits input in column i. Column m is calculated as column e times column i.

✓ **Column n – Medicaid Cost Sharing**

Calculated automatically as column k times column j.

✓ **Column o – Net PMPM**

Calculated as column m minus column n.

**Columns p through r – A/B Mandatory Supplemental (MS) Benefits**

These columns are calculated automatically and are the basis for the costs included in the A/B mandatory supplemental premium.

✓ **Column p – Net PMPM for Additional Services**

This column is calculated automatically as the allowed costs for non-covered benefits (column e minus column m) less the cost sharing (column g minus column l). These values must be greater than or equal to zero (except line r, COB, which may be negative).

✓ **Column q – Reduction of A/B Cost Sharing**

This column is calculated automatically as column n minus column l.

✓ **Column r – Total A/B Mandatory Supplemental Benefits**

This column is calculated automatically as the sum of columns p and q.

**Line s – Total Medical Expenses**

The total medical expense is the sum of lines a through r, except for columns i and j.

**Subsection C – All Beneficiaries**

The non-ESRD risk factor for total beneficiaries is obtained from Worksheet 5 and displayed at the top of this section.

**In lines a through q and t:**

✓ **Columns e through g – N/A**

These columns are left intentionally blank; they are not applicable to this section.

✓ **Column h – Net PMPM for Total Benefits**

The PMPM is calculated automatically as the weighted average of subsections A and B, based on projected enrollment in Worksheet 5.

✓ **Columns i through n – N/A**

These columns are left intentionally blank; they are not applicable to this section.

✓ **Column o – Net PMPM for Medicare-Covered Benefits**

The PMPM is calculated automatically as the weighted average of subsections A and B, based on projected enrollment in Worksheet 5.

**Columns p through r – A/B Mandatory Supplemental (MS) Benefits**

These columns are calculated automatically and are the basis for the costs included in the A/B mandatory supplemental premium.

✓ **Column p – Net PMPM for Additional Services**

The PMPM is calculated automatically as the weighted average of subsections A and B, based on projected enrollment in Worksheet 5.

✓ **Column q – Reduction of A/B Cost Sharing**

The PMPM is calculated automatically as the weighted average of subsections A and B, based on projected enrollment in Worksheet 5.

✓ **Column r – Total A/B Mandatory Supplemental Benefits**

This column is calculated automatically as the sum of columns p and q.

**Line r – ESRD**

This line is populated based on Section III.

**Line s – Additional Benefits (employer bids only)**

This line is populated based on Section IV.

**Line u – Total Medical Expenses**

The total medical expense is the sum of lines a through t. The value in column o is the net medical cost included in the “Plan A/B Bid.” The value in column r is the net medical cost included in the A/B mandatory supplemental premium.

**Line v – Non-Benefit Expenses**

Enter the non-benefit expense information for total MA benefits in column h for the four categories listed below.

- Marketing & Sales
- Direct Administration
- Indirect Administration
- Net Cost of Private Reinsurance

The worksheet distributes the non-benefit expenses proportionately between Medicare-covered (column o) and A/B mandatory supplemental (column r) for each category. Non-benefit expenses are also distributed within A/B mandatory supplemental benefits between “Additional Services” (column p) and “Reduction of A/B Cost Sharing” (column q).

See the “Pricing Considerations” section of these instructions for more information regarding non-benefit expenses.

**Lines v1 through v4 – Non-Benefit Expenses**

Total non-benefit expenses are input in column h and allocated proportionately between Medicare-covered (column o) and A/B mandatory supplemental (column r). Note that the same proportion is used for each line item. The allocation is based on the relative proportion of the plan’s medical expense requirements for Medicare-covered (“bid”) and A/B mandatory supplemental, excluding the PMPM impact of the ESRD subsidy.

✓ **Column h – Non-Benefit Expense PMPM for Total Benefits**

Enter the PMPM by category. Lines v1, v2, and v3 must be greater than or equal to zero.

✓ **Column o – Non-Benefit Expense PMPM for Medicare-Covered**

These values are calculated as column h minus column r.

✓ **Column r – Non-Benefit Expense PMPM for A/B Mandatory Supplemental**

These values are calculated based on the relative proportion of A/B mandatory supplemental, excluding the impact of the ESRD subsidy.

**Line v5, columns h, o, and r - Total Non-Benefit Expense**

The sum of lines v1 through v4. The value must be greater than or equal to zero.

**Line v5, columns p and q - Total Non-Benefit Expense for Additional Services and Reduction of A/B Cost Sharing**

The total non-benefit expense for A/B mandatory supplemental benefits (column r) is allocated between additional services (column p) and reduction of A/B cost sharing (column q). The allocation is based on the relative proportions of additional services and reduction of A/B cost sharing, excluding the impact of the ESRD subsidy.

**Line w – Gain/Loss Margin**

Enter the projected PMPM for the gain/loss in column h for total MA services. Do not leave this field blank.

The gain/loss margin is distributed proportionately between Medicare-covered and A/B mandatory supplemental. The allocation is based on the relative proportions of the medical expense requirements for Medicare-covered and A/B mandatory supplemental, excluding the PMPM impact of the ESRD subsidy.

See the “Pricing Considerations” section of these instructions for more information regarding gain/loss margin.

**Line x – Total Revenue Requirement**

The sum of lines u (medical expense), v5 (non-benefit expense), and w (gain/loss margin). The value in column o is the total revenue requirement of the “Plan A/B Bid.”

**Line y – Percent of Revenue (excluding ESRD)**

These lines calculate the ratio of net medical expense, non-benefit expense, and gain/loss margin as a percentage of revenue. These ratios exclude the PMPM impact of the ESRD subsidy.

**SECTION III – DEVELOPMENT OF PROJECTED CONTRACT YEAR ESRD “SUBSIDY”**

Section III allows for an adjustment to A/B mandatory supplemental benefits in line r of Section II. This adjustment is split into two sections: one for basic benefits and the other for supplemental benefits.

**Non-ESRD CY Member Months**

This value is obtained from Worksheet 5.

**ESRD CY Member Months**

All plan sponsors must enter the projected CY ESRD member months. Do not leave this field blank. If no ESRD enrollees are expected during the contract period, then enter a zero (0) in this field.

**Basic Benefits**

See the “Pricing Considerations” section on ESRD for more information.

**Supplemental Benefits**

See “Pricing Considerations” section on ESRD for more information.

**SECTION IV – FOR EMPLOYER BID USE ONLY (“800-SERIES”)**

This section may be used for employer/union-only group waiver plan bids (“800-series” Plan IDs) and employer/union direct contract private fee-for-service plans (that is, plan type equal to “ED PFFS”) to provide CMS with the PMPM costs associated with additional “unspecified” benefits. These services may be funded by rebate dollars. Consistent with individual-market bids, all rebates available to the plan must be allocated on Worksheet 6.

See Appendix D for further information on group bids.

**Line 1- PMPM for Additional (Unspecified) Mandatory Supplemental Benefits**

Enter the PMPM value of medical costs associated with additional “unspecified” benefits. The benefits represented by this value may be customized for each employer or union group that enrolls in the plan. See Appendix D for further guidance on the use of this field.

This value will be used in line s of Section IIC.

**SECTION V – PROJECTED MEDICAID DATA FOR DE# BENEFICIARIES**

This section contains two input cells: line 1, “Medicaid Projected Revenue,” and line 2 “Medicaid Projected Benefits (not in bid).” Entries must be reported on a “per DE# Member

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Per Month” basis. See the “Pricing Considerations” section of these instructions for more guidance.

## MA WORKSHEET 5 – MA BENCHMARK PMPM

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This worksheet calculates the A/B benchmark and evaluates whether the plan realizes a savings or needs to charge a basic member premium.

Below is a brief description of the sections contained in this worksheet:

- Section I – General information entered on Worksheet 1.
- Section II – Summary of development of the benchmark and the bid.
- Section III – Summary of development of the savings or basic member premium.
- Section IV – Development of regional A/B benchmark (including the statutory component of regional benchmark). Applies to RPPO plan types only.
- Section V – Projected plan-specific information for counties within the service area.
- Section VI – Other Medicare information (populated based on the enrollment projection).

The A/B benchmark calculation is based on the following data elements:

- Service Area: Counties within the MA service area defined by their respective Social Security Administration (SSA) state-county codes.
- Projected Member Months (excluding ESRD): Projected non-ESRD member months, reported by county.
- Projected Risk Factor (excluding ESRD): Projected average risk factor for non-ESRD enrollees.
- Medicare Secondary Payer Adjustment Factor: Factor relative to all payments.
- For RPPOs, the mix of Medicare beneficiaries (nationally) between original Medicare and Medicare Advantage (used to weight the statutory and plan bid components of the regional A/B benchmark).

### SECTION I - GENERAL INFORMATION

This section displays the information entered on Worksheet 1, Section I.

### SECTION II – BENCHMARK AND BID DEVELOPMENT

#### Line 1 – Projected Member Months

The value for total projected member months (excluding ESRD) is obtained from Section V. You must enter the projected non-DE# member months. The value for DE# member months is calculated as the difference between the total and the non-DE# amounts. See the “Pricing Considerations” section of these instructions for more guidance.

#### Line 2 – Standardized A/B Benchmark (at 1.000 Risk Score)

This value is obtained from Section IV for regional plans and from Section V for local plans.

#### Line 3 – Medicare Secondary Payer (MSP) Adjustment

User input is required. Note that this field is formatted as a percentage; therefore, if the value is 2.53 percent, enter “2.53” or “0.0253”. Do not leave this field blank. If zero percent is the

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projected value, then enter a “0” in this field. The value entered must be between 0 percent and 100 percent.

### **Line 4 – Weighted Average Risk Factor (excluding ESRD)**

This value is obtained from Section V for total members. You must enter the projected non-DE# value. The DE# value is calculated based on the total and the non-DE# amounts. See the “Pricing Considerations” section of these instructions for more guidance.

If the value for DE# members equals zero, then the non-DE# risk score must equal the total risk score.

### **Line 5 – Conversion Factor**

Calculated as (1.000 minus line 3) times line 4. This is an intermediary step in the BPT calculations.

### **Line 6 – Plan (or Regional) A/B Benchmark**

Calculated as line 2 times line 5. The BPT finalization process will verify that this value must be greater than zero.

### **Line 7 – Plan A/B Bid**

This value is obtained from Worksheet 4, then rounded to two decimals. The BPT finalization process will verify that this value must be greater than zero.

### **Line 8 – Standardized A/B Bid (@ 1.000)**

Calculated as line 7 divided by line 5, then rounded to two decimals.

## **SECTION III – SAVINGS/BASIC MEMBER PREMIUM DEVELOPMENT**

### **Line 1 – Savings**

Calculated as the difference between the plan (or regional) A/B benchmark and the plan A/B bid, but not less than zero. This value is rounded to two decimals.

### **Line 2 – Rebate**

Calculated as 75 percent of the savings (in line 1). This value is rounded to two decimals.

### **Line 3 – Basic Member Premium**

Calculated as the standardized A/B bid less the standardized A/B benchmark, but not less than zero. This value is rounded to two decimals.

The BPT will not finalize if there are any invalid values (such as “#N/A”, “#DIV/0!”, “#REF!”, “#NAME?”, etc.) in this field.

## **SECTION IV – STANDARDIZED A/B BENCHMARK – REGIONAL PLANS ONLY**

This section calculates the standardized A/B benchmark for regional PPO plans.



**Line 1 – Statutory Component for Region**

The PMPM amount, defined by region, is pre-populated by CMS. The weighting is also pre-populated in the bid form by CMS.

**Line 2 – Plan Bid Component**

The plan bid component will be announced by CMS after the bids are submitted. It will likely be announced at the same time that the Part D national average is announced (typically in August).

Plan sponsors may input an estimated average regional bid amount in their initial June bid submission.

For bids that are submitted prior to the announcement of the RPPO averages, there are two options for completing this field: (i) leave the cell blank, in which case the plan’s submitted standardized bid (Section II, line 8) is used as the plan bid component, or (ii) input a reasonable estimate of the average RPPO bid for the region.

The RPPO announcement includes the weighted average MA RPPO bid for each region. Organizations will be instructed at that time to submit revised RPPO MA BPTs with the applicable average bid amount entered in line 2. Regional employer bids (“800-series” bids) must also be resubmitted to reflect the RPPO average bids in line 2. Any changes in rebates due to the actual plan bid component must be re-allocated at that time. Appendix E contains additional guidance regarding the rebate reallocation period.

**Line 3 – Standardized A/B Benchmark**

This line is calculated as the weighted average of lines 1 and 2 (if line 2 has a value entered). If line 2 does not have a value entered (that is, if the plan sponsor has not entered an estimated value for a pre-announcement bid submission), the amount from Section II, line 8 is used in the calculation.

**SECTION V – COUNTY-LEVEL DETAIL AND SERVICE AREA SUMMARY (EXCLUDING ESRD)**

This section contains detailed data by county and develops plan-specific county-level MA payment rates. For most plans, the only user inputs are the state-county codes (column b), projected member months (column e), and projected risk factors (column f) by county. Entries must reflect plan-specific enrollment projections for each county within the service area. Plans are permitted to project zero enrollment in a particular county in order to generate a county-level payment rate for that county.

As with all aspects of the projections for MA-PD plans, the enrollment and risk scores for the MA bid must be based on a population consistent with the corresponding Part D bid.

Payment rates for RPPOs may be developed using plan-provided geographic intra-service area rate (ISAR) factors on a case-by-case basis, as explained in the “Pricing Considerations” section of these instructions.

The BPT will not finalize if there are any invalid values (such as “#N/A”, “#DIV/0!”, “#REF!”, “#NAME?”, etc.) in Section V.

**Line 1 – Use of Plan-Provided ISAR Factors**

Regional plans that wish to use ISAR factors to develop their county payment rates must enter “Yes”. (Technical note: Do not enter “Y” in this field; enter the entire word “Yes”.)

**Line 2 – Total or Weighted Average for the Service Area**

The county-level data are summarized in this line, weighted by projected member months.

**Line 3 – County-Level Detail**

✓ **Column b – State-County Code**

Enter the Social Security Administration (SSA) state-county codes that define the MA service area, in accordance with the following:

- Each state-county code must be entered as a text input (that is, must include a preceding apostrophe) and must include all leading zeroes (for example, ‘01000). This field is formatted as the “General” format in Excel, in order to support the functionality to link spreadsheets. Therefore, county codes must be entered as text (that is, using a preceding apostrophe) and must include any leading zeros.
- If the service area has more than one county, do not leave any blank rows between the first and last state-county code entered. Also, do not leave blank rows before the first county code entered.
- Do not enter the same state-county code more than once.
- Do not insert any additional rows in the worksheet.
- Do not input the out-of-area (OOA) county, “99999”. OOA enrollees are not represented in the benchmark calculation.
- The county codes entered in the BPT must match the service area defined in HPMS by the MA organization. Any service area discrepancies between the BPT and HPMS may result in delays during bid review and could affect the approval timeline of the bid.

Technical note: In the “finalized” MA BPT file, the county-level section will be sorted in a descending order, based on the county codes entered in column b. See the BPT technical instructions for further information.

✓ **Column c – State**

The BPT will display the applicable state name based on the corresponding code entered in column b. No user entry is required.

✓ **Column d – County Name**

The BPT will display the applicable county name based on the corresponding code entered in column b. No user entry is required.

✓ **Column e – Projected Member Months**

Enter the projected contract year member months for each county in the service area. The projected member months must include both aged and disabled members, and include both DE# and non-DE# members, but exclude ESRD members.

See the “Pricing Considerations” section of these instructions for more guidance.

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Technical note: The data will display as whole values but can be entered with decimal places.

If member months are entered in a particular row of column e, then a corresponding county code and a risk score must be entered in columns b and f, respectively.

### ✓ **Column f – Projected Risk Factors**

Enter the risk factors for the projected non-ESRD membership by county.

If a risk score is entered in a particular row of column f, then a corresponding county code must be entered in column b.

### ✓ **Column g – Plan-Provided ISAR Factors**

If the plan sponsor has support for plan-specific ISAR factors for a regional PPO, then—

- Enter “Yes” in line 1, in response to the question: “Use of plan-provided ISAR?” (Technical note: Do not enter “Y” in this field; enter the entire word “Yes”.)
- Enter the plan-provided ISAR factors in column g of the county-level section. Factors can be in the form of either PMPM values or a relative scale.

### ✓ **Column h – MA Risk Ratebook: Unadjusted**

The BPT will display the applicable published ratebook risk rates for the contract period. If enrollee type is “A/B,” the amounts shown are the total of Part A and Part B. If enrollee type is “Part B-Only,” the amount shown is the Part B rate.

### ✓ **Column i – MA Risk Ratebook: Risk-Adjusted**

The BPT will calculate the risk-adjusted rates based on the rates in column h and the risk scores entered in column f.

### ✓ **Column j – ISAR Scale**

The BPT will calculate the ISAR scale based on either the plan-provided ISAR factors in column g (if provided) or the ratebook rates in column h.

### ✓ **Column k – ISAR-Adjusted Bid**

The BPT will calculate the ISAR-adjusted bid based on the ISAR scale in column j and the standardized A/B bid in Section II. Note that the payment rates represent coverage for Medicare Part A and Part B (except for Part B-only plans). The values will then be separated into Part A and Part B payment rates in columns l and m.

### ✓ **Columns l through m – Risk Payment Rates**

These columns are calculated based on the ISAR-adjusted bid in column k and the risk ratebook proportions for Part A and Part B.

## **SECTION VI – OTHER MEDICARE INFORMATION**

This section contains county-level Medicare information used in the bid form and is populated based on the county codes input in column b and the projected member months entered in column e.

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The BPT will not finalize if there are any invalid values (such as “#N/A”, “#DIV/0!”, “#REF!”, “#NAME?”, etc.) in Section VI.

### **Columns n through p – Original Medicare Cost-Sharing Proportional Factors**

These columns are populated based on the enrollment projections and are used in column k of Worksheet 4, Section IIA.

### **Columns q through s – FFS Costs Used to Weight Original Medicare Cost Sharing**

These columns are populated based on the enrollment projections and are used in the weighted averages (row 36) of columns n through p.

### **Columns t through u – Metropolitan Statistical Area (MSA)**

These columns are populated based on the enrollment projections. The names shown are based on metropolitan and micropolitan statistical areas, as defined by the Office of Management and Budget. Though this information is not directly used in the BPT calculations, it is used by CMS during bid reviews.

## MA WORKSHEET 6 – MA BID SUMMARY

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Worksheet 6 summarizes the results of the calculations of the bid form. In addition, some user inputs are required, as described below.

### SECTION I - GENERAL INFORMATION

This section displays the information entered on Worksheet 1, Section I.

### SECTION II – OTHER INFORMATION

#### *Section A – Part B Information*

See the “Pricing Considerations” section for further information regarding the CMS estimate of the Part B premium and allocating rebates to buy down this premium.

#### **Line 1 – CMS Estimate of Part B Premium**

This value is pre-populated by CMS and is the CMS estimated value at the time that the bid form is released.

#### *Section B – Rebate Allocation for Part B Premium*

#### **Line 1 – PMPM Rebate Allocation for Part B Premium**

Enter the PMPM amount of rebates to reduce the Part B premium.

#### **Line 2 – Rounded Part B Rebate Allocation**

The PMPM amount entered in line 1 is rounded to one decimal (that is, the nearest dime) to comply with withhold system requirements.

After the actual Part B premium is published, CMS will release further guidance directly to the plan sponsors of those plans that have allocated Part B rebates (in Section IIB, line 2) equal to the CMS pre-populated estimate at the time that the bid form was released (in Section IIA, line 1), if it is determined by CMS that the full reduction is feasible for CY2011.

### SECTION III – PLAN A/B BID SUMMARY

Section III summarizes the bid pricing tool information in three sections.

- Section A is an overview of the plan A/B bid and the costs of A/B mandatory supplemental benefits, and it also contains some benchmark and risk score information from Worksheet 5.
- Section B contains the MA rebate allocation.
- Section C develops the MA premium and requires the input of the Part D premium information. Consistent with previous worksheets, any optional supplemental benefits/premiums are to be excluded.

**Section A – Overview**

This section summarizes information entered on previous worksheets.

**Line 1 – Net Medical Cost**

These amounts are obtained from Worksheet 4.

**Line 2 – Non-Benefit Expenses**

These amounts are obtained from Worksheet 4.

**Line 3 – Gain/Loss Margin**

These amounts reflect the estimated net gain/loss for the plan, including the amount of risk margin desired. These amounts are obtained from Worksheet 4.

**Line 4 – Total Revenue Requirement**

The sum of lines 1 through 3. These amounts are the required revenue at the plan's non-ESRD risk factor and are calculated prior to any rebate allocation.

**Line 5 – Standardized A/B Benchmark**

This amount is obtained from Worksheet 5.

**Line 6 – Plan A/B Benchmark (or Regional A/B Benchmark for RPPO Plans)**

This amount is obtained from Worksheet 5.

**Line 7 – Non-ESRD Risk Factor**

This amount is obtained from Worksheet 5.

**Line 8 – Conversion Factor**

This amount is obtained from Worksheet 5.

**Section B – MA Rebate Allocation**

This section captures the method that the plan intends to use to apply rebates to the following various options:

- Reduce A/B cost sharing.
- Other A/B mandatory supplemental benefits.
- Part B premium buydown.
- Part D basic premium buydown.
- Part D supplemental premium buydown.

Plan sponsors may choose which category, or categories, in which to allocate rebates.

See Appendix E for information regarding the reallocation of rebates (permitted for certain plans) after the publication of the Part D and MA regional benchmarks.

**Line 1 – MA Rebate**

This amount is obtained from Worksheet 5.

The BPT will not finalize if there are any invalid values (such as “#N/A”, “#DIV/0!”, “#REF!”, “#NAME?”, etc.) in this field.

**Lines 2 through 6 – Rebate Allocations by Category**

In the fourth column, enter the portion of the total MA rebate that is allocated to each of the A/B rebate options. Note that the rebate allocations for Part B and Part D premiums are actually entered in separate sections of this worksheet, to ensure that the rebate allocations are rounded to comply with withhold system requirements.

The first three columns distribute the allocated rebate among medical expenses, non-benefit expenses, and gain/loss in the same proportion as used in Worksheet 4. The fifth column contains the maximum value that may be entered for each rebate category. See the “Pricing Considerations” section of these instructions for more information on rebate allocation.

The BPT will not finalize if there are any invalid values (such as “#N/A”, “#DIV/0!”, “#REF!”, “#NAME?”, etc.) in these fields.

**Line 7 – Total Rebate Allocated**

The sum of lines 2 through 6. This amount must equal the amount in line 1.

If there are any “unallocated” rebates shown, including pennies, these amounts must be distributed among the categories available. The BPT will not finalize if there are any invalid values (such as “#N/A”, “#DIV/0!”, “#REF!”, “#NAME?”, etc.) in this field.

***Section C – Development of Estimated Plan Premium***

**Line 1 – A/B Mandatory Supplemental Revenue Requirements**

This amount is obtained from Section IIIA.

**Line 2 – Less Rebate Allocations**

These amounts are obtained from Section IIIB, lines 2 and 3.

**Line 3 – A/B Mandatory Supplemental Premium**

The sum of lines 1 and 2.

**Line 4 – Basic MA Premium**

This amount is obtained from Worksheet 5.

**Line 5 – Total MA Premium (excluding Optional Supplemental)**

The sum of lines 3 and 4.

**Line 6 – Rounded MA Premium (excluding Optional Supplemental)**

The total MA premium from line 5 is rounded to one decimal (that is, the nearest dime) to comply with withhold system requirements. Value must be greater than or equal to zero.

The BPT will not finalize if there are any invalid values (such as “#N/A”, “#DIV/0!”, “#REF!”, “#NAME?”, etc.) in this field.

**Line 7 – Part D Basic Premium**

✓ **Line 7a - Prior to Rebates**

Enter the Part D basic premium prior to rebates after rounding (found on the separate Part D bid form). This amount must equal the amount on the Part D BPT (that is, the amount prior to application of any MA rebates). Note: The Part D basic premium prior to rebates must be entered in the MA BPT, even if no MA rebates are allocated to buy down the Part D basic premium. This field is not applicable to MA-only plans and EGWP plans.

✓ **Lines 7b and 7c – A/B Rebates Allocated to the Part D Basic Premium**

Enter the rebates that the plan sponsor wishes to allocate to the Part D basic premium. The Part D rebate allocation must be rounded to one decimal. If this is not done, then the bid form will round these rebates to one decimal (in line 7c), to comply with withhold system requirements. This field is not applicable to MA-only plans and EGWP plans.

✓ **Line 7d - Part D Basic Premium**

The estimated Part D basic premium net of rebates is calculated automatically as line 7a minus line 7c.

The Part D basic premium in the MA BPT is an estimate when the bid is initially submitted in June. The actual plan premium will be calculated by CMS, outside the BPT, when the Part D national average monthly bid amount is determined (typically in August).

Note that the Part D basic premium prior to rebates can be a negative number.

This field is not applicable to MA-only plans and EGWP plans, and it must be equal to zero.

If the plan intention for the target premium (cell R47) equals “Low Income Premium Subsidy Amount” and the plan enters Part D basic rebates (cell R36) greater than zero, then the Part D basic premium after rebates (cell R37) must be greater than zero.

**Line 8 – Part D Supplemental Premium**

✓ **Line 8a - Prior to Rebates**

Enter the Part D supplemental premium prior to rebates (found on the separate Part D bid form) after rounding. This amount must equal the amount on the Part D BPT (that is, the amount prior to application of any MA rebates). Note: The Part D supplemental premium prior to rebates must be entered in the MA BPT, even if no MA rebates are allocated to buy down the Part D supplemental premium. This field is not applicable to MA-only plans and EGWP plans.



Note that if the Part D basic premium is negative, then the Part D supplemental premium must offset the negative amount. That is, the sum of the Part D basic and supplemental premiums must be greater than or equal to zero.

✓ **Lines 8b and 8c – A/B Rebates Allocated to the Part D Supplemental Premium**

Enter the rebates that the plan sponsor wishes to allocate to the Part D Supplemental premium. The Part D rebate allocation must be rounded to one decimal. If this is not done, then the bid form will round these rebates to one decimal (in line 8c), to comply with withhold system requirements. This field is not applicable to MA-only plans and EGWP plans.

✓ **Line 8d - Part D Supplemental Premium**

Calculates the Part D supplemental premium net of rebates. Line 8d equals line 8a minus line 8c. Value must be greater than or equal to zero. This field is not applicable to MA-only plans and EGWP plans, and it must be equal to zero.

The BPT will not finalize if there are any invalid values (such as “#N/A”, “#DIV/0!”, “#REF!”, “#NAME?”, etc.) in this field.

**Line 9 – Total Estimated Plan Premium**

The sum of the rounded MA, Part D basic, and Part D supplemental premiums after rebates. This amount excludes any optional supplemental MA premiums, which are calculated on Worksheet 7. Value must be greater than or equal to zero.

The BPT will not finalize if there are any invalid values (such as “#N/A”, “#DIV/0!”, “#REF!”, “#NAME?”, etc.) in this field.

**Line 10 – Plan Intention for Target Part D Basic Premium**

For MA-PD plans, this field contains a drop-down menu with two options: “Premium amount displayed in line 7d” or “Low Income Premium Subsidy Amount.” MA-PD plan sponsors must choose one of these two options for the target Part D basic premium in the initial June bid submission and cannot change the chosen target in a subsequent resubmission. CMS will consider only the option chosen in June as the plan’s intention.

For MA-only plans and EGWPs, the target Part D basic premium is not applicable.

See the “Pricing Considerations” section of these instructions for more information on the target Part D basic premium.

**SECTION IV – CONTACT INFORMATION AND DATE PREPARED**

In this section, enter the name, phone number, and e-mail information for the MA plan bid contact, the MA certifying actuary, and an additional MA BPT actuarial contact who is familiar with the bid development in the event that the certifying actuary is not available. For the phone number, enter all ten digits consecutively without parentheses or dashes. Do not leave any part of this section blank.

The persons named in this section must be available for any actuarial questions and issues that arise during the review of the bid by CMS. Three distinct people are to be entered in this section.

Section IV also contains a field labeled “Date Prepared.” This field must contain the date that the BPT was prepared. If the BPT is revised and resubmitted during the bid review process, then this field must be updated accordingly.

**SECTION V – WORKING MODEL TEXT BOX**

This section contains multiple cells that may be used by bid preparers to enter internal notes—for example, to facilitate communication between BPT and PBP preparers, or to track internal version schemes.

Section V will be deleted from the finalized file and therefore will not be uploaded to HPMS. Bid preparers must not enter information in this section meant to be communicated to CMS or to CMS reviewers, as CMS will not have access to it. Section V will not be deleted from the working file or the backup file during finalization.

## **MA WORKSHEET 7 – OPTIONAL SUPPLEMENTAL BENEFITS**

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Worksheet 7 contains the actuarial pricing elements for any optional supplemental benefit (OSB) packages to be offered during the contract year, up to a maximum of five.

The PBP packages must be entered in the same order as they are entered in the PBP.

For each of the five packages, the worksheet contains 20 category lines. If additional category lines are needed, then provide a supporting exhibit that shows all of the benefit category details, and include a summary of those category lines on this worksheet. Do not insert any additional rows into the form.

### **SECTION I - GENERAL INFORMATION**

This section displays the information entered on Worksheet 1, Section I.

### **SECTION II – OPTIONAL SUPPLEMENTAL PACKAGES**

#### **Column b – Package ID**

Displays the identification (ID) number to signify which package of optional supplemental benefits is being priced. The number “1” is used to identify the first package. Sequential numbers (that is, 2, 3) identify additional packages of optional supplemental benefits. The package IDs must correspond to the packages enumerated and described in the PBP.

#### **Column c – Service Category**

On the first line for each package, enter a description of the OSB package. This description should match the description/title/name entered in the PBP for each package. Examples: “Enhanced Dental”, “Gold Package”, etc. The description field must not be left blank when there is an optional supplemental package entered.

On each subsequent line, enter the service category. Valid entries are those consistent with the categories included on Worksheet 1:

- Inpatient Facility
- Skilled Nursing Facility
- Home Health
- Ambulance
- DME/Prosthetics/Supplies
- OP Facility – Emergency
- OP Facility – Surgery
- OP Facility – Other
- Professional
- Part B Rx
- Other Medicare Part B
- Transportation (Non-covered)
- Dental (Non-covered)

- Vision (Non-covered)
- Hearing (Non-covered)
- Health & Education (Non-covered)
- Other Non-covered

**Column d – Benefit Category/Pricing Component**

Enter a description of the benefit category/pricing component.

**Column e – Allowed Medical Expense: Utilization Type**

Enter the appropriate measurement unit from the list used for column e of Worksheet 2.

**Column f – Allowed Medical Expense: Annual Utilization/1,000**

Enter the projected contract year annual utilization per thousand enrollees for allowed medical expenses for each benefit category.

**Column g – Allowed Medical Expense: Average Cost**

Enter the projected contract year average annual cost for allowed medical expenses for each benefit category.

**Column h – Allowed Medical Expense: PMPM**

Column h is calculated automatically using the utilization reported in column f and the average cost information reported in column g.

**Column i – Enrollee Cost Sharing: Measurement Unit Code**

Enter the appropriate cost-sharing measurement unit using the codes provided for column e of Worksheet 3.

**Column j – Enrollee Cost Sharing: Utilization/1000 or PMPM**

Enter the projected contract year utilization per thousand enrollees or the PMPM value in the case of coinsurance.

**Column k – Enrollee Cost Sharing: Average Cost Sharing**

Enter the projected contract year average per-service cost-sharing amount or coinsurance percentage.

**Column l – Enrollee Cost Sharing: PMPM**

Column l is calculated automatically using the utilization (or PMPM) reported in column j and the average cost (or coinsurance percentage) reported in column k.

**Column m – Net PMPM Value**

Column m is calculated automatically as the allowed PMPM (column h) minus the cost sharing PMPM (column l).

**Column n – Non-Benefit Expense**

Enter the total projected contract year non-benefit expense for each OSB package offered.

**Column o – Gain/Loss Margin**

Enter the total projected contract year gain/loss margin for each OSB package offered.

**Column p – Premium**

The sum of columns m (medical expenses), n (non-benefit expenses), and o (gain/loss margin). The premiums are automatically rounded to one decimal to comply with premium withhold system requirements. Premium values must be greater than zero if an OSB package is offered and must be equal to zero if an OSB package is not offered.

**Column q - Projected Member Months**

Enter the total projected contract year member months for each OSB package offered.

**SECTION III - COMMENTS**

Enter any comments needed to describe the OSB packages.

## IV. APPENDICES

### APPENDIX A - ACTUARIAL CERTIFICATION

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CMS requires an actuarial certification to accompany every bid submitted to HPMS. A qualified actuary who is a member of the American Academy of Actuaries (MAAA) must complete the certification. The objective of obtaining an actuarial certification is to place greater responsibility on the actuary's professional judgment and to hold him/her accountable for the reasonableness of the assumptions and projections.

#### Actuarial Standards of Practice and Other Considerations

In preparing the actuarial certification, the actuary must consider whether the actuarial work supporting the bid conforms to the current Actuarial Standards of Practice (ASOP), as promulgated by the Actuarial Standards Board. While other ASOPs apply, particular emphasis is placed on the following:

- ASOP No. 5, *Incurred Health and Disability Claims*.
- ASOP No. 8, *Regulatory Filings for Health Plan Entities*.
- ASOP No. 23, *Data Quality*.
- ASOP No. 25, *Credibility Procedures Applicable to Accident and Health, Group Term Life, and Property/Casualty Coverages*.
- ASOP No. 41, *Actuarial Communications*.

The certifying actuary must also consider whether the actuarial work supporting the bid complies with applicable laws, rules, CY2011 bid instructions, and current CMS guidance. In addition, he/she must consider whether the actuarial work supporting the bid is consistent and reasonable with respect to the plan benefit package and the organization's current business plan.

#### Certification Module

The certification module contains the following features:

- Standardized required language. (The required elements are described in a subsequent section of this appendix.)
- The ability to append free-form text language to the required standardized language.
- A summary of key information from the submitted bids.
- Links to additional information regarding the bid package such as the PBP, BPT, and supporting documentation.
- The ability to certify multiple bids/contracts.
- The ability to print and save the submitted certification.

An initial actuarial certification must be submitted via the HPMS certification module in June. The actuary must also certify the final bid (that is, pending CMS approval) via the certification module in August following the CMS publication of the Part D national average monthly bid amount, the Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, and the MA regional benchmarks. Actuaries are not required to certify every intermittent resubmission throughout the bid review process, but they may do so if they wish.

Note that in the event that the PBP changes after the “final” bid is certified, the bid that is uploaded into HPMS with the revised PBP must be recertified whether or not the BPT changes.

As was instructed in previous contract years, material changes to the certification language (after the initial June certification submission) are not allowed without prior written permission from the CMS Office of the Actuary.

Plan sponsors may have multiple actuaries assigned to one contract to perform the certifications. For example, a consulting actuary may certify the Part D portion of a bid, while an internal plan staff actuary may certify the MA portion of the bid. Also, one actuary may certify plan Hxxxx-001, while a different actuary may certify plan Hxxxx-002. If a certification is not submitted via the HPMS certification module, the bid will not be considered for CMS review and approval. The instructions contained in this appendix must be followed by all actuaries who will be certifying CY2011 bids.

Every MA BPT requires a certification. Likewise, every PD BPT requires a certification. Since Part D BPTs are not submitted for “800-series” EGWP employer bids, a Part D actuarial certification is not required. However, a certification is still required for the MA portion of “800-series” employer bids.

### Required Certification Elements

The certification module contains the following information, as part of the standardized language:

- The certifying actuary’s name/user ID and the date, “stamped” when the certification is submitted.
- Attestation that the actuary submitting the certification is a member of the American Academy of Actuaries (MAAA). As such, the actuary is familiar with the requirements for preparing Medicare Advantage and Prescription Drug bid submissions and meets the Academy’s qualification standards for doing so.
- The specific contract, Plan ID, and segment ID of the bid associated with the certification.
- The contract year of the bid contained in the certification.
- Indication of whether the certification applies to the Medicare Advantage bid, the Part D bid, or both.
- Attestation that the certification complies with the applicable laws,<sup>1</sup> rules,<sup>2</sup> CY2011 bid instructions, and current CMS guidance.
- Attestation that, in accordance with federal law, the bid is based on the “average revenue requirements in the payment area for a Medicare Advantage/Prescription Drug enrollee with a national average risk profile.”
- Attestation that the data and assumptions used in the development of the bid are reasonable for the plan’s benefit package (PBP).

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<sup>1</sup> Social Security Act sections 1851 through 1859; and Social Security Act sections 1860D-1 through 1860D-42.

<sup>2</sup> 42 CFR Parts 400, 403, 411, 417, 422, and 423.

## APPENDIX A

- Attestation that the data and assumptions used in the development of the bid are consistent with the organization's current business plan.
- Attestation that the bid was prepared based on the current standards of practice, as promulgated by the Actuarial Standards Board of the American Academy of Actuaries, and that the bid complies with the appropriate ASOPs.
- A statement that, in accordance with ASOP No. 23, any data and assumptions provided by reliances were reviewed for reasonableness and consistency and that supporting documentation for the reliance on information provided by others is uploaded with the bid.

Please refer to ASOP No. 23, *Data Quality*, and ASOP No. 41, *Actuarial Communications*, for additional details regarding reliances. Also, see Appendix B for information regarding supporting documentation required for reliances.

If you have any questions regarding the CY2011 certification instructions, please contact the CMS Office of the Actuary at [actuarial-bids@cms.hhs.gov](mailto:actuarial-bids@cms.hhs.gov).

### **Certification Module Access**

Detailed instructions regarding how to apply for access to the CY2011 certification module were released via an HPMS memorandum dated March 3, 2010.



## APPENDIX B - SUPPORTING DOCUMENTATION

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### GENERAL

In addition to the BPT and actuarial certification, plan sponsors must provide CMS with supporting documentation for every bid, as described in these instructions.

Unless otherwise noted, plan sponsors must upload all required supporting documentation at the time of the initial June bid submission. Additional supporting documentation must be made available to CMS reviewers upon request, and within 48 hours of the request, as required by these instructions.

Supporting documentation requirements apply regardless of the source of the assumption, whether it was developed by the actuary, the plan sponsor, or a third party. If the actuary relied upon others for certain bid data and/or assumptions, those individuals are subject to the same documentation requirements. The actuary must be prepared to produce all substantiation pertaining to the bid, even if it was prepared by others or is based on a reliance.

In preparing supporting documentation, the actuary must consider ASOP No. 41, *Actuarial Communications*. In accordance with Section 3.3.3, "Actuarial Report," the materials provided must be written "with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work."

All data submitted as part of the bid process are subject to review and audit by CMS or by any person or organization that CMS designates. Certifying actuaries must be available to respond to inquiries from CMS reviewers regarding the submitted bids.

Supporting documentation must –

- Be clearly labeled and easily understood by CMS reviewers.
- Explain the rationale for the assumption, including quantitative support and details, rather than just narrative descriptions of assumptions.
- Describe plan-specific variations in addition to the overall pricing assumption or methodology.
- Tie to the values entered in the current BPT and the PBP.
- Include Excel spreadsheets with working formulas, rather than pdf files.
- Clearly identify if it is related to MA, Part D, or both.
- Clearly identify the bid(s) relating to the support. At a minimum, the contract number must appear on the first page. Specific plan numbers must be included where appropriate, such as on the first page, in a separate chart, or as an attachment.

Acceptable forms of supporting documentation include, but are not limited to, the following items:

- Meeting minutes from discussions related to bid development.
- E-mail correspondence related to bid development.
- A complete description of data sources – for example, a report's official name/title, file name, date obtained, source file, etc.
- Intermediate calculations showing each step taken to calculate an assumption.

- A summary of contractual terms of administrative services agreements.
- A business plan.

Supporting documentation that is not acceptable or that may result in a request for additional information includes, but is not limited to, the following items:

- Materials that are accessed only through a secure server link that requires a password.
- A reference to the supporting documentation for another plan, such as “the same as for plan Hxxxx-xxx,” and not the documentation itself. The supporting documentation for a plan must be self-contained.
- General descriptions of pricing that do not include plan-specific information.
- A statement that the source of a pricing assumption is “professional judgment” with no additional explanation of the data points underlying the assumptions—for example, supporting factors, studies or public information.
- “Living worksheets” that are overwritten with current data. Supporting documentation must include the version of the worksheet that was used in bid preparation.
- Information obtained after the bids are submitted.
- A statement that a pricing assumption or methodology is assumed acceptable based on its inclusion in a bid that was approved by CMS in a prior contract year. Data, assumptions, methodologies, and projections must be determined to be reasonable and appropriate for the current bid, independent of prior bid filings.

### **SUBMITTING SUPPORTING DOCUMENTATION**

Supporting materials must be in electronic format (Microsoft Excel, Microsoft Word, or Adobe Acrobat) and must be uploaded to HPMS. CMS will not accept paper copies of supporting documentation. Note that multiple substantiation files can be submitted to HPMS at one time by using “zip” files, which compress multiple files into one (.zip file extension). Also, one file can be uploaded to multiple plans in HPMS by using the CTRL key when plans are selected. However, documentation must not be uploaded to plans to which it does not pertain. It is not acceptable to upload to multiple plans materials specific to a Part D plan, MA plan or certain contract ID.

#### **Cover Sheet**

To expedite the bid review process, plan sponsors must upload a cover sheet that lists all of the supporting documentation that is uploaded or provided on the bid form. The filename must include the phrase “cover sheet.” A cover sheet is required for each upload of substantiation.

The cover sheet must include detailed information for each support item—such as the filename and the location within the file, if applicable—and must clearly identify the bid IDs and whether the substantiation is related to MA, Part D, or both.

Note that some documentation requirements apply to every bid (for example, every bid contains a risk score assumption), while other documentation requirements apply only to bids that contain certain assumptions (for example, manual rate documentation applies only if a bid’s projection is based on manual rates). For documentation categories that apply to a subset of bids that contain a specified assumption, the cover sheet must not refer to a “range” of bid IDs (such as “plans 001 – 030,” or “all plans under contract Hxxxx”). For these items, the

cover sheet must contain the exact bid IDs (contract/plan/segment) to which the documentation applies.

For subsequent substantiation uploads, the cover sheet must summarize the additional documents uploaded at that time (that is, the cover sheet must not be maintained as a cumulative list). The subsequent cover sheets must also contain the exact bid IDs rather than a “range” of bid IDs.

Sample check lists and cover sheets for the initial June bid submission, and for subsequent substantiation uploads, are provided at the end of this appendix.

### **Timing**

Plan sponsors and certifying actuaries must prepare all supporting documentation and upload required documentation into HPMS at the time of the initial June bid submission. These items are described in the “Initial June Bid Submission” section below.

Moreover, CMS recommends that other supporting documentation materials be uploaded with the initial June bid submission, though this is not required. See the “Upon Request by CMS Reviewers” section of this appendix for more information. However, these materials must be prepared at that time in order to be readily available to CMS reviewers upon request. When additional substantiation is requested by CMS reviewers, it must be provided within 48 hours and uploaded into HPMS prior to bid approval. The CMS bid reviewer will determine whether the plan sponsor or the CMS bid reviewer will upload additional substantiation provided in e-mail correspondence and will communicate this requirement to the plan sponsor during bid review.

### **Initial June Bid Submission**

The following documentation requirements apply to all bids (as all bids contain these assumptions):

- A cover sheet outlining the documentation files, as described above.
- A product narrative that offers relevant information about plan design, the product positioning in the market (such as high/low), enrollment shifts, service area changes, type of coverage, contractual arrangements, related-party arrangements for medical and administrative service, marketing approach and any other pertinent information that would help expedite the bid review. For dual-eligible SNPs, include a statement indicating how the plan conforms to state and territorial Medicaid regulations for benefits, cost sharing, care management, and margins.
- Support for the credibility assumptions (Worksheet 2), including –
  - A statement of the credibility approach used - for example, the CMS guideline or the CMS override.
  - A description of the credibility methodology used if it varies from the CMS guideline or the CMS override.
  - The method for blending differences in the credibility for utilization and unit cost into a composite PMPM credibility factor.
  - Justification for any variation in the credibility approach by line of business.
  - An explanation for a zero credibility percentage for a service category with credible data.

- A mapping of cost-sharing information from categories used in pricing to the BPT service categories (Worksheet 3).
- Support for non-benefit expense assumptions (Worksheet 4). The required elements include –
  - A summary of the non-benefit expenses by category of expense or by line item.
  - An analysis that demonstrates the development of each line item using relevant data, assumptions, contracts, financial information, business plans, and other experience.
  - A description of the relationship between the non-benefit expense line items reported in the BPT and auditable material such as corporate financials and plan-level operational data.
- Justification of the gain/loss margin (Worksheet 4). The required elements include –
  - Support for overall margin levels, including a description of the methodology used to develop margin assumptions, demonstration of year-by-year consistency, and supporting data.
  - A demonstration of year-by-year consistency between the expected overall margin level and the plan sponsor's corporate margin requirement over time (for example 3 to 5 years) including any change in the plan sponsor's corporate margin requirement in the prior 2 years.
  - Support for bids with negative margins – that is, a business plan that illustrates profitability within a few years.
  - A comparison of the gain/loss margin to the original business plan for plans with negative margins in prior years. This comparison includes details and sources of deviation from prior years' business plans and justification that conditions causing any deviations will not continue indefinitely.
  - Justification of the margin for bids with relatively large projected overall gains/losses. Examples of support to be provided are (i) illustration of return on investment/equity requirement(s) and/or (ii) demonstration of corporate return requirement(s). The development of margin requirements may reflect revenue offsets not captured in non-benefit expenses (such as investment expenses, income taxes, and changes in statutory surplus) and may also include investment income.
  - If applicable, further analysis of the organization's ROI/ROE and distinctions between recouping start-up costs versus ongoing organizational gain/loss.
- Detailed support for the development of projected risk scores (Worksheet 5). The required elements include–
  - A detailed description, and corresponding numerical demonstration, of the methodology used to develop projected CY MA risk scores.
  - A description of the source data for the development of the projected CY MA risk scores.
  - A description of all projection factors and the basis for the factors.
  - A demonstration that the method used is consistent with one of the approaches described in these instructions. Examples of items to address include —
    - A normalization factor that differs from the CY FFS normalization factor.

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- ▶ A risk model change factor that differs from a bid-specific model change factor available via HPMS.
- ▶ Average risk scores from more than one MMR report.
- ▶ A variation in the source risk score or any adjustment factor.
- A demonstration that the development of the projected risk scores is consistent with the development of projected medical expenses, if the plan pricing is based on manual rates.

The following documentation requirements apply to all bids that contain these specified assumptions:

- Detailed support for base period experience and projections (Worksheet 1). This documentation, which is based on regulatory authority for the review of materials that pertain to any aspect of services provided, is also required in cases in which medical services are provided under a capitated arrangement. The required elements include—
  - Detailed support for projection factors (Worksheet 1).
  - A description of the allocation of allowed costs by service category when the allocation method is not based on plan experience data (Worksheet 1).
  - Information regarding the base period member months, if for some reason more than four plans constitute the base period data (see Worksheet 1, Section II, line 5).
- Support for the pricing, including utilization and unit cost, of preventive services incentive programs (Worksheets 1 and 2, line k).
- Support for claim costs for hospice enrollees for mandatory supplemental benefits when these costs are included in the projected allowed cost PMPM.
- Detailed support for the manual rate development (Worksheet 2), including a description/illustration of the underlying data source(s) and data/methodology used in the development of the manual rates, if manual rates are used. The required elements include—
  - A description of the source data, including the data's relevance to the MA plan and the precise name of any published tables used.
  - Credibility standards applied to the data and corresponding adjustments, if applicable.
  - Consideration of any adjustments made for annual volatility of the source data.
  - Any applicable adjustments to the source data, such as—
    - ▶ Approach and factors applied to account for incomplete claim run-out and/or expenditures that are not reflected in the source data;
    - ▶ Addition of Medicare-covered benefits not reflected in the source data;
    - ▶ Exclusion of non-covered benefits reflected in the source data;
    - ▶ Techniques and factors used to reflect differences between the underlying population and that expected of the MA plan;
    - ▶ Techniques and factors used to adjust for differences in health care delivery system and plan design of the source data as compared to the MA plan; and
    - ▶ Methodology and data used to gross up reimbursements to an allowed-cost basis.
  - Data and methodology used to project the data from base period to CY2011.

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- A description of the source of data for the development of corresponding CMS- HCC model risk scores, and how that source compares to the risk profiles of the population underlying the manual rate source data.
- The reasonableness of allowed costs and projection factors for costs based on capitated payments to related parties.
- The allocation of projected allowed costs by service categories.
- All other applicable factors and/or adjustments.
- Support for non-DE# projected allowed costs (Worksheet 2).
- A mapping of PBP benefit categories and BPT pricing categories for any deviations from the suggested mappings in Appendix F (Worksheet 2).
- An explanation for a zero cost of a benefit that is included in the PBP.
- The rationale for including the cost of a benefit that is included the PBP in non-benefit expenses.
- Support, at the benefit level, for non-covered services (Worksheet 2, lines l through r, column o), if any, including a breakdown of the PMPM value shown in the BPT. (Detailed support for the pricing of each additional benefit is available upon request.) For example, a \$4.00 PMPM in column o of row p, “Health and Education,” is to be shown in the supporting documentation as \$1.50 PMPM for a smoking cessation program and \$2.50 PMPM for nutritional counseling.
- A detailed description of the process used for adjusting cost sharing due to maximum OOP limits (Worksheet 3).
- Disclosure of related-party service agreements (Worksheets 1 and 4).
  - A plan sponsor in a related-party agreement with an organization and prepares the BPT in a manner that does not recognize the independence of the subcontracted related party must provide the following:
    - The identity of the related-party organization.
    - A description of the business arrangement and services provided.
    - The financial terms.
    - A point of contact at the related party (when the sponsor is requesting that CMS enter into a separate discussion with a subcontracted related party).
  - A plan sponsor in a related-party agreement with an organization that is providing services to unrelated parties and chooses to demonstrate that the terms and fees associated with their agreement are comparable to those obtained by unrelated parties of the organization must provide the following:
    - The identity of the related-party organization.
    - A description of the business arrangement and services provided.
    - The financial terms.
    - A point of contact at the related party (when the sponsor is requesting that CMS enter into a separate discussion with a subcontracted related party).
    - A written summary outlining the terms of actual contracts between the subcontractor and the comparable, unrelated parties for similar services. The support must demonstrate that the financial arrangements between related parties are not significantly different from those that would have been

achieved by the plan sponsor in the absence of the related-party relationships.

- Support for the development of the contract year “ESRD subsidy” (Worksheet 4). This documentation includes the following:
  - Base period (for example, 2009) revenues and medical expenditures for Medicare-covered benefits provided to enrollees in ESRD status.
  - The source for, and the development process of, any manual rates used.
  - Relevant base-to-contract year trend factors.
  - A short narrative on the credibility approach applied to the ESRD experience.
- Support for zero projected DE# member months when there are DE# members in the base period.
- Support for the development of plan-provided ISAR factors (Worksheet 5), if used. (This requirement applies to RPPOs only.) A description of the methodology and data source(s) used to calculate the ISAR scale(s) must be included. The factors must reflect the requirements for medical expense, non-benefit expense, and gain/loss margin. Additionally, the support must illustrate the county-level medical costs (such as unit costs and/or utilization) and retention (that is, non-benefit expense and gain/loss margin) that were assumed in the development of the factors.
- Aggregate contract-level optional supplemental experience for CY2009 (Worksheet 7).
- In accordance with Appendix D, support for actuarial swaps/equivalence customization allowable for employer and union groups enrolled in individual-market plans, when used (that is, when indicated in the “General Information” section of Worksheet 1).
- An explanation of the consistency between the pricing in the bid and the expected underwriting assumptions for all groups, in aggregate. This documentation includes, but is not limited to a description of the underwriting methodology.
- The input sheet(s) for the pricing model used in the development of the bid.
- An explanation of how CY2010 bid audit findings and observations were addressed in the current bid for the same plan. To the extent that an issue applies to other plans in the same contract or parent organization, the documentation for the audited plan must describe how the bids for all plans are treated consistently regarding that issue.
- Support for reliance on information supplied by others that —
  - Identifies the source(s) of the information – for example, name, position, company, date;
  - Identifies the information relied upon;
  - States the extent of the reliance – for example, whether or not checks as to reasonableness have been applied; and
  - Indicates to which plan(s) the reliance information applies.

See the sample format at the end of this appendix.

#### **Upon Request by CMS Reviewers**

It is not required that the items below be uploaded with the initial June bid submission, but they must be prepared at that time in order to be readily available for CMS reviewers upon request. If substantiation is requested by CMS reviewers, it must be provided within 48 hours. These materials will be reviewed at audit:

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- Reconciliation of base period experience with company financial data (Worksheet 1). The data are to be reported on an incurred, rather than an accounting or GAAP, basis, including both claims paid and unloaded claim reserves. Because the results reflect an experience period versus accounting period, the data need not be based on an audited GAAP financial basis.
- Support for the pricing of the non-covered services, including utilization and unit cost (Worksheet 2, lines l through r, column o). (Support at the benefit level is required in the initial June bid submission.)
- Support for cost-sharing utilization assumptions and plan-level deductible (Worksheet 3).
- Support for allocation of allowed costs and cost sharing between Medicare-covered and A/B mandatory supplemental benefits (Worksheet 4).
- Support for when the formulas provided in the BPT for DE# plan cost sharing (Worksheet 4, Section IIB, column f) are overwritten at the discretion of the certifying actuary.
- Support for variation in the gain/loss margin that accounts for the difference in risks between products for EGWPs and DE-SNPs (Worksheet 4).
- Copies of related-party agreements for a plan sponsor who has entered into a related-party agreement with an organization that is providing services to unrelated parties.
- Support for the allocation of enrollment between DE# and non-DE# beneficiaries (Worksheet 5).
- Support for the benefit, non-benefit expenses and gain/loss margins for specific OSB packages (Worksheet 7).
- Justification for significant differences in the assumptions between corresponding employer-only group and individual-market products (such as the relationship of the bid to the benchmark). See Appendix D for more information.
- A letter supporting any information upon which the certifying actuary relied, if applicable. This letter must be signed by the person (source) who provided the information.
- Communication between CMS reviewers and the plan sponsor throughout the bid review process (that is, e-mail communication).
- Additional information not specified in this list may be requested by CMS reviewers, as needed, at any point during the bid desk review process.



**MA CHECKLIST FOR REQUIRED SUPPORTING DOCUMENTATION**

<b>Initial June Bid Submission - Required for All Bids</b>
Cover sheet
Product narrative
Credibility assumption
Cost-sharing category mapping
Non-benefit expenses
Gain/loss margin (include comparison of gain/loss margin to original business plan for plans with negative margins in prior years)
Projected risk scores

<b>Initial June Bid Submission - Required for All Bids with Specified Assumptions</b>
Base period experience and projections
Preventive services incentive programs
Hospice claims costs for mandatory supplemental
Manual rate development
Non-DE# projected allowed costs
Mapping of PBP and BPT service categories
Zero cost benefit
Cost of medical benefit in non-benefit expenses
Non-covered services benefit-level summary
Adjustment to cost sharing for OOP maximum
Disclosure of related-party agreements
ESRD "subsidy"
Zero DE# member months
Adjustment to cost sharing for OOP maximum
Disclosure of related-party agreements
"ESRD subsidy"
ISAR factors
Optional Supplemental Experience for 2009
Actuarial swaps/equivalences
EGWP comparison of bid pricing and expected underwriting assumptions
Input sheets for pricing model
Bid audit results
Reliance information

<b>Upon Request by CMS Reviewers</b>
Reconciliation of base period experience with company financial data
Non-covered services pricing details
Cost-sharing utilization and plan-level deductible
Allocation of allowed costs/cost sharing to Medicare-covered and non-covered
Override of formulas for DE# plan cost sharing

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Related-party agreements
Gain/loss margin for EGWPs and DE-SNPs
Enrollment allocation between DE# and non-DE#
Optional supplemental benefit packages
Differences in EGWP and general market pricing assumptions
Reliance letter
Bid review communications
Other

**SAMPLE COVER SHEET – SUBMITTED WITH INITIAL BID UPLOAD IN JUNE**

**Supporting Documentation Cover Sheet #1**

**CY2011 Bid Submission**

**Organization Name:** Health One

**Contract(s):** H1234, H9999, and S9999

**Date:** June 1, 2010

Documentation Requirement	Specific Bid ID(s) or N/A	File Name	Location within File (if Applicable)	Applies to: MA, PD, or Both
Cover sheet	All bids	Cover Sheet 6-1-2010.pdf	Page 1	both
Product narrative	All bids	Cover Sheet 6-1-2010.pdf	Pages 2-4	both
Credibility assumption	All bids	Cover Sheet 6-1-2010.pdf	Page 5	both
Cost sharing mapping	All bids	Cover Sheet 6-1-2010.pdf	Page 6	both
Non-benefit expenses	All bids	AdminProfit.xls	Sheet 1	both
Gain/loss margins	All bids	AdminProfit.xls	Sheet 2	both
Risk scores	All bids	Risk CY2011.xls	MA-Sheet 1 PD-Sheet 2	both
Manual rates	H1234-003-0 S9999-001-0	Manual.xls	Section II	PD
ESRD subsidy	H1234-001-0 H1234-004-0	Manual.xls	Section I	MA

**SAMPLE COVER SHEET – SUBMITTED AS A SUBSEQUENT SUBSTANTIATION UPLOAD**

**Supporting Documentation Cover Sheet #2**

**CY2011 Bid Submission**

**Organization Name:** Health One

**Contract(s):** H1234, H9999, and S9999

**Date:** July 16, 2010

Documentation Requirement	Specific Bid ID(s) or N/A	File Name	Location within File (if Applicable)	Applies to: MA, PD, or Both
Cover sheet	H1234-001-0 H1234-003-0 H1234-004-0 H1234-801-0 H9999-001-0 S9999-001-0	Cover Sheet 7-16-2010.doc	n/a	both
E-mail communication with CMS bid reviewers	H1234-001-0 H1234-003-0 H1234-004-0 H9999-001-0	Email1.doc	n/a	MA
E-mail communication with CMS bid reviewers	H9999-001-0 S9999-001-0	Email2.doc	n/a	PD
E-mail communication with CMS bid reviewers	H9999-001-0 S9999-001-0	Email3.doc	n/a	PD

**SAMPLE FORMAT FOR RELIANCE ON INFORMATION SUPPLIED BY OTHERS**

Bid ID	MA or PD or Both	Source (Name, Position, Company)	Type of Information	Comments
H1234-002-00	MA and PD	Joe Smith, Director of Finance, ABC Health Plan	Administrative expenses, gain/loss margin	
H1234-002-00	MA and PD	Jane Doe, Medicare Analyst, ABC Health Plan	Claim modeling, risk score	I have not performed any independent audit or otherwise verified the accuracy of these data or information.

## APPENDIX C – PART B-ONLY ENROLLEES

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This appendix includes bid requirements for plans that cover only enrollees eligible for Medicare Part B. An RPPO plan must cover enrollees eligible for both Medicare Part A and Part B.

Medicare beneficiaries with Medicare coverage only under Part B have not been allowed to elect an MA plan since December 31, 1998 unless they were members of employer or union groups.

However, Medicare beneficiaries (with Part B coverage under Medicare) who were Medicare enrollees of a Section 1876 contractor on December 31, 1998 were considered to be enrolled with that organization on January 1, 1999 if the organization had an MA contract for providing benefits on the latter date. Health benefit coverage that MA organizations provide to such remaining Part B-only enrollees constitutes a separate MA plan (which requires a separate bid submission).

CMS encourages MA organizations to submit as few plans as possible for their pre-1999 Part B-only members, rather than duplicating each of their A/B plans. In fact, an MA organization can submit one plan for all its pre-1999 Part B-only members under an MA contract if they are in the same type of plan. In addition, if the plan is offering the pre-1999 Part B-only members the same benefits at the same price as those offered to A/B members (that is, members eligible for both Part A and Part B of Medicare), the plan sponsor is not required to submit a separate bid for the Part B-only members.

On the other hand, MA organizations that enroll Medicare beneficiaries with Part B-only coverage in an employer-only group plan must prepare a separate Part B-only bid. If a separate Part B-only plan is not created, the CMS managed care payment system will reject any enrollments submitted on behalf of individuals without Part A.

MA organizations are to prepare Part B-only bids in much the same way as those prepared for Part A/B members.

In completing the bids for Part B-only plans, MA organizations must give special consideration to allocating the portion of services that are considered to be Medicare-covered (Worksheet 4, Section II, columns i and j):

- The Medicare-covered proportion of inpatient services (line a) must equal zero (0) percent.
- While the majority of Medicare expenditures for skilled nursing facilities (SNFs) are covered under Part A (Hospital Insurance), in certain circumstances benefits are covered under Part B (Supplementary Medical Insurance). Guidance on these covered services can be found in Section 70 of Chapter 8 of the *Medicare Benefit Policy Manual* at <http://www.cms.hhs.gov/manuals/iom>. We estimate that for calendar year 2011, about 5 percent of Medicare expenditures for SNFs will be covered under Part B.
- Also, as is stated in Section 60.3 of Chapter 7 of the *Medicare Benefit Policy Manual*, if a beneficiary is enrolled only in Part B and is qualified for the Medicare home health benefit, then all of the home health services are financed under Part B. Thus, for most Part B-only plans, the Medicare-covered proportion of home health services (line c) will be 100 percent.

## APPENDIX D – MEDICARE ADVANTAGE PRODUCTS AVAILABLE TO GROUPS

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### **(EMPLOYER GROUPS AND UNION GROUPS)**

Organizations have two options for offering Medicare Advantage (MA) products to members of employer and union groups: individual-market plans and employer-only or union-only group waiver plans (that is, EGWP or “800-series” plans).

#### **Individual-Market Plans (“Mixed Enrollment” plans)**

Essentially, MA organizations may either offer their individual-market products without modification or they may tailor the products to specific employer and union groups through two types of allowable customization: “actuarial swapping” or “actuarial equivalence.”

##### ***Actuarial Swaps***

If you are requesting the actuarial swapping category of customization, identify in the supporting documentation both the benefits that might be swapped during negotiations with employers and/or unions and the MA plan covering those benefits. Only supplemental benefits not covered under original Medicare are eligible for actuarial swapping, and only those benefits in your bids that are candidates for swaps need to be identified. When you make specific swaps in negotiations with employers or unions, you can do so in the context of the CMS general approval of your candidates, without obtaining further approval from CMS for the actual swaps.

##### ***Actuarial Equivalence***

If you request the actuarial equivalence category of customization allowable for employer and union groups, provide the following information as supporting documentation:

- The cost-sharing amounts you intend to change and the MA plan containing the cost sharing.
- Any modification to the premium you will charge.
- Any improvement in the benefit related to the changed cost sharing.

Unlike the actuarial swapping flexibility, this customization can apply to both covered and non-covered Medicare benefits.

Please retain in your files a package of documents with computations supporting the proposed changes under these two types of allowable customization. Do not include those packages of documents in the backup material that you submit to CMS.

#### **Employer-Only or Union-Only Group Waiver Plans (EGWPs)**

The MMA gives employers and unions multiple options for providing Medicare coverage to their Medicare-eligible active employees and retirees. Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), those options include making special

arrangements with MA organizations to purchase customized benefits for their active employees and retirees or contracting directly with CMS to sponsor a MA plan.

Under section 1857(i) of the Social Security Act (SSA), CMS may waive or modify requirements for the kinds of arrangements that “hinder the design of, the offering of, or the enrollment in” these employer or union-only sponsored group plans. CMS may exercise its statutory waiver authority for two basic types of MA plan entities: (i) MA organizations that offer or administer employer/union-only sponsored group waiver plans (“EGWPs” or “employer-only group plans”); and (ii) employers/unions that directly contract with CMS to themselves offer an employer/union-only sponsored group waiver plan (“Direct Contract” EGWPs).

CMS has issued guidance waiving or modifying a number of requirements for these entities. CMS waiver guidance is located at TBD.

Also see Chapter 9 of the *Medicare Managed Care Manual* (MMCM), which can be found at:

<http://www.cms.hhs.gov/Manuals/IOM/itemdetail.asp?filterType=none&filterByDID=-99&sortByDID=1&sortOrder=ascending&itemID=CMS019326> .

As described in Chapter 9 of the MMCM, organizations may offer MA plans that are available only to employer and union groups. These plans must follow all MA bidding requirements, except those that are specifically waived per Chapter 9 of the MMCM.

Following are some of the key features to be reflected in employer-only group bids:

- The pricing in the bid must reflect the expected underwriting assumptions for all groups, in aggregate.
  - Each employer-only group bid must reflect the composite characteristics of the individuals expected to enroll in the plan for the contract year. These characteristics include, but are not limited to, the following: risk scores, geographical distribution of enrollees, non-benefit expenses, and gain/loss margins.
  - Projected enrollment within the plan’s service area must be consistent with the location of employer groups.
- The cost sharing priced in Worksheet 3 must correspond to that contained in the PBP.
  - The PBP can be prepared using either the expected composite benefit plan or the Medicare fee-for-service benefit provisions.
  - If the PBP reflects Medicare fee-for-service benefits and an MA rebate is generated, then the user may enter the PMPM value of the medical costs associated with these additional “unspecified” benefits in Worksheet 4, Section IV.
- Generally, CMS expects that actuarial and financial assumptions supporting each employer-only group bid would bear a reasonable relationship to corresponding individual-market products offered by the organization. Significant differences between corresponding employer-only group and individual-market products (such as the relationship of the bid to the benchmark) must be based on actual credible experience. Organizations must provide documentation in support of differences in actuarial/financial assumptions between the corresponding products.

- There is no requirement to charge the filed MA basic and supplemental premium to each employer or union group that enrolls in the plan. However, the average premium charged, weighted by enrollees, across all groups enrolled in the plan must correspond to (that is, be consistent with) the filed premium. This rule on premiums does not apply when the Medicare fee-for-service bidding approach is utilized, since these filed plans, and resulting premiums, are not an accurate depiction of what is actually being offered to employer/union groups.
- Following are the guidelines for rebates:
  - Similar to CMS' payment on behalf of beneficiaries enrolled in individual-market plans, a uniform rebate amount will be paid by CMS on behalf of each individual enrolled in an employer-only group plan.
  - The allocation of rebates may vary from employer to employer within the employer-only group plan. (The bid form contains one allocation.)
  - Employer-only group bids cannot reflect an allocation of rebates to the Part D basic premium or the Part D supplemental premium. However, plans may, in fact, allocate rebates to the Part D premium when negotiating with employer/union groups.
  - Part B premium buydowns (that is, rebate allocation) must be the same for all enrollees within the same employer-only group plan.
  - Consistent with individual-market bids, rebates allocated to reduce members' Part B premium will be transferred to the Social Security Administration, not the MA organization.
  - All groups enrolled in an employer-only plan with supplemental A/B rebates (both reduction in A/B cost sharing and additional benefits) must receive supplemental benefits equal to the amount of the A/B rebate allocation. However, A/B supplemental benefits provided to each employer may be customized. Further, MA organizations may use the field in Worksheet 4, Section IV, line 1, "PMPM for additional/unspecified MS benefits," to account for A/B supplemental benefits that are likely to be customized.
  - All rebates must be accounted for and must be used only for the purposes provided for in law. Documentation that supports the use of all of the rebates on a detailed basis must be retained by the employer-only group plan.

For regional PPO EGWP plans, the initial June bid submission contains an estimated MA premium. The actual MA premium will not be known until August, when the regional benchmarks are calculated by CMS. Note that after the MA regional benchmarks are released by CMS, all regional MA plan sponsors will be required to resubmit the MA BPTs in order to reflect the actual plan bid component (in Worksheet 5, cell M17). Regional MA plans may need to reallocate rebates accordingly. Note that this requirement also applies to EGWP regional MA plans (that is, all EGWP RPPOs will be required to resubmit the MA BPTs in August after the announcement of the regional MA benchmarks).

Please refer to the announcement released via HPMS on February 28, 2007 regarding the Part D EGWP bidding policy. Another announcement was released via HPMS on April 3, 2007 to clarify the bidding requirements for EGWP bids.



## **APPENDIX E – REBATE REALLOCATION AND PREMIUM ROUNDING**

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Organizations may resubmit bids in order to reallocate MA rebate dollars for certain plan bids after CMS publishes the Part D national average monthly bid amount, the Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, and the MA regional benchmarks.

Rebate reallocation is required for some MA plans, is permitted (but not required) for others, and is not permitted for certain plans, as indicated in this appendix. The rebate reallocation guidance applies to plans with all types of pricing arrangements, including risk sharing and global capitation, and to pricing assumptions that were developed as a percent of revenue.

CMS will announce the exact dates of the rebate reallocation period when the Part D and MA benchmarks are released.

In addition to reallocation guidance, this appendix provides premium rounding rules and describes the premium rounding that is permissible during rebate reallocation.

### **I. REBATE REALLOCATION RULES BY PLAN TYPE**

MA-PD plan sponsors may resubmit bids to reallocate rebates in order to return to the target Part D basic premium. Some MA-PD plans are required to reallocate rebates.

The target premium is communicated to CMS in the MA BPT in the initial June bid submission. The target may not be changed after initial submission.

MA-PD plan sponsors have two options for the target premium. They can set it equal to—

- The basic Part D premium net of rebates (that is, the amount displayed in line 7d of Worksheet 6, Section IIIC), or
- The low-income premium subsidy amount.

This choice is designated on line 10 of Worksheet 6 Section IIIC; it is called the “Plan Intention for target Part D basic premium.”

The target Part D basic premium concept does not apply to MA-only plans and EGWP plans, since these plans do not submit a Part D BPT.

All RPPO plans, including EGWPs, must resubmit during the rebate reallocation period, to reflect the published RPPO benchmarks within their bids.

The following tables summarize bid resubmission rules that apply during the rebate reallocation period for various plan types and rebate scenarios and show where examples can be found in this appendix. Additionally, the tables indicate if premium rounding is permitted during rebate reallocation.

**MA-PD Plans with MA Rebate Dollars in the Initial June Bid Submission**

Type of Plan	Rebate Scenario*	Rebate Reallocation Rules	Premium Rounding Rules	Example
Local (excluding EGWP)	Premium decreases below \$0	Required	Permitted	1
Local (excluding EGWP)	Premium decreases but is greater than \$0	Permitted	Permitted	2
Local (excluding EGWP)	Premium increases	Permitted	Permitted	3
RPPO		Required, to reflect the published MA regional benchmarks	Permitted	4

\* Impact on the Part D basic premium net of rebates (line 7D of Worksheet 6, Section IIIC) of reflecting the CMS published benchmarks.

**MA-PD Plans with No MA Rebate Dollars in the Initial June Bid Submission**

Type of Plan	Rebate Reallocation Rules	Premium Rounding Rules
Local	Not applicable	Permitted (excluding EGWP)
RPPO	Required, to reflect the published MA regional benchmarks	Permitted

**MA-Only Plans**

Type of Plan	Rebate Reallocation Rules	Premium Rounding Rules
Local	Not permitted; these plans are not affected by the Part D and MA regional benchmarks	Not permitted; premiums must reflect desired rounding in the initial June bid submission
RPPO	Required, to reflect the published MA regional benchmarks	Permitted

**II. REBATE REALLOCATION RULES AND EXAMPLES**

**A. Return to the Target Premium**

When rebates are reallocated, the Part D basic premium net of rebate must be returned to the target premium indicated in the initial June bid submission. CMS will not accept a partial return to the target premium, except in the following situation: the plan sponsor intends to return to the target premium, and the entire rebate has been reallocated to reduce the Part D basic premium, but the resulting premium is still greater than the target premium.

**B. Negative Part D Basic Premium Net of Rebate after Part D Benchmark Announcement**

If, after reflecting announced Part D benchmarks, the Part D basic premium net of rebate is less than zero, rebate reallocation is required.

The amount of rebate allocated to buy down the Part D basic premium cannot exceed the amount of the pre-rebate premium. Therefore, if the premium resulting from application of the national average monthly bid amount and the base beneficiary premium is negative, then the

“excess” rebate allocated to buy down the Part D basic premium must be reallocated to buy down the other premiums (the A/B mandatory supplemental premium, the Part D supplemental premium, and/or the Part B premium).

**Example 1.**

MA BPT Worksheet 6, Section IIIC, Line —	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation Resubmission
7a. Part D basic premium prior to rebates (rounded)	\$36	\$34	\$34
7c. MA rebates allocated to Part D basic premium (rounded)	\$36	\$36	\$34
7d. Part D basic premium	\$0	-\$2	\$0
10. Plan intention for target Part D basic premium	Premium amount displayed in line 7d	Not applicable	Not applicable

The required change is the shift from a \$36 to a \$34 rebate allocation to the Part D basic premium in order to return to the target premium of \$0. The “excess” \$2 is allocated to buy down other premiums.

**C. Part D Basic Premium Net of Rebate after Part D Benchmark Announcement Is Less than Target Part D Basic Premium, but Not Less than Zero**

Rebate reallocation to reduce the other premiums (A/B mandatory supplemental, Part B, and/or Part D supplemental) is optional if the Part D basic premium net of rebate is lower than the target Part D basic premium, but not less than zero. The MA organization has the following two options for rebate allocation:

- Leave the final Part D basic premium net of rebate unchanged (that is, at the level resulting from application of the national average monthly bid amount and the base beneficiary premium), or
- Reallocate rebate in order to return to the target Part D basic premium. The rebate may be reallocated to reduce other beneficiary premiums (A/B mandatory supplemental, Part B, and/or Part D supplemental).

Note: If the MA organization elects to allocate the “excess” rebate dollars to the other premiums, then the final Part D basic premium must equal the target premium. That is, a partial return to the target premium will not be accepted.

**Example 2.**

MA BPT Worksheet 6, Section IIIC, Line —	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation Option 1	Rebate Reallocation Option 2
7a. Part D basic premium prior to rebates (rounded)	\$35	\$30	\$30	\$30
7c. MA rebates allocated to Part D basic premium (rounded)	\$15	\$15	\$15	\$10
7d. Part D basic premium	\$20	\$15	\$15	\$20
10. Plan intention for target Part D basic premium	Premium amount displayed in line 7d	Not applicable	Not applicable	Not applicable

The MA organization has the following two options for rebate allocation:

- No rebate reallocation; leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$15. Resubmission is not necessary, or
- Reallocate \$5 of rebates to other premiums in order to return to the target Part D basic premium of \$20.

Note: If the MA organization does not want to leave the post-Part D benchmark announcement premium at \$15, only a return to \$20 is acceptable, not a partial return of, for example, \$18.

**D. Part D Basic Premium Net of Rebate after Part D Benchmark Announcement Is Greater than Target Part D Basic Premium**

Rebate reallocation from other premiums (A/B mandatory supplemental, Part B, and/or Part D supplemental) to the Part D basic premium in order to meet the target Part D basic premium is optional if the Part D basic beneficiary premium net of rebate is higher than the target premium (that is, the plan has insufficient rebates). The MA organization has the following two options for rebate allocation:

- Leave the final Part D basic premium net of rebate unchanged (that is, at the level resulting from application of the national average monthly bid amount and the base beneficiary premium), or
- Reallocate rebate that had been applied to the reduction of other premiums (A/B mandatory supplemental, Part B, and/or Part D supplemental) toward the Part D basic premium, in order to return to the target D basic premium. If the MA organization does elect to reallocate additional rebate dollars from other benefits, the final Part D basic premium must be the target premium except in the following situation: the plan sponsor intends to return to the target premium, and the entire rebate has been reallocated to reduce the Part D basic premium, but the resulting premium is still greater than the target premium.

**Example 3.**

MA BPT Worksheet 6, Section IIIC, Line —	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation Option 1	Rebate Reallocation Option 2
7a. Part D basic premium prior to rebates (rounded)	\$35	\$40	\$40	\$40
7c. MA rebates allocated to Part D basic premium (rounded)	\$15	\$15	\$15	\$20
7d. Part D basic premium	\$20	\$25	\$25	\$20
10. Plan intention for target Part D basic premium	Premium amount displayed in line 7d	Not applicable	Not applicable	Not applicable

The MA organization has the following two options for rebate allocation:

- No rebate reallocation; leave the Part D basic premium at the post-Part D benchmark announcement Part D basic premium of \$25. Resubmission is not necessary, or
- Reallocate \$5 of rebates from other premiums in order to return to the target Part D basic premium of \$20.

Note: If the MA organization does not want to leave the post-Part D benchmark announcement premium at \$25, only a return to \$20 is acceptable, not a partial return of, for example, \$23, unless \$23 is the result of allocating all rebates to the Part D basic premium.

**E. Increase or Decrease in RPPO Total Rebate Dollars**

Once CMS announces the MA regional benchmarks, there may be an increase or decrease in the total rebate dollars in a regional plan’s bid. The allocation of rebate dollars must be revised to reflect the new total rebate dollars.

**Example 4.**

MA BPT Worksheet 6	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation Option 1	Rebate Reallocation Option 2
Section, IIIB, line 1. Total MA rebate	\$55	\$53	\$53	\$53
Section, IIIB, lines 2-4 and 6. MA rebates allocated to benefits other than Part D basic premium	\$40	\$40	\$38	\$43
Section, IIIB, line 5. MA rebates allocated to Part D basic premium (rounded)	\$15	\$15	\$15	\$10
Section, IIIB, line 7. Total rebates allocated	\$55	\$55	\$53	\$53
Unallocated rebates	\$0	-\$2	\$0	\$0

MA BPT Worksheet 6	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation Option 1	Rebate Reallocation Option 2
Section, IIIC, line 7a. Part D basic premium prior to rebates (rounded)	\$35	\$30	\$30	\$30
Section, IIIC, line 7d. Part D basic premium net of rebates	\$20	\$15	\$15	\$20
Section, IIIC, line 10. Plan intention for target Part D basic premium	Premium amount displayed in line 7d	Not applicable	Not applicable	Not applicable

The MA organization has the following two options for rebate allocation:

- Leave the basic Part D premium net of rebate at the post-Part D benchmark announcement premium of \$15. Subtract \$2 of rebates that were allocated to other premiums such that the total rebates allocated equal the total rebates available, or
- Reduce the rebate allocation for the basic Part D premium by \$5 in order to return to the target Part D basic premium of \$20. Reallocate \$3 of rebates to other premiums in order to return to the target Part D basic premium of \$20.

**F. Every Plan Bid Must Allocate the Exact Amount of the Plan’s Total Rebate**

The exact amount of the plan’s total rebate must be allocated among the various options described above. MA organizations must account for all rebate dollars in a plan’s bid. Moreover, the amount of rebate allocated to each benefit (A/B mandatory supplemental, Part B, Part D) must not exceed the value of that benefit. For example, if the Part D supplemental premium is \$50, an MA organization may not allocate more than \$50 to buy down that premium. Rebate allocations to the Part B premium cannot exceed the estimated amount provided by CMS that is pre-populated in the bid pricing tool.

**G. Examples in which Target Part D Basic Premium Is the Low-Income Premium Subsidy Amount (LIPSA) (and the Plan Desires to Return to the Target)**

***Part D Basic Premium Net of Rebate after Part D Benchmark Announcement Is Less than LIPSA***

If the Part D basic premium net of rebate is lower than the LIPSA, and LIPSA is the target, then the MA organization may increase the Part D basic premium in order to reach the target LIPSA by —

- Reallocating rebates to reduce other beneficiary premiums (A/B mandatory supplemental, Part B, and/or Part D supplemental), and
- Adding A/B mandatory supplemental benefits, in accordance with this appendix, and reallocating rebates to reduce the premium for the newly added benefits.

Note: The final Part D basic premium must equal the target premium unless all of the rebates are allocated to the Part D basic premium and it is still less than the LIPSA.

**Example 5a1.**

MA BPT Worksheet 6, Section IIIC, Line —	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation
7a. Part D basic premium prior to rebates (rounded)	\$35	\$30	\$30
7c. MA rebates allocated to Part D basic premium (rounded)	\$15	\$15	\$12
7d. Part D basic premium	\$20	\$15	\$18
10. Plan intention for target Part D basic premium	LIPSA	Not applicable	Not applicable
LIPSA	Not applicable	\$18	\$18

The LIPSA is less than expected, and the Part D basic premium post-benchmark is less than the LIPSA. To return to the target LIPSA, the only option that the MA organization has is to reallocate rebates to other benefits/premiums.

**Example 5a2.**

MA BPT Worksheet 6, Section IIIC, Line —	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation
7a. Part D basic premium prior to rebates (rounded)	\$35	\$37	\$37
7c. MA rebates allocated to Part D basic premium (rounded)	\$15	\$15	\$14
7d. Part D basic premium	\$20	\$22	\$23
10. Plan intention for target Part D basic premium	LIPSA	Not applicable	Not applicable
LIPSA	Not applicable	\$23	\$23

The LIPSA is greater than expected, and the Part D basic premium post-benchmark is less than the LIPSA. To return to the target LIPSA, the only option the MA organization has is to reallocate rebates to other benefits/premiums.

**Example 5a3.**

MA BPT Worksheet 6, Section IIIC, Line —	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation
7a. Part D basic premium prior to rebates (rounded)	\$35.00	\$35.60	\$35.60
7c. MA rebates allocated to Part D basic premium (rounded)	\$15.00	\$15.00	\$0.00
7d. Part D basic premium	\$20.00	\$20.60	\$35.60
10. Plan intention for target Part D basic premium	LIPSA	Not applicable	Not applicable
LIPSA	Not applicable	\$36.00	\$36.00

The LIPSA is greater than expected, and the Part D basic premium post-benchmark is less than the LIPSA. Even after the MA organization reallocates the entire \$15 of rebates to other benefits/premiums, the \$35.60 Part D basic premium net of the reallocated rebates is still less than the LIPSA of \$36.

The MA organization could follow premium rounding rules to further increase the Part D basic premium to \$36.00.

***Part D Basic Premium Net of Rebate after Part D Benchmark Announcement Is Greater than LIPSA***

If the Part D basic premium net of rebate post-benchmark is greater than the LIPSA, then the MA organization may lower the Part D basic premium to the target LIPSA by reallocating the rebate to the Part D basic premium that was applied to buy down other premiums (A/B mandatory supplemental, Part B, and/or Part D supplemental). If the MA organization chooses to reallocate additional rebate dollars from other premiums, the final Part D basic premium must equal the LIPSA except in the following situation: the plan sponsor intends to return to the target premium, and the entire rebate has been reallocated to reduce the Part D basic premium, but the resulting premium is still greater than the LIPSA.



**Example 5b. (Similar to Example 3)**

MA BPT Worksheet 6, Section IIIC, Line —	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation
7a. Part D basic premium prior to rebates (rounded)	\$35	\$40	\$40
7c. MA rebates allocated to Part D basic premium (rounded)	\$15	\$15	\$25
7d. Part D basic premium	\$20	\$25	\$15
10. Plan intention for target Part D basic premium	LIPSA	Not applicable	Not applicable
LIPSA	Not applicable	\$15	\$15

The LIPSA is less than expected, and the Part D basic premium post-benchmark is greater than the LIPSA. To return to the target LIPSA, the only option the MA organization has is to reallocate rebates from other benefits/premiums to the Part D basic premium.

***Plans with No, or Insufficient, MA Rebates***

If a plan has no, or insufficient, MA rebates and has specified that the target is the LIPSA, but the plan's Part D basic premium post-benchmark is above the LIPSA, then the plan cannot return to the target premium. The plan cannot have a final Part D premium that is zero for the full-subsidy low-income beneficiaries.

**Example 5c.**

MA BPT Worksheet 6	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation
Section, IIIB, line 1. Total MA rebate	\$28.00	\$28.00	\$28.00
Section, IIIC, line 7a. Part D basic premium prior to rebates (rounded)	\$35.00	\$44.40	\$44.40
Section, IIIC, line 7c. MA rebates allocated to Part D basic premium (rounded)	\$15.00	\$15.00	\$28.00
Section, IIIC, line 7d. Part D basic premium	\$20.00	\$29.40	\$16.40
Section, IIIC, line 10. Plan intention for target Part D basic premium	LIPSA	Not applicable	Not applicable
LIPSA	Not applicable	\$15.00	\$15.00

The LIPSA is less than expected, and the Part D basic premium post-benchmark is greater than the LIPSA. Even after the MA organization reallocates all available \$28.00 of rebates to the Part D basic premium, the \$16.40 Part D basic premium net of the reallocated rebates is still greater than the LIPSA of \$15.00.

The MA organization could follow premium rounding rules to further reduce the Part D basic premium to \$16.00. In this case, the plan’s beneficiaries who are eligible for the full subsidy would pay a Part D basic premium of \$1.00.

**H. First-Time Allocation of Rebate Dollars to Part D Basic Premium during the Rebate Reallocation Period.**

In the June bid submission, an MA-PD plan with MA rebate dollars may have opted not to allocate any of the rebate to buying down the Part D basic premium. For these bids, if the Part D basic premium after application of the Part D national average monthly bid amount and the base beneficiary premium were to be higher than the target premium, CMS would allow a return to the plan’s target premium.

**Example 6.**

MA BPT Worksheet 6, Section IIIC, Line —	Initial June Bid Submission	After Release of Benchmark	Rebate Reallocation Option 1	Rebate Reallocation Option 2
7a. Part D basic premium prior to rebates (rounded)	\$10	\$15	\$15	\$15
7c. MA rebates allocated to Part D basic premium (rounded)	\$0	\$0	\$0	\$5
7d. Part D basic premium	\$10	\$15	\$15	\$10
10. Plan intention for target Part D basic premium	Premium amount displayed in line 7d	Not applicable	Not applicable	Not applicable

**III. ADDITIONAL REBATE REALLOCATION GUIDANCE**

**Changes Allowed to Funding of the Part D Basic and Supplemental Benefits**

During the rebate reallocation period, rebate dollars that are not used to reach the target premium for basic Part D coverage may be used to buy down the Part D supplemental premium. However, no modifications are allowed to the benefit design or pricing of the Part D basic benefit or the supplemental benefit offered under the “enhanced alternative” design. That is, this prohibition includes that no changes are permitted to the allowed costs, administrative costs, or gain/loss margin in the Part D basic and supplemental benefits.

**Changes Allowed to Funding of the A/B Mandatory Supplemental Benefits**

The A/B mandatory supplemental benefit includes additional items and services not covered by original Medicare and reductions in cost sharing for Part A/B items and services from levels actuarially equivalent to average cost sharing under original Medicare. CMS will not allow MA organizations to substantially redesign A/B mandatory supplemental benefits during the rebate reallocation period. CMS expects only marginal adjustments during this period and will evaluate material differences.

The value of the added or eliminated A/B mandatory supplemental benefit is required to match the amount of rebate that must be shifted to return to the Part D target premium. For a regional plan, the value of added benefits is required to match the net shift in total MA rebate dollars

due to an increase or decrease in those dollars after application of the regional benchmark and/or return to the Part D target premium. CMS will not allow the MA organization to eliminate one additional benefit and then add another additional benefit.

When the Part D basic premium net of rebate is lower than the target Part D basic premium after the Part D benchmark announcement, the MA organization could—

- Further buy down the initial A/B mandatory supplemental premium;
- Reduce plan cost sharing and then buy down the new A/B mandatory supplemental premium to the initial level; or
- Add new non-drug benefits (for example, vision) to the A/B mandatory supplemental benefit package and then buy down the new A/B mandatory supplemental premium to the initial level.

**Example 7.**

After application of the national average monthly bid amount and the base beneficiary premium, an MA-PD organization’s Part D basic premium net of rebates shifts from \$0 to -\$3. The MA organization is required to reallocate \$3 of rebates and may decide to buy down the cost of a benefit in the A/B mandatory supplemental package.

However, CMS will not allow the MA organization to accomplish rebate reallocation by moving \$15 out of A/B cost-sharing reductions and moving \$18 into an additional benefit. We would consider this to be a substantial redesign of the A/B mandatory supplemental benefit.

When the Part D basic premium net of rebate is greater than the target Part D basic premium after the Part D benchmark announcement, the MA organization could—

- Buy down less of the A/B mandatory supplemental premium; or
- Eliminate or reduce an A/B mandatory supplemental benefit (for example, provide an eye exam less frequently), and then buy down the new A/B mandatory supplemental premium to the initial level.

Similarly, to return a regional plan with a decrease in the total amount of rebate to the original premium, the MA organization could, for example, eliminate from the A/B mandatory supplemental benefit package the coverage of a non-Medicare covered item or service.

See the CY2010 Call Letter for additional guidance regarding benefit changes during rebate reallocation.

**Changes Allowed to the Part B Premium Reduction**

One use of rebate dollars allowed under 42 CFR §422.266 is reduction of the Part B premium. During the rebate reallocation period, rebate dollars may be shifted into or away from funding a reduction in the estimated Part B premium, under the reallocation rules described in other sections of this appendix. Note that the maximum amount of rebate that can be allocated to reduce the Part B premium is equal to the amount of the estimated Part B premium released by CMS in the BPT.

**Plans Required to Include Prescription Drug Coverage**

MA organizations must meet the 42 CFR §423.104(f) requirement on type of drug coverage offered by certain plans and must reallocate the rebate, if necessary, to meet this requirement.

In accordance with 42 CFR §423.104(f), MA organizations may not offer an MA coordinated care plan in an area unless that plan (or another MA plan offered by the same MA organization in the same service area) includes required prescription drug coverage.

Required prescription drug coverage is defined by 42 CFR §423.100 as MA-PD plan coverage of Part D drugs that is either —

- Basic prescription drug coverage (that is, defined standard coverage, actuarially equivalent standard coverage, or basic alternative coverage); or
- Enhanced alternative coverage with no beneficiary premium for the Part D supplemental benefit. An MA-PD plan must apply rebate dollars to reduce to zero the beneficiary premium for the Part D supplemental benefit.

MA organizations are required to comply with this rule. If necessary, MA organizations must reallocate rebate dollars from other benefits to achieve the required Part D supplemental benefit in the plan.

To restate: MA organizations offering coordinated care plans must offer in an area either (i) a basic-only Part D plan or (ii) a basic plus supplemental Part D plan for which the supplemental premium (net of rebates) equals zero. Failure to meet this requirement will result in the organization’s inability to offer a Part D benefit. In addition, MA organizations that offer coordinated care plans but that fail to offer a Part D benefit in an area will be unable to offer an MA benefit as well, under the rules of 42 C.F.R. §422.4(c).

**Non-Benefit Expenses and Gain/Loss Margins**

This guidance applies to all pricing arrangements and methodologies, including percent of revenue, risk sharing, and global capitation.

***Changes to A/B Mandatory Supplemental***

CMS will allow only the following minor changes to non-benefit expenses and gain/loss margin as a result of rebate reallocation:

- A change, if any, in non-benefit expenses related to the incremental change of A/B mandatory supplemental benefits.
- A small change in the gain/loss margin related to premium rounding (see premium rounding rules in this appendix).
- A small change resulting from the proportional allocation of non-benefit expenses and the gain/loss margin in the BPT.

***Changes to Medicare-Covered***

CMS will not allow modifications to the pricing of Medicare-covered benefits as a result of rebate reallocation. That is, the PMPM value of allowed costs, non-benefit expenses, and gain/loss margin may not change, with the following exception: CMS will allow small changes in non-benefit expenses and gain/loss margin resulting solely

from the proportional allocation of non-benefit expenses and the gain/loss margin in the BPT.

**Local MA Plan Segments**

The above rules on rebate reallocation apply to bids for local plan segments, with the following clarifications.

The MA plan’s health care benefit package must be the same across plan segments, though the package can be priced differently. MA basic and mandatory supplemental premiums and cost sharing may differ across the service areas for the segments.

Segmentation does not apply to the Part D benefit. The Part D prescription drug benefit must be uniform across a plan’s service area; it may not vary across segments. The amount of rebate allocated to buy down Part D premiums, the initial target Part D basic premium, and the final Part D basic beneficiary premium must be identical across the entire service areas.

**IV. RULES FOR ROUNDING PREMIUMS**

This section describes system requirements for rounded premiums and the circumstances in which the plan sponsor may round premiums in order to reach plan premium goals.

**Rule 1 – System Requirements Regarding Premiums and Rebates**

To comply with premium withhold system requirements, the BPTs round the following premiums to one decimal (that is, to the nearest dime): MA (the sum of basic plus mandatory supplemental), Part D basic, and Part D supplemental. No pennies are allowed.

Rebate dollars allocated to reduce the Part B and Part D premiums are rounded to one decimal.

Rebate dollars allocated to reduce the A/B mandatory supplemental premium are rounded to two decimal places.

Note: Prescription Drug Plans (PDPs) express their intention to round the Part D premium in the initial June bid submission, because the rebate reallocation period does not apply to PDPs. In the Part D bid pricing tool, PDPs are permitted to round their premiums to either the nearest \$0.10 or the nearest \$0.50.

**Rule 2 – Local MA-Only Plans**

For local MA-only plan bids, the plan premium submitted in the initial June bid submission is considered the final premium, as these bids are not affected by the Part D national average calculation or the MA regional plan benchmark calculations. Local MA-only plans will not be given an opportunity to round the premiums after the initial June bid submission. If a local MA-only plan sponsor wishes to offer a “whole-dollar” premium, the initial June bid submission must reflect a total premium that is rounded to the nearest dollar. The bid assumptions (such as gain/loss margin) must support the desired plan premium and the desired level of premium rounding.

**Rule 3 – Local MA-PD Plans (excluding EGWPs) and RPPOs**

Regional plans and local MA-PD plans (excluding local EGWPs) may participate in the rebate reallocation process. During rebate reallocation, MA organizations may round the total plan

premium to the nearest dollar (up or down) by slightly increasing or reducing the gain/loss margin in the MA bid, as long as the change in margin results in a total plan premium change of less than \$0.50. (The total plan premium is defined at 42 CFR §422.262(b) as the consolidated monthly premium consisting of some combination of the MA basic and mandatory supplemental premiums and the Part D basic and supplemental premiums.)

If the plan has rebate dollars, then the MA organization may make a small change in the gain/loss margin to result in an increase or decrease in rebate dollars of no more than \$0.50. Note that, in order to account for the proportional allocation of the total gain/loss margin to Medicare-covered and A/B mandatory supplemental in the BPT, and also to account for the 25-percent savings retained by Medicare, the total margin may change by slightly more than \$0.50. Specifically, the Medicare-covered margin (Worksheet 4, cell Q105) would be limited to a \$0.67 change, to result in a \$0.50 change in rebates ( $\$0.67 \times 75\% = \$0.50$ ).

If the plan A/B bid is equal to or greater than the A/B benchmark, the MA organization may make a small change in the gain/loss margin resulting in a premium increase or decrease of up to \$0.50.

#### **Examples of rounding.**

**Example (a).** An MA-PD plan has no premium for Medicare-covered or A/B mandatory supplemental benefits, and an initial basic Part D premium (target premium) of \$30. (This situation could occur if (i) the bid equals the benchmark, and no A/B mandatory supplemental benefits are offered, or (ii) the bid is less than the benchmark, and the plan has A/B mandatory supplemental benefits and applies rebates to reduce the A/B mandatory supplemental premium to zero.) If the post-Part D benchmark announcement total plan premium is \$30.42, the MA organization could round the plan premium to \$30.00 by generating \$0.42 of additional rebates to allocate to the basic Part D premium by slightly reducing the gain/loss margin for MA benefits. (The gain/loss margin for Part D benefits must not change.)

**Example (b1).** An MA-PD plan has no premium for Medicare-covered or A/B mandatory supplemental benefits, and an initial basic Part D premium (target premium) of \$30. (This situation could occur if (i) the bid equals the benchmark, and no A/B supplemental benefits are offered, or (ii) the plan applies rebates to reduce the A/B mandatory supplemental premium to zero.) If the post-Part D benchmark announcement bid results in a total plan premium of \$32.42, the MA organization could opt to generate \$0.42 of additional rebates to allocate to the basic Part D premium by making a slight reduction in the gain/loss margin for MA benefits that would result in a premium of \$32.00.

The MA organization could not use the rounding rules to adjust the premium to anything lower than \$32. For example, the organization could not round to a combined premium of \$30 by reducing the gain/loss margin to result in a premium change of \$2.42. To return to the premium of \$30, the MA organization would have to engage in rebate reallocation. See earlier sections of this appendix for guidance on rebate reallocation.

**Example (b2).** An MA-PD plan has A/B mandatory supplemental benefits, an initial basic Part D premium (target premium) of \$30, and a total plan premium of \$70.00. If

the post-Part D benchmark announcement bid results in a basic Part D premium of \$28.55 and a total plan premium of \$68.55, the MA organization could opt to make a slight change in the gain/loss margin for MA benefits in order to achieve a \$0.45 increase in premium for A/B mandatory supplemental benefits, resulting in a total plan premium of \$69.00.

The MA organization could not use the rounding rules to adjust the premium to anything higher than \$69. For example, the organization could not round to a combined premium of \$70 by increasing the gain/loss margin to result in a premium change of \$1.45. To return to the target premium of \$30, the MA organization would have to engage in rebate reallocation. See earlier sections of this appendix for guidance on rebate reallocation.

**Example (c).** An MA-PD plan has no rebates and an initial total plan premium of \$25. The post-Part D benchmark announcement total plan premium is \$26.52. The MA organization could round the plan premium to the nearest dollar (that is, \$27.00) by increasing the gain/loss margin to generate a \$0.48 MA premium.

**Example (d).** The target Part D basic premium is the low-income premium subsidy amount. After the Part D national average monthly bid amount is calculated, the Part D basic premium is \$32.00, and the low-income premium subsidy amount is \$31.60. The plan has the following three options:

**Option 1.** The plan can maintain its Part D basic premium of \$32.00. The plan's beneficiaries eligible for the full subsidy will pay a Part D basic premium of \$0.40.

**Option 2.** The MA-PD plan can reallocate \$.40 of the rebates that were allocated to the A/B mandatory supplemental premium to its Part D basic premium, thus reducing the premium to the low-income premium subsidy amount of \$31.60. To account for the reduction in rebates applied to the A/B mandatory supplemental premium, the MA-PD plan may either increase its A/B mandatory supplemental premium by \$0.40 or reduce its gain/loss margin appropriately to eliminate the premium increase. Enrollees not eligible for the low-income subsidy would pay a Part D basic premium of \$31.60.

**Option 3.** In order to be able to offer a rounded Part D basic premium to enrollees not eligible for the low-income subsidy, MA-PD plans are permitted in this situation to reallocate A/B mandatory supplemental rebates to reduce their Part D basic premium to the nearest whole-dollar amount below the regional low-income premium subsidy amount. Therefore, the MA-PD plan can reallocate \$1.00 of its A/B mandatory supplemental rebates to its Part D basic premium, reducing the Part D basic premium to \$31.00, which is the nearest whole-dollar amount below the regional low-income premium subsidy amount of \$31.60. To account for the reduction in A/B mandatory supplemental rebates applied to MA, the MA-PD plan must increase its A/B mandatory supplemental premium by \$1.00 and cannot offset the reduction by a change in the gain/loss margin. Please note that in this option, the MA-PD plan forgoes \$0.60 in potential low-income premium subsidy dollars per each beneficiary eligible for the full subsidy.

**Example (e).** The target Part D basic premium is the LIPSA. After the Part D national average monthly bid amount is calculated, the low-income premium subsidy amount is \$31.76. Since Part D premiums must be rounded to the nearest dime (that is, one decimal), it is acceptable for the plan to round the Part D basic premium to \$31.70 or to \$31.80, as follows:

**Option 1.** If the plan were to round the Part D basic premium to \$31.70, then it would receive \$31.70 as the 100-percent subsidy. The plan's beneficiaries eligible for the full subsidy would not pay a Part D basic premium, since the premium is lower than the LIPSA.

**Option 2.** If the plan were to round the Part D basic premium to \$31.80, then it would receive \$31.80 as the 100 percent subsidy. In this case, the plan's beneficiaries eligible for the full subsidy would not pay a Part D basic premium, since the \$0.04 difference (that is, \$31.80 less \$31.76) rounds to zero when the premiums are rounded to one decimal.

**Example (f).** An MA-PD plan has three segments, with MA premiums of \$51, \$76, and \$110. The Part D basic premium after the benchmark announcement is \$37.90. To ultimately achieve whole-dollar total plan premiums, the MA organization could increase the MA gain/loss margin requirements to increase each MA premium by \$0.10. When added to the \$37.90 Part D premium, the total plan premium for each segment becomes a whole-dollar amount: \$89, \$114, and \$148.

**Example (g).** The initial June bid submission for a local MA-only plan includes a \$0 basic MA premium and a \$61.30 mandatory supplemental MA premium. The plan sponsor would like to offer a whole-dollar premium to the plan's enrollees. Before submitting the initial BPT to CMS (via HPMS upload), the actuary would slightly revise the gain/loss margin to accomplish the rounded premium. For example, the actuary could reduce the gain/loss margin by \$0.30 to achieve the \$61.00 rounded premium. This adjustment must be completed before the BPT is submitted to CMS in early June. Plan sponsors are not allowed to make significant changes to the BPT in order to round premiums. Local MA-only plans do not participate in rebate reallocation.

## V. SUMMARY OF CONSIDERATIONS FOR REBATE REALLOCATION RESUBMISSIONS

When preparing resubmissions during the rebate reallocation period, plans should review the following considerations:

- All RPPOs (including EGWPs) must resubmit during the rebate reallocation period, in order to reflect the published regional MA benchmarks.
- If the national average monthly bid amount (NAMBA) and base beneficiary premium (BBP) result in a Part D basic premium that is lower than the rebates allocated to Part D basic, then the bid must be resubmitted.
- When resubmitting bids during the rebate reallocation period, plans must update the NAMBA and BBP in the Part D BPT.
- The Part D bid must be unchanged.
- The Part D basic premium net of rebates must equal the target.



## APPENDIX E

- If the LIPSA is targeted, the resubmitted Part D basic premium net of rebates must be equal to the plan's LIPSA (rounded to the nearest dime or rounded down to the nearest dollar).
- The "plan's intention for the target premium" in the MA BPT must be unchanged.
- Changes to MA pricing assumptions (benefit/non-benefit /gain/loss) must be consistent with these instructions.

## APPENDIX F – SUGGESTED MAPPING OF MA PBP CATEGORIES TO BPT CATEGORIES

The Medicare Advantage (MA) Bid Pricing Tool (BPT) contains benefit categories that do not correlate line-by-line with the MA Plan Benefit Package (PBP). The BPT was developed to include a reasonable number of benefit categories for pricing purposes and to provide benefit groupings that are consistent with organizations' accounting and claims systems.

The chart below provides a suggested mapping of the PBP and BPT benefit categories. This mapping is not intended to represent the only method of reporting benefits in the BPT; rather, it contains one suggested method that may be used. Other reasonable mappings may also be used at the actuary's discretion, though supporting documentation is required for mappings different from the one in this appendix (see Appendix B for more details). The cost sharing reported on Worksheet 3 must clearly identify which PBP benefit service categories are priced in each of the BPT service categories (see Worksheet 3 instructions for more details).

HPMS contains a "Medicare Benefit Description Report" with further information regarding the PBP service categories. In addition, the *Medicare Managed Care Manual* may be a helpful resource regarding benefit design.

PBP line #	PBP Service Category	BPT line #	Corresponding BPT Service Category: Description/Note (Worksheet 3)
1a	Inpatient Hospital - Acute	a1	Inpatient Facility: Acute
1b	Inpatient Psychiatric Hospital/Facility	a2	Inpatient Facility: Mental Health
2	Skilled Nursing Services	b	Skilled Nursing Facility
3	Comprehensive Outpatient Rehabilitation Facility (CORF)	h5	Outpatient Facility - Other: Other
4a	Emergency Care/Post Stabilization Care	f	Outpatient Facility - Emergency
4b	Urgently Needed Services	f	Outpatient Facility - Emergency
5	Partial Hospitalization	h3 h5	OP Facility - Other: Observation; or OP Facility - Other: Other
6	Home Health Services	c	Home Health
7a	Primary Care Physician Services	i1	Professional: PCP
7b	Chiropractic Services	i2 i6	Professional: Specialist excl. MH; or Professional: Other
7c	Independent Occupational Therapy Services	i4	Professional: Therapy (PT/OT/ST)
7d	Physician Specialist Services Excluding Psychiatric Services (exclude Radiology)	i2 i6	Professional: Specialist excl. MH; or Professional: Other
7d	Physician Specialist Services Excluding Psychiatric (Radiology only)	i5	Professional: Radiology
7e	Mental Health Specialty Services - Non-Physician	i3	Professional: Mental Health
7f	Podiatry Services	i2 i6	Professional: Specialist excl. MH; or Professional: Other
7g	Other Health Care Professional Services	i2 i6	Professional: Specialist excl. MH; or Professional: Other
7h	Psychiatric Services	i3	Professional: Mental Health

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PBP line #	PBP Service Category	BPT line #	Corresponding BPT Service Category: Description/Note (Worksheet 3)
7i	Physical/Speech Therapy	i4	Professional: Therapy (PT/OT/ST)
8a	OP Diagnostic Procedures and tests and Lab Services	h1	OP Facility - Other: Lab
8b	OP Diagnostic and Therapeutic Radiological Services	h2	OP Facility - Other: Radiology
9a	Outpatient Hospital Services	g or h	OP Facility - Surgery; or OP - Facility - Other (all sub-categories)
9b	Ambulatory Surgical Center (ASC) Services	g	OP Facility - Surgery
9c	Outpatient Substance Abuse Services	h5	OP Facility - Other: Other
9d	Cardiac Rehabilitation Services	h5	OP Facility - Other: Other
10a	Ambulance	d	Ambulance
10b	Transportation	l	Transportation (Non-Covered)
11a	Durable Medical Equipment (DME)	e1	DME/Prosthetics/Supplies: DME
11b	Prosthetics/Medical Supplies	e2	DME/Prosthetics/Supplies: Prosthetics/Supplies
11c	Diabetes Monitoring Supplies	e2	DME/Prosthetics/Supplies: Prosthetics/Supplies
12	Renal Dialysis	h5	OP Facility - Other: Renal Dialysis
13a	Blood	k	Other Medicare Part B
13b	Acupuncture	r	Other Non-Covered
13c	Over-the-counter Rx	r	Other Non-Covered
13d	Meal Benefit	r	Other Non-Covered
13e	Other	r	Other Non-Covered
14a	Health Education/Wellness Programs	q or k	Health & Education (Non-Covered); or Other Medicare Part B
14b	Immunizations	i1	Professional: PCP
14c	(Routine) Physical Exams	i1	Professional: PCP
14d	Pap Smears and Pelvic Exams Screening	i1, i2 or i6	Professional: PCP; Professional: Specialist excluding MH; or Professional: Other
14e	Prostate Cancer Screening		
14f	Colorectal Screening		
14g	Bone Mass Measurement		
14h	Mammography Screening		
14i	Diabetes Monitoring		
14j	Nutritional Training (diabetes and renal disease)		
15	Medicare Part B Drugs	j	Part B Rx
16a	Preventive Services (Prophylaxis (cleaning), Fluoride Treatment, Dental X-Rays, Oral Exams)	m	Dental (Non-Covered)
16b	Comprehensive Services (Emergency, Diagnostic, Restorative, Endodontics/Periodontics /Extractions, Prosthodontics, Other Oral/Maxillofacial Surgery, Other Services)	m	Dental (Non-Covered)

**APPENDIX F**

PBP line #	PBP Service Category	BPT line #	Corresponding BPT Service Category: Description/Note (Worksheet 3)
17a	Eye Exams	n1	Vision (Non-Covered): Professional
17b	Eye Wear	n2	Vision (Non-Covered): Hardware
18a	Hearing Exams	o1	Hearing (Non-Covered): Professional
18b	Hearing Aids	o2	Hearing (Non-Covered): Hardware

## APPENDIX G – MEDICAL SAVINGS ACCOUNT BPT

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This appendix provides guidance in completing the Medical Savings Account Bid Pricing Tool for Medical Savings Account (MSA) and Medical Savings Account Demonstration (MSA Demo) plans offered to Medicare beneficiaries. Any reference to MSA plans also pertains to MSA Demo plans unless otherwise noted. This appendix highlights only the differences between the MSA BPT and the MA BPT.

The MSA bid form is organized as outlined below:

Worksheet 1 - MSA Base Period Experience and Projection Assumptions

Worksheet 2 - MSA Total Projected Allowed Costs PMPM

Worksheet 3 - MSA Benchmark PMPM

Worksheet 4 - Enrollee Deposit and Plan Payment PMPM

Worksheet 5 - Optional Supplemental Benefits

### WORKSHEET 1 - MSA BASE PERIOD EXPERIENCE AND PROJECTION ASSUMPTIONS (CORRESPONDING TO MA WORKSHEET 1)

#### SECTION I - GENERAL INFORMATION

##### Line 7 - Plan Type

Enter either MSA or MSA Demo.

##### Line 8 – Deductible Amount

Enter the deductible amount that each beneficiary will pay for Medicare-covered benefits. The maximum deductible for CY2011 for both MSA and MSA Demo plans is \$TBD. The minimum deductible amounts for CY2011 for MSA and MSA Demo plans are \$TBD and \$TBD, respectively.

##### Line 9 – Enrollee Type

This cell is pre-populated with “A/B”.

#### SECTIONS II, III, IV, AND V

Base period data in Sections II, III, IV, and V must include only Medicare-covered medical expenses.

### WORKSHEET 2 – MSA TOTAL PROJECTED ALLOWED COSTS PMPM (CORRESPONDING TO MA WORKSHEET 2)

#### SECTION II – PROJECTED ALLOWED COSTS

Data in Section II must include only Medicare-covered medical expenses.

**WORKSHEET 3 – MSA BENCHMARK PMPM (CORRESPONDING TO MA WORKSHEET 5)**

Follow the instructions for MA Worksheets 5 and 6 for the appropriate inputs.

**WORKSHEET 4 – ENROLLEE DEPOSIT AND PLAN PAYMENT (NO CORRESPONDING MA WORKSHEET)**

This worksheet calculates the MSA monthly plan revenue requirement and enrollee deposit. Consistent with other MSA worksheets, information provided on Worksheet 4 must exclude ESRD enrollees.

**SECTION II – DEVELOPMENT OF CLAIM INFORMATION INTERVALS**

**Column c – Annual Projected Claim Interval**

The column is pre-populated with annual projected claim intervals.

**Column d – Annual Average Claim Amount**

Enter the annual average claim amount paid in each claim interval.

**Column e – Percentage of Member Months (Use Only the Highest Claim Interval)**

Allocate the total projected member months to the highest claim interval expected by percentage.

For example, if 20 percent of the member months are expected to incur annual claims of \$11,500, and 10 percent are expected to incur annual claims of \$4,400, then put 20 percent only in the interval containing \$11,500 and 10 percent only in the interval containing \$4,400. The sum of column e must equal 100 percent.

**Column f – Gross Claims (PMPM)**

This column calculates total allowed Medicare-covered claims on a PMPM basis for each claim interval. No entry is required. The sum of column f must equal the total Medicare-covered medical expenses shown in column o of Worksheet 2.

**Column g – Gross Claims over Deductible (PMPM)**

Enter the total allowed Medicare-covered claims on a PMPM basis over the deductible for each claim interval expected to be paid by the MSA plan. Enter zero (0) for claim intervals below the deductible.

**Cell G32 (MSA Demo Only) – Services Covered within the Deductible**

Input the PMPM value of services that the plan is expected to cover within the deductible.

**Cell G33 (MSA Demo Only) – Cost-Sharing Offset over the Deductible**

Input the PMPM value of beneficiary cost sharing over the deductible.

**SECTION III – DEVELOPMENT OF SUMMARY INFORMATION****Line a – Medicare-Covered Plan Medical Expenses PMPM**

This cell displays the sum of column g of Section II (plus cell G32 less cell G33 for MSA Demos).

**Line b – Non-Benefit Expenses**

Enter the non-benefit expense information. Please refer to the “Pricing Considerations” section of these instructions for further guidance.

Do not leave a field blank to indicate a zero amount. If zero is the intended value, enter a 0 in the cell.

**Line c – Gain/Loss Margin**

Input the projected PMPM for the gain/loss margin for Medicare-covered services provided. Please refer to the “Pricing Considerations” section of these instructions for further guidance.

Do not leave a field blank to indicate a zero amount. If zero is the intended value, enter a 0 in the cell.

**Line d – Total Plan Revenue Requirement**

This cell is calculated automatically as the sum of projected Medicare-covered medical expense, non-benefit expense, and gain/loss margin.

**Line e – Projected Plan Benchmark**

This cell displays the value from Section III, column h, line 1 of Worksheet 3—the weighted average for the service area of the risk-adjusted ratebook values.

**Line f – Projected Monthly Enrollee Deposit**

This cell calculates the monthly enrollee deposit by subtracting the total plan revenue requirement from the projected plan benchmark. For CY2011, the deductible must exceed, by at least \$1,000, the annual deposit into the enrollee’s savings account (MSA Demo only).

**Line g – Percent of Plan Revenue Ratios**

These cells calculate the ratio of medical expense, non-benefit expense, and gain/loss margin as a percentage of revenue.

**Line h – Standardized Plan Benchmark**

This cell displays the value from Section III, column g, line 1 of Worksheet 3—the weighted average for the service area of the unadjusted ratebook values.

**WORKSHEET 5 – OPTIONAL SUPPLEMENTAL BENEFITS (CORRESPONDING TO MA WORKSHEET 7)**

Follow the instructions for MA Worksheet 7 for the appropriate inputs.

**APPENDIX H – DE# SUMMARY**

**Medicaid Eligibility Data**

The HPMS beneficiary-level files for the July 2009 cohort include a Medicaid status code, which indicates the Medicaid eligibility status of the beneficiary as reported by the respective state Medicaid agency. The codes are shown in the table below. For descriptions of the dual-eligible beneficiary categories, and the types of Medicaid benefits to which these beneficiaries they are entitled, see [http://www.cms.hhs.gov/DualEligible/02\\_DualEligibleCategories.asp](http://www.cms.hhs.gov/DualEligible/02_DualEligibleCategories.asp).

Medicaid Status Code	Medicaid State-Reported Code (Dual-Eligible Category)
01	QMB only
02	QMB + full Medicaid benefits
03	SLMB only
04	SLMB + full Medicaid benefits
05	QDWI (Qualified Disabled and Working Individual)
06	QI (Qualified Individual)
08	Full-benefit dual-eligibles who do not have QMB or SLMB status
09	Other dual-eligibles without full Medicaid benefits, for example, Pharmacy Plus and 1115 drug-only demonstrations
99	Unknown, including Medicaid eligibles reported by plans and territories
Blank	Non-Medicaid

**Classifying Dual-Eligible Data**

The HPMS plan-level data and beneficiary-level files for the July 2009 cohort include a Medicaid grouping indicator as shown in the table below. This table illustrates how the data for dual-eligible beneficiaries are classified as DE# or non-DE#. The certifying actuary must consider the Medicaid cost-sharing policy for the states or territories in the plan’s service area when determining which beneficiaries in Medicaid grouping B are in the DE# population.

Medicaid Grouping	Dual Eligible	Category of Dual Eligible	Medicaid Status Code	Medicare Cost-Sharing Liability	DE# Status
A	Dual	QMB and QMB+	01, 02	None	DE#
B	Dual	Other Medicaid	03, 04, 05, 06, 08, 09, 99	Reduced (as determined by the certifying actuary)	DE#
B	Dual	Other Medicaid	03, 04, 05, 06, 08, 09, 99	Full (as determined by the certifying actuary)	Non-DE#
C	Non-dual	Non-Medicaid	Blank	Full	Non-DE#

The following table outlines the requirements for classifying dual-eligible beneficiaries that are not QMB or QMB+ (that is, Medicaid Indicator B: Other Medicaid) as DE# or non-DE# based on the HPMS enrollment data for the July cohort. The percentages in the table below represent the number of total dual-eligible beneficiaries relative to total members.



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Medicaid Grouping/Status Code	Condition	DE# Determination for Base Period Data
A: 01, 02	None	DE#
B: 03, 04, 05, 06, 08, 09, 99	<10% total dual-eligible beneficiaries	May consider as non-DE# or determine actual DE# percentage
B: 03, 04, 05, 06, 08, 09, 99	10% to 100% total dual-eligible beneficiaries	Must determine actual DE# percentage
N/A	All members are enrolled after July 2009	Must determine actual DE# percentage
C: Blank	None	Non-DE#

**Reporting Base Period Data**

The user must separately enter total and non-DE# base period member months and risk scores, including zero values.

**Other BPT Values**

The percentages in the headings of the following table represent the number of DE# projected member months relative to total projected member months.

If the value for the DE# projected member months or for the non-DE# projected member months equals zero, then the user must enter projected allowed costs for the non-DE# beneficiaries (column p) and for the DE# beneficiaries (column q) equal to the projected allowed costs for the total population (column o).

If the value for the DE# projected member months is less than 10 percent, or greater than 90 percent of the total projected member months (excluding ESRD), then the user may, at the discretion of the certifying actuary, enter—

- Non-DE# projected allowed costs (column p) equal to the projected allowed costs for the total population (column o); and
- DE# projected allowed costs (column q) equal to the projected allowed costs for the total population (column o).

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The following table outlines the determination of certain BPT values in the situation above when the certifying actuary chooses to set the projected DE#, non-DE#, and total allowed costs all equal.

BPT Area	Input Item	Condition	<10% DE#	>90% DE#	10% to 90% DE#
WS3	In-network utilization	<u>Equal</u> non-DE#, DE#, and total allowed costs	Enter non-DE# values	Enter total values	N/A
WS4 IIB	State Medicaid required beneficiary cost sharing (column k)	<u>Equal</u> non-DE#, DE#, and total allowed costs	Enter zero <sup>3</sup>	Enter amount <sup>4</sup>	N/A
WS5 II	Non-DE# risk factor	<u>Equal</u> non-DE#, DE#, and total allowed costs	Enter total values <sup>5</sup>	Enter zero	N/A

The next table summarizes the determination of certain BPT values when (i) the value for the DE# projected member months is less than 10 percent, or greater than 90 percent of the total projected member months (excluding ESRD) and the certifying actuary chooses to separately calculate DE# and non-DE# projected allowed costs; or (ii) the value for the DE# projected member months is between 10 percent and 90 percent inclusive of the total projected member months (excluding ESRD).

BPT Area	Input Item	Condition	Determination of BPT Values
WS3	In-network utilization	Unequal non-DE#, DE#, and total allowed costs	Enter distinct non-DE# values
WS4, IIB	State Medicaid required beneficiary cost sharing (column k)	Unequal non-DE#, DE#, and total allowed costs	Determine appropriate values (including zero)
WS5 II.	Non-DE# risk factor	Unequal non-DE#, DE#, and total allowed costs	Determine distinct non-DE# and DE# values

<sup>3</sup> Plus plan cost sharing for non-covered, non-Medicaid benefits.

<sup>4</sup> Plus plan cost sharing for non-covered, non-Medicaid benefits.

<sup>5</sup> In the special case where the value for the DE# projected member months is zero (and supported appropriately), the user must input non-DE# member months and risk factor equal to member months and risk factor for the total population.

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The table below outlines the determination of BPT values that is the same for all bids (that is, regardless of the percentage of DE# members).

BPT Area	Input Item	Condition	Determination of BPT Values
WS3	Cost-sharing values and description	None	Reflect PBP package
WS4, IIB	Plan cost sharing (column f)	None	Default to non-DE# ratio of plan cost sharing or override formulas
WS4, VI	DE# Medicaid data	None	Determine appropriate values
WS5, II	Non-DE# member months	None	Determine distinct non-DE# and DE# values <sup>6</sup>

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<sup>6</sup> In the special case where the value for the DE# projected member months is zero (and supported appropriately), the user must input non-DE# member months and risk factor equal to member months and risk factor for the total population.

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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 0938-0944. The time required to complete this information collection is estimated to average 5 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 comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.

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