

## **Attachment 5a - Description of Compensation Structure(s) Submission Requirements for MA and PDP Organizations Paying Compensation to Marketing Organizations**

### **Instructions**

For any MA or PDP organization that did not sell products through agents and brokers in any given year, such organization is not required to provide such information for such year. Nonetheless, every organization must provide 2009 information and information for the other years in which they participated in Medicare Advantage and the prescription drug programs.

- Submit Certification (Attachment 1a)
- Using Attachment 2a (or if your organization has the schedule(s) in a workbook, or some other format, you may submit that documentation in lieu of Attachment 2a)
  - o Organizations must submit each unique MA and PDP plan compensation structure where plans pay contracted marketing organizations (such as Field Marketing Organizations (FMOs)).
  - o Include all of the compensation structures for years 2006 through 2009.
  - o Each structure must be assigned a unique identifying number (include plan year as the first four digits in the ID number) and the structure must be clearly identified in the data submission with that number.
- For each compensation structure, complete the template Excel worksheet entitled "Contracting Org Info Sheet" in the Excel workbook "Covered Agent Information Sheet Workbook" (Attachment 3), and provide:
  - o The structure's unique identifying number;
  - o The marketing organization's name and address, and the phone number and email address for a contact at each marketing organization with whom you contract; and
  - o The number of agents affiliated with these marketing organizations that sell on behalf of your

organization and are covered by each compensation structure.

**Attachment 5b - Description of Compensation Structure Requirements for Writing Agents, Including Agents Paid Directly by MA and PDP Organization and Agents Paid by Marketing Organization(s) Contracted By Plans**

**Instructions**

For any MA or PDP organization that did not sell products through agents and brokers in any given year, such organization is not required to provide such information for such year. Nonetheless, every organization must provide 2009 information and information for the other years in which they participated in Medicare Advantage and the prescription drug programs.

When completing the required templates, for "initial" compensation in years 2006-2008, use the amount an agent was initially paid for enrolling a beneficiary in a plan.

This information collection includes: 1) compensation structures concerning payment to contracted marketing organizations; 2) compensation structures concerning payment directly to writing agents by the MA or PDP organization; and 3) compensation structures concerning payment directly to writing agents by those marketing organizations contracted by plans. Organizations must complete all applicable collections.

- Submit Certification (Attachment 1a) - (Plans providing compensation information for both their contracted marketing organizations and agent need only submit one Attachment 1a.)
- Submit Certification (Attachment 1b) - only if using Option One, described below, for determining 2009 compensations
- Using Attachment 2b (or if your organization has the schedule(s) in a workbook, or some other format, you may submit that documentation in lieu of Attachment 2b),
  - o Organizations must submit each unique compensation structure for writing agents (street level) selling their MA and PDP plans paid directly by the plan.

- o Organizations must submit each unique compensation structure for writing agents (street level) paid directly by the MA or PDP organization.
- o Organizations must also submit each unique compensation structure for writing agents (street level) paid by marketing organization(s) with which they contract.
- o Include each compensation structure for years 2006 through 2009.
- o Each structure must be assigned a unique identifying number and the structure must be clearly identified in the data submission with that number.
  - The first four digits of the ID should be the plan year
  - The fifth digit of the ID should be a "P" if the structure is paid directly by the plan and a "M" if the structure is paid by a marketing organization)
- For each compensation structure, complete the template Excel workbook worksheet entitled "Writing Agents (Plan Paid)" in the Excel workbook "Covered Agent Information Sheets Workbook", and provide:
  - o The unique identifying number and
  - o The number of agents covered by each compensation structure.

## **2009 Compensation Structures**

Note: For purposes of both of the options listed below for determining 2009 compensation structures, the "area" in which the plan is offered corresponds to whatever area the organization uses to determine any geographic adjustments to the amount paid. If the organization pays the same amount in each county, or MSA, or Statewide, that would be the area in question. For "initial" compensation in years 2006-2008, use the amount an agent was initially paid for enrolling a beneficiary in a plan.

- For each plan type in existence in 2006 for a given area, there are two options for determining 2009 compensation structures:

Option One -- Certify that the renewal rate for 2009 for that same plan type is 50% of the plan type's 2006 initial year compensation, adjusted for the following growth rates:

- For all MA products use the following rates: 2006-2007 4.59%; 2007-2008 6.34%; 2008-2009 3.74%;
- For all PDP products use the following rates: 2006-2007 6.86%; 2007-2008 6.19%; 2008-2009 5.97%;

or

Option Two -- Perform a market analysis of the 2006 and 2007 compensation structures for the same types of plans in that area. The plan type's 2009 renewal rate must be 50% of the market rate for initial compensation for that period, based on the market analysis to be commensurate with the "market" rates paid by all organizations in the area for an initial enrollment in the plan type in question during 2006 and 2007, also adjusted for the growth rates above. (Essentially, any rates in excess of what was paid by organizations in the area would have to be justified.) Based on the data we receive from MA and Part D contractors (including contractors that have elected to meet the requirement by Option One above) we will determine if the compensation structures are commensurate with fair market value.

- For contractors who did not offer plan types in 2006 in an area in which they will be offering plans in 2009, or did offer a plan of the type in question in 2006, but did not use agents and brokers to sell that product, those contractors must use Option Two above.
- If an organization was in existence in 2006 but did not offer a plan in a specific geographic area in which they now operate, they may utilize Option 1 by considering the 2006 compensation the organization paid for similar plan types in similar geographic areas.



## **Attachment 5c – Initial and Total Compensation Excel Workbook “Agent Compensation Information” (Attachment 4).**

### **Instructions**

For any MA or PDP organization that did not sell products through agents and brokers in any given year, such organization is not required to provide such information for such year. Nonetheless, every organization must provide 2009 information and information for the other years in which they participated in Medicare Advantage and the prescription drug programs.

In addition to the compensation structures requested in attachments 2a and 2b, each MA and PDP Parent Organization must submit a separate CMS template Excel workbook (Attachment 4 - Agent Compensation Information Workbook) that provides data on both the Initial and Life Compensations paid in 2006 – 2008, and the compensation schedule set for 2009. This information must be provided describing the compensation paid directly to writing agents (street level) by the plan; compensation paid directly to writing agents (street level) by marketing organizations contracted by the plan; and the compensation paid by the plan to the contracted marketing organizations.

### **Structure of Excel Workbook**

- The excel workbook is divided into separate worksheets for years 2006 through 2009. For each year, it is also divided into three worksheets:
  - o “Marketing Organizations” – Collects data on compensation paid by an MA or PDP Organization to an intermediary, such as a field marketing organization.
  - o “Writing Agents (Plan Paid)” - agents paid directly by the MA and PDP Organizations, and
  - o “Writing Agents (M.O. Paid) – agents paid directly by marketing organizations contracted by the plan

Finally, each worksheet for years 2006-2008 is also divided to include both initial compensation actually paid and total

compensation expected to be paid over the life of the compensation structure.

Years 2006-2008 Initial Compensation Actually Paid

- For each of the years 2006 through 2008, the following data must be provided for **initial** compensation actually paid under structures applying to payment in three situations. This information must be provided describing the compensation paid directly to writing agents (street level) by the plan; compensation paid directly to writing agents (street level) by marketing organizations contracted by the plan; and the compensation paid by the plan to the contracted marketing organizations:
  - - o Contract/pbp number.
    - o Number of beneficiaries -- This number is the number of beneficiaries enrolled in that contract/pbp in that year for which the compensation was paid.
    - o Minimum - This is a number calculated based on the initial compensation actually paid from the year's structure(s) with the lowest initial compensation for that contract/pbp. Minimum equals the total of all the initial compensation actually paid from such structure(s) divided by the number of beneficiaries whose enrollment was paid for under such structure(s).
    - o Maximum - This is a number calculated based on the initial compensation actually paid from the year's structure(s) with the highest initial compensation for that contract/pbp. Maximum equals the total of all the initial compensation actually paid from such structure(s) divided by the number of beneficiaries whose enrollment was paid for under such structure(s).
    - o Mean -- This is a number calculated based on the initial compensation actually paid from all the year's structure(s) applicable to that contract/pbp. Mean equals the total of all the initial compensation actually paid from all the structure(s) applicable to that contract/pbp, divided by the



number of beneficiaries whose enrollment was paid under such structure(s).

- o Median -- This is a number derived from calculating the initial compensation actually paid for each schedule applicable to that contract/pbp. The median is derived by arraying all the initial compensation values from low to high and selecting the midpoint value. If there are an even number of values, and, therefore, no midpoint value, calculate the median by averaging the two values closest to the midpoint.

Years 2006-2008 Total Compensation Expected to be Paid over Life of Compensation Structure

Note: when completing the required templates, for the "life cycle" compensation, enter the total amount an agent could potentially be paid if the beneficiary the agent helped enroll stays in that plan.

- For each of the years 2006 through 2008 the following data must be provided for **total** compensation actually paid over the life of the compensation structures applying to payment in three situations. This information must be provided describing the compensation paid directly to writing agents (street level) by the plan; compensation paid directly to writing agents (street level) by marketing organizations contracted by the plan; and the compensation paid by the plan to the contracted marketing organizations: :
  - o Contract/pbp number.
  - o Number of beneficiaries -- This number is the number of beneficiaries enrolled in that contract/pbp in that year for which compensation was paid.
  - o Minimum - This is a number calculated based on the total compensation expected to be paid from the year's structure(s) that have the lowest total compensation amount paid over the structure's life for that contract/pbp. Minimum equals the total of all the expected compensation to be paid over the life of the structure(s) divided by the number of beneficiaries whose enrollment in that year was initially paid for under such structure(s).

- o Maximum - This is a number calculated based on the total compensation expected to be paid from the year's structure(s) with the highest total compensation amount paid over the structure's life for that contract/pbp. Maximum equals the total of all the expected compensation to be paid over the structure(s) life divided by the number of beneficiaries whose enrollment in that year was initially paid for under such structure(s).
- o Mean -- This is a number calculated based on the total compensation expected to be paid over the structure's life represented by all of the year's structure(s) applicable to that contract/pbp. Mean equals the total of all the expected compensation to be paid over the life of all the structure(s) applicable to that contract/pbp, divided by the number of beneficiaries whose enrollment was initially paid under such structure(s) in that year.
- o Median -- This is a number derived from calculating the total compensation expected to be paid over the structure's life for each schedule applicable to that contract/pbp. The median is derived by arraying all the total compensation values from low to high and selecting the midpoint value. If there are an even number of values, and, therefore, no midpoint value, calculate the median by averaging the two values closest to the midpoint.

Year 2009 Initial and Renewal Year Compensation and Compensation Paid over the Life of the Structure - Contracted Marketing Organizations

For 2009, the following data must be provided for structures applying to payment to contracted marketing organizations (Worksheet: "2009 Marketing Orgs"):

- o Contract/pbp number - Provide each contract/pbp number in as many rows as there are compensation structures that apply to it.
- o Structure number - Provide each unique number identifying each compensation structure applicable to the contract/pbp number. (The structure number should match the structures submitted under Attachment 2a.)

- o Initial Compensation - Enter the amount to be paid to the contracted marketing organization for an initial enrollment.
- o Renewal Years - Enter the amount to be paid to the contracted marketing organization for renewal compensation. The spreadsheet has ten renewal years listed - complete as many renewal years as needed for life cycle structure. Do not delete columns - if no commission is paid in a renewal year listed on the spreadsheet enter a zero (0).
- o Number of Agents - Enter the number of agents contracted to sell under the compensation structure for that contract/pbp. (As of November 15, 2008)

Year 2009 Initial and Renewal Year Compensation and Compensation Paid over the Life of the Structure - Writing Agents (Paid by Plan and Paid by Marketing Organization)

- For 2009, the following data must be provided for structures applying to payment to agents and brokers paid directly by the MA and PDP organization (Worksheet: "2009 Writing Agents (Plan Paid)") and payment to agents and brokers paid by marketing organizations (Worksheet: "2009 Writing Agents (M.O. Paid)"):
  - o Contract/pbp number - Provide each contract/pbp number in as many rows as there are compensation structures that apply to it.
  - o Option One or Option Two: Plans should indicate "1" or "2" indicating which option they used for calculating the 2009 renewal compensation amount.
  - o Structure number - Provide each unique number identifying each compensation structure applicable to the contract/pbp number. (The structure number should match the structures submitted under Attachment 2b.)

- o Initial Compensation - Enter the amount to be paid for an initial enrollment. This amount should equal 200 percent of the annual renewal compensation amount.
- o Renewal Years 1 through 5 - Enter the renewal compensation amount to be paid in each of the years 1 through 5. This amount should be calculated in accordance with the instructions in Attachment 5b, under "2009 Compensation Structures", and should be the same for all renewal years.
- o Number of Agents - Enter the number of agents contracted to sell under the compensation structure for that contract/pbp. (As of November 15, 2008)

#### Other Instructions

- Complete the sheets exactly as requested. Plans must use the Excel format provided:
  - o The workbook should be at the Parent Organization level.
  - o Round to whole dollars, no punctuation, no decimal points.
  - o Put only one dollar amount in each cell.
  - o Insert "0" if the value is zero.
  - o If there are no data for a year, leave cell(s) blank.
  - o Do not modify the worksheets in any way.
  - o If the same values apply to multiple contract/PBPs, enter those amounts multiple times (separately for each contract/PDP).
- Save the file in Excel 2003 version.
  - o Use the naming convention "Attachment[insert Attachment number]\_Organization\_[insert additional

identifying information as necessary]”

- For those organizations using Option 1, submit the certification (Attachment 1b) by November 13, 2008. In addition, all organizations (including those organizations using Option 1) must submit all remaining data and certification 1a in a zip file to [MA\\_PDPSalesCompensation@cms.hhs.gov](mailto:MA_PDPSalesCompensation@cms.hhs.gov) no later than November 17, 2008.

#### **PRA Disclosure Statement**

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