

**Attachment B: Supporting Statement Part A**  
Bid Pricing Tool (BPT) for Medicare Advantage (MA) Plans and Prescription Drug Plans  
(PDP)  
CMS-10142, OMB 0938-0944

*Supporting Regulations Contained in 42 Code of Federal Regulation (CFR):*

422.250, 422.252, 422.254, 422.256, 422.258, 422.262, 422.264, 422.266, 422.270, 422.300,  
422.304, 422.306, 422.308, 422.310, 422.312, 422.314, 422.316, 422.318, 422.320, 422.322,  
422.324, 423.251, 423.258, 423.265, 423.272, 423.279, 423.286, 423.293, 423.301, 423.308,  
423.315, 423.322, 423.329, 423.336, 423.343, 423.346, 423.350

## **Background**

Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), and implementing regulations at 42 CFR, Medicare Advantage organizations (MAOs) and Prescription Drug Plans (PDPs) are required to submit an actuarial pricing “bid” for each plan offered to Medicare beneficiaries for approval by the Centers for Medicare & Medicaid Services (CMS).

Title I of the MMA established a program to offer prescription drug benefits to Medicare enrollees through Prescription Drug Plans. MMA Title II revised several aspects of the Medicare+Choice program (renamed Medicare Advantage), including the payment methodology and the introduction of “Regional” MA plans. CMS payments to PDPs and MA plans are on a market-based competitive approach.

MAOs and PDPs use the Bid Pricing Tool (BPT) software to develop their actuarial pricing bid. The information provided in the BPT is the basis for the plan’s enrollee premiums and CMS payments for each contract year. The tool collects data such as medical expense development (from claims data and/or manual rating), administrative expenses, profit levels, and projected plan enrollment information. By statute, completed BPTs are due to CMS by the first Monday of June each year.

CMS reviews and analyzes the information provided on the Bid Pricing Tool. Ultimately, CMS decides whether to approve the plan pricing (i.e., payment and premium) proposed by each organization.

CMS is requesting to continue its use of the BPT for the collection of information for CY2017 through CY2020.

### **A. Justification**

#### **1. Need and Legal Basis**

The MMA was signed into law by President Bush on December 8, 2003. Two key provisions of the MMA were the new prescription drug benefit (Medicare Part D) and enhanced health plan choices of the Medicare Advantage program (which replaced the Medicare+Choice program).

MMA established a new competitive bidding process. Not later than the first Monday of June of each year, organizations must submit to CMS an actuarial bid for each plan that the organization intends to offer to Medicare beneficiaries in the upcoming year. CMS has the authority to review the bid and conduct negotiations with the submitting organization.

The Act specifies numerous requirements that each bid must contain. The Bid Pricing Tool was designed to facilitate the collection of this information, as well as the actuarial calculation of certain bid requirements (such as payment rates and beneficiary premiums). The submission, review, and approval process for both MA and PD programs has been synchronized.

More specific information can be found in the 42 CFR references listed above. Copies of these references are available at:

Medicare Advantage: <http://edocket.access.gpo.gov/2005/pdf/05-1322.pdf>

Prescription Drug: <http://edocket.access.gpo.gov/2005/pdf/05-1321.pdf>

## 2. Information Users

CMS requires that MAOs and PDPs complete the BPT as part of the annual bidding process. During this process, organizations prepare their proposed actuarial bid pricing for the upcoming contract year and submit them to CMS for review and approval.

The purpose of the BPT is to collect the actuarial pricing information for each plan. The BPT calculates the plan's bid, enrollee premiums, and payment rates.

CMS publishes beneficiary premium information using a variety of formats ([www.medicare.gov](http://www.medicare.gov), the *Medicare & You* handbook, Summary of Benefits marketing information) for the purpose of beneficiary education and enrollment.

All other data collected on the worksheets of the BPT follows the rules described in Section 10: Confidentiality.

## 3. Improved Information Technology

The BPT is programmed in an off-the-shelf software package called Excel. This software has been used by CMS for numerous other pricing activities and builds on the knowledge of the organizations' users regarding this common business software. Excel's design is a user-friendly format, and used commonly in business applications. These factors limit the time required by organization users to gain experience and familiarity with the BPT software.

The hardcopy screen prints in Attachment D present an overview of the tool and may not fully capture the streamlining effect of the BPT software on the bid submission and review process. The actuarial pricing bid involves many complex calculations to develop the plan's bid, enrollee premiums, and payment rates. The use of Excel greatly reduces the burden on the organizations to calculate each item by using standard formulas. Also, in the case where an organization offers

more than one plan (and therefore, submits more than one bid), the Excel format allows for plans to easily “copy” information into multiple bid forms and to use other automation techniques.

The submission process for the BPTs is entirely automated (electronically) through CMS’s Health Plan Management System (HPMS). No paper/hardcopy submissions are required/accepted.

In addition, CMS has maximized the usability of the BPT by using standardized formats, intelligently pre-filled data fields, and instructions. These features enable the user to complete the BPT fields in a timely manner. In cases where the standardized format or pre-filled items do not describe an organization’s specific pricing adequately, the BPT has included free-flow text fields where plans can describe their individual pricing in a custom fashion. Also, plans have the flexibility to provide supporting documentation to CMS in order to further describe any aspects of the bid that they would like to expand on, beyond the bid pricing tool elements.

CMS continues to improve the BPT with suggestions from its users (CMS employees, bid reviewers, and industry). The BPT allows for the consolidation of data reporting, to use the information to perform numerous activities (beneficiary premium, plan payment) without placing additional burden on the organization.

#### 4. Duplication of Similar Information

There is no similar information collected through any other CMS effort.

#### 5. Small Businesses

Part D Sponsors and MA plans, entities that will be affected by this collection, are not generally considered small business entities. We have determined that there are very few MA plans and Part D sponsors that fall below the size thresholds for “small” business established by the Small Business Administration (SBA). While a very small rural plan could fall below the threshold, we do not believe there are more than a handful of such plans. As stated earlier, the Excel format of the BPT is a common business application among businesses both large and small. As stated in #13 below, no capital costs are required for this effort. The electronic submission of bids eases burden among all plans.

#### 6. Less Frequent Collection

CMS must collect this information annually, as required by the Social Security Act. This collection is part of the annual bidding process, where organizations are required to submit their proposed actuarial pricing bid (premiums and payment rates) for the upcoming contract year. Legislation indicates that the collection must occur annually in early June. Plans may need to resubmit bids after the initial June submission based on annually calculated national averages and to inform CMS of any rebate re-allocations.

If this collection were not conducted, or were conducted less frequently than described above,

there would be adverse consequences to the Medicare Advantage and Prescription Drug programs, including but not limited to, the following:

- CMS would not be able to effectively review and approve plan marketing materials.
- CMS would not be able to effectively review and approve the plan's bid submission, as required by statute.
- CMS would not be able to accurately or effectively educate Medicare beneficiaries regarding plan premiums.

## 7. Special Circumstances

Organizations may be required to submit data more often than quarterly under certain special circumstances. As stated above, each organization must submit a BPT on an annual basis as part of the contract renewal process. Under certain circumstances, new legislation may require that an organization make another submission in mid-year.

Organizations may be required to submit data in a written response to an information collection request/ requirement in fewer than 30 days after receipt under certain special circumstances. Each bid contains detailed pricing information that is unique to that organization and plan. If some of the information contained in the bid is deemed by CMS to be outside the norm, CMS has reserved the right to request additional supporting documentation, as part of the bid review process.

## 8. Federal Register Notice/Outside Consultation

### *Federal Register*

The 60-day Federal Register notice published on September 24, 2015 (80 FR 57619). No comments were received.

### *Outside Consultation*

Each year, CMS solicits industry consultation via the following avenues:

- beta testing of the BPTs in February, including solicitation of user feedback,
- annual bidders training, in early April, conducted by CMS,
- weekly CMS user group calls with BPT users, between mid-April and early-June,
- a CMS resource mailbox available for correspondence regarding the BPT,
- an online industry feedback/ comment forum following the bid review season, and
- informal discussions between CMS and BPT users (phone, email, etc.) as part of our daily business operations.

These consultations, and the resulting feedback, are then considered and incorporated into the BPT each year.

To summarize, industry input assists CMS to create a tool that is entirely automated, data driven, and responsive to the needs of BPT users.

## 9. Payments/Gifts to Respondents

There are no payments/gifts to respondents.

## 10. Confidentiality

Information collected through the BPT may contain proprietary information, trade secret, commercial and/or financial information, therefore it is privileged, private to the extent permitted by law, and protected from disclosure.

This information is protected to the extent permitted by the Freedom of Information Act (5 U.S.C.552). Beyond plan premium information (used as part of CMS beneficiary education), information from the BPT is not published.

## 11. Sensitive Questions

There are no sensitive questions included in this collection effort.

## 12. Burden Estimate

### *Assumptions*

In the CY 2011 Terms of Clearance, CMS was instructed to survey a subset of plans regarding their burden estimates. CMS requested participation in the survey from nine organizations representing a meaningful sampling of MA and PDP organizations. Seven organizations completed the PRA burden survey while two of the organizations declined participation in the survey process. Estimates for the “average hours per response” and “wages per hour” are based on the survey results. The figures represent the organization’s best estimate of total cost required to complete the bid forms.

The estimates for “number of respondents” and “average number of responses per respondent” are based on the previous years’ bid submissions.

### *Burden*

The estimated annual burden for the BPT is as follows:

| Type of Respondent        | Number of Respondents | Average Number of Responses per Respondent | Number of Responses                     | Average Hours per Response | Response Burden  |
|---------------------------|-----------------------|--|---|----------------------------|------------------|
| PDP                       | 160                   | 9  | 1,440 PD                                | 12 PD                      | 17,280           |
| MAO:<br>MA-only,<br>MA-PD | 395                   | 9  | 3,555:<br>1,395 MA-only,<br>2,160 MA-PD | 30 MA<br>30 MA + 12 PD     | 41,850<br>90,720 |
| Total                     | 555                   | 9  | 4,995                                   | 30                         | 149,850          |

Note that the number of respondents for the BPT does not exactly match the number of respondents for the PBP, even though these two instruments are often viewed as one submission. The difference in the number of respondents between the BPT and PBP is due to the fact that some respondents only submit the PBP, and some other respondents only submit the BPT.

An estimate of the cost to respondents in burden hours for the submission of information is approximately \$22,477,500 (149,850 hours x \$150 per hour) for each contract year.

### 13. Capital Costs

No capital costs are needed for this collection effort.

### 14. Cost to the Federal Government

The initial burden to the Federal government for the collection of the BPT was borne through the initial development cycle, as a one-time cost. The BPT is now in maintenance mode with regard to development and enhancements. The maintenance cost and the cost for enhancements are estimated in the table below. (The CMS employees' hourly wage schedule can be obtained [https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2015/DCB\\_h.pdf](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2015/DCB_h.pdf) under the Washington-Baltimore-Northern Virginia locality.)

|                                 |              |
|---------------------------------|--------------|
| Maintenance and Enhancements    | \$300,000.00 |
| Defining Requirements           |              |
| 2 GS-15: 2 x \$76.04 x 20 hours | \$3,041.60   |
| 1 GS-15: 1 x \$76.04 x 40 hours | \$3,041.60   |
| 2 GS-14: 2 x \$66.85 x 80 hours | \$10,696.00  |
| 5 GS-14: 5 x \$66.85 x 20 hours | \$6,685.00   |
| 2 GS-13: 2 x \$56.46 x 20 hours | \$2,258.40   |
| Subtotal                        | \$25,722.60  |
| Total Cost to the Government    | \$325,722.60 |

### 15. Program Changes/Adjustments

While there are no changes to our burden estimates, we have made the following changes in response to Lessons Learned feedback (from industry, contracted bid reviewers and internal CMS) and contract year 2017 effective provisions of the Medicare Advantage and Prescription Drug Program. None of the changes result in any burden adjustments.

(1) Updated labels/parameters: Annual update of labels/parameters (ex: CY2016 → CY2017).

**Locations:** See Crosswalk for details.

**Reason:** Update BPT to reference Contract Year 2017 information.

(2) Remove input cells.

**Locations:** See Crosswalk for details.

**Reason:** To improve accuracy/clarity of BPT for CY2017.

(3) Add input cells.

**Locations:** See Crosswalk for details.

**Reason:** To improve accuracy/clarity of BPT for CY2017.

(4) Revise labels.

**Locations:** See Crosswalk for details.

**Reason:** To improve accuracy/clarity of BPT for CY2017.

#### 16. Publication and Tabulation Dates

Plan premium information in the BPT is utilized, in conjunction with the PBP, for beneficiary education and enrollment (the SB marketing material, the [www.medicare.gov](http://www.medicare.gov) website, and the *Medicare & You* handbook). The remainder of the BPT collection are not published

#### 17. Expiration Date

CMS has no objections to displaying the expiration date on Worksheet 1 of all BPTs.

#### 18. Certification Statement

There are no exceptions to the certification statement.

### **B. Collections of Information Employing Statistical Methods**

Not applicable. No statistical methods will be used in this collection effort.