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## INSTRUCTIONS FOR COMPLETING THE MEDICARE ADVANTAGE BID PRICING TOOLS FOR CONTRACT YEAR 2027

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## I. INTRODUCTION

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### DEFINITIONS

In these Instructions, the term “bid” refers to the Bid Pricing Tool (BPT) and/or the Medicare Advantage (MA) Plan Benefit Package (PBP) required for a Contract-Plan ID-Segment ID of an MA-only plan or the MA portion of an MA-PD plan.

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 term “non-DE#” refers to dual-eligible beneficiaries with full Medicare cost-sharing liability and beneficiaries who are not eligible for Medicaid (that is, non-dual-eligible beneficiaries).
- The terms “total population” and “total beneficiaries” refer to the combined non-DE# and DE# population and beneficiaries, respectively, including out-of-area members.

### BACKGROUND

Medicare Advantage Organizations (MAOs) must submit a separate bid to the Centers for Medicare & Medicaid Services (CMS) for each non-segmented plan or each segment of a segmented plan that they intend to offer under the MA program, including MA plans and Medical Savings Account (MSA) plans.

Note that an MAO may offer private fee-for service (PFFS) and Religious Fraternal Benefit PFFS plans without Part D coverage. However, if an MAO offers, in a given service area, at least one benefit plan of any other plan type, at least one benefit plan in that service area must include Part D coverage.

MAOs must submit the information via the CMS Health Plan Management System (HPMS) in the CMS-approved electronic format—the MA BPT or the MSA BPT. The MA BPT is not to be completed for Section 1876 cost plans, Section 1833 cost plans, and Program of All-Inclusive Care for the Elderly (PACE) plans.

Each bid submission must include an actuarial certification and supporting documentation as described in Appendix A and Appendix B, respectively.

The submitted bids will be subject to review and audit by CMS or by any person or organization that CMS designates. As part of the review and audit 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.

These bid instructions provide details on the bid submission elements required by 42 CFR 422.254.

### 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 a list of key changes from the CY2026BPT and provides sources of information that can be accessed for assistance during the bid submission process.
- Section II, “Pricing Considerations”: contains guidance for preparing bids and presenting pricing results in the BPT.
- Section III, “Data Entry and Formulas”: contains directions for completing the seven worksheets in the MA BPT and explains the formulas for calculated cells.
- Section IV, Appendices A through J: contain requirements for and information on Actuarial Certification, Supporting Documentation, Part B-Only Enrollees, MA Plans Available to Employer/Union Groups, Rebate Reallocation and Premium Rounding, Suggested Mapping of MA PBP Categories to BPT Categories, DE# Summary, the MSA BPT, Trending Risk Scores, and Data Aggregation Examples.

### NEW FOR CONTRACT YEAR 2027 (CY2027)

- Removal of the VBID-C cell from section I on Worksheet 1.

### BIDDING RESOURCES

The following resources provide information on CY2027 bidding:

- The CY2027 Advance Notices and Announcement are available at <https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/announcements-and-documents>.
- The Actuarial Bid Training is available at <https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/actuarial-bid-training>.
- Medicare fee-for-service (FFS) trends can be found at <https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/ffs-trends>.
- For questions about the BPT, email 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 CY2027 bidding process. The conference calls will include live Question and Answer sessions with CMS actuaries. For call-in information, see the OACT memorandum with the subject line “Actuarial User Group Calls” released via HPMS.

- For technical questions about the BPT, BPT Batch Tools, HPMS, or the upload process, refer to the following resources:
  - The BPT Technical Instructions, located in HPMS, under HPMS Home > Plan Bids > Bid Submission > CY2027 > Documentation > View Documentation > BPT > BPT Technical Instructions
  - *The Bid Submission User's Manual*, also available in HPMS, under HPMS Home > Plan Bids > Bid Submission > CY2027 > Documentation > View Documentation > Bid Submission User Manual
  - HPMS Help Desk: 1-800-220-2028 or [hpms@cms.hhs.gov](mailto:hpms@cms.hhs.gov).
- For information about benefits, see:
  - The *Medicare Managed Care Manual* and the *Medicare Prescription Drug Benefit Manual* located at <https://www.cms.gov/medicare/regulations-guidance/manuals/internet-only-manuals-ioms>.
  - Other Part C benefits information provided by CMS.

## II. PRICING CONSIDERATIONS

### BIDDING/PRICING APPROACH

By statute, the bid must represent the revenue requirement of the expected population. Therefore, the revenue requirement in the MA BPT must reflect the costs for providing MA services; it must not include the cost for non-MA services (such as Part D).

Further, in most circumstances, the MAO must use credible bid-specific experience in the development of projected allowed costs. This approach does not preclude the MAO from reaching specific benefit and premium goals; the gain/loss margin guidance allows sufficient flexibility to achieve pricing targets provided that the overall gain/loss 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. Subject to the “Base Period Experience” pricing consideration, base period experience must be reported at the bid level if the bid existed in CY2025, 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

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### Affordable Care Act

The Affordable Care Act (ACA) introduced quality bonus payments (QBP) to MAOs based on a five-star quality rating system. Further, QBP rating rules classify certain contracts as *Low enrollment contracts*, *New contracts under existing parent org*, or *New contracts under new parent org*.

The user must enter the contract-level quality bonus rating and a corresponding new or low plan indicator for the CY2027 QBP on Worksheet 5, Section 5, as described below. These data can be found in HPMS, under HPMS Home > Quality and Performance > Performance Metrics

> Reports > Costs > MA QBP Rating > 2027.

- If the quality bonus rating on HPMS is blank, then the quality bonus rating in line 1 must be left blank. Otherwise, the user must enter the quality bonus rating from HPMS as the quality bonus rating.
- If the new or low plan indicator on HPMS is blank, then the user must enter “Not applicable” as the new or low plan indicator in line 2. Otherwise, the user must enter the new or low plan indicator from HPMS as the new or low plan indicator.

The ACA also changed the share of savings that MAOs must provide to enrollees as the beneficiary rebate, whereby the level of rebate is tied to the level of the QBP rating for the contract number. The table below outlines the QBP percentage and rebate percentage for various quality bonus ratings (that is, QBP star ratings) in CY2027.

| QBP star rating | CY2027 QBP Percentage | CY2027 Rebate Percentage |
|-----------------|-----------------------|--------------------------|
| 4.5+            | 5.0%                  | 70%                      |
| 4.0             | 5.0%                  | 65%                      |
| 3.5             | 0.0%                  | 65%                      |
| 3.0             | 0.0%                  | 50%                      |
| < 3.0           | 0.0%                  | 50%                      |
| Blank           | 3.5%                  | 65%                      |

For additional information regarding the ACA provisions and the QBP, see the CY2027 Advance Notices, the CY2027 Announcement, and the November 13, 2018 memorandum released via HPMS titled “2020 Quality Bonus Payment Determinations and Administrative Review Process for Quality Bonus Payments and Rebate Retention Allowances.”

### Bad Debt

Bad debt for uncollected enrollee cost sharing for inpatient hospital and skilled nursing facility care is to be included in medical costs when paid for by the MAO in limited situations, such as when PFFS plans have chosen to match this aspect of Medicare FFS payment rules or when it is necessary for a plan to maintain access to a sole provider of a service.

### Base Period Experience

The experience data must be based on a calendar year 2025 incurred period with at least 30 days of paid claim run-out; 2–3 months of paid claim run-out is preferable. Further, the enrollment data for the MA bid in a Medicare Advantage Prescription Drug (MA-PD) plan must reflect an underlying population that is the same as that for the corresponding Part D bid.

Worksheet 1 must be completed with data at the bid level for a number of CY2025 Contract-Plan ID-segment IDs as required in the “Data Aggregation” subsection of this pricing consideration, regardless of the level of enrollment. Further, each Contract-Plan ID-Segment ID must be identified in Section II, line 6. Note that such data exclude Section 1876 cost plan data. The experience data on Worksheet 1—

- Must reconcile in an auditable manner to the MAO’s audited financial statements.
- Must be reported without adjustment in Section III except as noted in the “Capitated Arrangements for Medical Services” pricing consideration. Adjustments may be made in Section IV to accommodate population, benefit design, or other changes from the base period to the contract period.
- Must be provided for plans acquired by the MAO.
- May not be used to aggregate data from a number of bids in order to achieve credibility.
- May be reported on more than one bid, depending upon how enrollment changes are processed.

The medical expenses in Section III must—

- Reflect the current best estimate of incurred claims on an experience basis, including estimates of unpaid claims, but excluding any provision for adverse deviation.
- Be reported on an allowable basis (before any reduction for reinsurance recoveries or cost sharing) and on a net basis.
- Include any provider incentive payments.
- Reflect the full level of plan cost sharing in the PBP for all enrollees including the DE# beneficiaries. See the “Dual-Eligible Beneficiaries” pricing consideration for more information about DE# beneficiaries. Include claim experience for out-of-area enrollees.
- Include or exclude claim experience for hospice enrollees for the time period that an enrollee is in hospice status consistent with the development of projected allowed costs. See the “Hospice Enrollees” pricing consideration for more information about reporting base period experience.
- Exclude end-stage renal disease (ESRD) claim experience for the time period that an enrollee is in ESRD status. See the “ESRD” pricing consideration for more information about determining whether an enrollee is in ESRD status.
- Exclude claims experience for optional supplemental benefits.
- Exclude incurred claims for Medicaid benefits.

Section V must include experience for all enrollees (that is, it must include ESRD and hospice and out-of-area and all other enrollees). Section V excludes optional supplemental benefits. Section V must be completed in total dollars (not “per member per month” (PMPM) amounts). Section V must not include amounts that are entered in Worksheet 1 of the Part D BPT. (For example, do not include MA rebates applied to Part D premiums.)

### ***Data Aggregation***

The requirements for reporting MA base period data due to crosswalks and enrollment shifts are described in Rule 1 through Rule 4 at the end of this section. These rules

apply to crosswalk and enrollment shifts between segments and depend on the factors described below. Note that MA data exclude data for Section 1876 cost plans.

- How enrollment changes are processed.
  - In these Instructions, the term “formal crosswalk” refers to the crosswalk process submitted in HPMS for non-segmented plan consolidations (that is, consolidated renewals), whereby members are automatically moved from one bid to another. Without an HPMS crosswalk in place, members are disenrolled from the terminating plan and must actively select to enroll in a new plan of their choosing.
  - Medicare Advantage and Prescription Drug (MARx) enrollment transactions are used to automatically move members from one bid to another, or to other bids—for example, when the service area of one or more segments is redefined. Note that in some cases, an approved crosswalk is required, such as when the service area of one or more non-segmented plans is redefined. In this situation, without an approved crosswalk in place, members in the affected counties must actively select to enroll in a bid of their choosing.
- Whether or not members who are crosswalked or moved to a bid via MARx transactions are disenrolled from that bid the following year via MARx transactions—a situation in which Rule 4 – Two-Year Perspective applies. (Note that the disenrollment of members from a bid, in itself, is not a factor; a disenrollment must be preceded by a crosswalk for the previous year.)
- Whether or not enrollment changes that are processed via MARx enrollment transactions apply to a significant proportion of members in the bid from which the members are moving— a situation in which Rule 2 – Enrollment Shifts applies.

The threshold (that is, the level of significance) for determining the significance of the proportion of members in a Contract-Plan ID-Segment ID that are crosswalked into existing or new plans via MARx enrollment transactions must be the same for all MA bids that the certifying actuary certifies for the MAO.

For more information about crosswalks, see the May 15, 2019 memorandum released via HPMS titled “Process for Requesting an HPMS Crosswalk Exception for Contract Year (CY) 2020.”

✓ **Rule 1 – Crosswalks and transitions from D-SNP look-alikes under 42 CFR 422.514(e)**

Base period data for one or more MA CY2025 Contract-Plan ID-Segment ID must be reported on Worksheet 1 of the bid into which the members are crosswalked only in the following circumstances:

- When two or more plans are consolidated and the members are crosswalked into an existing or new plan under a formal crosswalk but are not disenrolled via MARx transactions the following year. If members are crosswalked one year and disenrolled the following year, then Rule 4 applies.
- When the proportion of members in a bid that are crosswalked into existing or new plans via MARx enrollment transactions, subject to Rule 4, is greater than or equal to the MA level of significance determined by the certifying actuary.

Rule 1 applies when members are crosswalked within the same contract and when members are crosswalked between contracts in accordance with the limited exceptions described in CMS annual renewal and non-renewal guidance.

✓ **Rule 2 – Enrollment Shifts**

Base period data for one or more MA CY2025 Contract-Plan ID-Segment ID cannot be reported on Worksheet 1 of the bid into which the members are moved or crosswalked to in the following circumstances:

- When an existing member chooses to enroll in a different plan.
- When the proportion of members in a bid that are crosswalked into existing or new plans via MARx enrollment transactions, subject to Rule 4, is less than the MA level of significance determined by the certifying actuary.
- When enrollment changes do not involve a crosswalk whether or not a bid is terminated.

✓ **Rule 3 – Partial Experience**

Report base period experience in total at the bid level for every MA CY2025 Contract-Plan ID-Segment ID; do not include partial plan experience on Worksheet 1.

✓ **Rule 4 – Two-Year Perspective**

For BPT reporting purposes, the actuary must consider the crosswalks from the base period to the contract period (that is, two years of crosswalks, from CY2025 to CY2026 and then from CY2026 to CY2027) taking into account MARx disenrollment transactions, as explained below. That is, Rule 4 applies only if members are: (i) crosswalked both years or (ii) crosswalked one year and disenrolled the following year.

- For a BPT—that is, “Bid Y”—the MAO must report base period experience of another bid—that is, “Bid X”—on Worksheet 1 of the Bid Y CY2027 BPT if the proportion of Bid X members who are crosswalked or moved into Bid Y and who remain in Bid Y for CY2027, is greater than or equal to the level of significance determined by the certifying actuary.
- The calculation of the aforementioned proportion includes the following types of crosswalks and MARx enrollment and disenrollment transactions occurring over the course of the two-year period:
  - A plan consolidation for CY2026 or a proposed consolidation for CY2027 that moves Bid X members to Bid Y under a formal crosswalk.
  - A service area expansion (SAE) for CY2026 or a proposed SAE for the CY2027 that crosswalks or moves Bid X members to Bid Y via MARx enrollment transactions.
  - A proposed service area reduction (SAR) for CY2027. The calculation pertains only to prior Bid X members (that is, Bid X members who were moved to Bid Y for CY2026) who will be disenrolled from Plan Y via MARx transactions due to the SAR for CY2027. If all Bid X members are removed for CY2027, then Bid X members should be excluded from the

base period. If some of the Bid X members are disenrolled from Bid Y for CY2027 then Rule #3 applies.

- A separate calculation is required for each Bid X from which members are crosswalked into Bid Y.

### **Benefits and Service Categories**

Benefits are defined in regulations, Chapter 4 of the *Medicare Managed Care Manual* (MMCM), and other CMS instructions (for example, HPMS memoranda) as Medicare-covered, mandatory supplemental, or optional supplemental benefits.

Benefits must be priced in the BPT as benefit expenses, not non-benefit expenses. For example, dental services, a fitness benefit, and other supplemental benefits must all be priced as benefit expenses.

The BPT must exclude the cost of value-added items and services.

The user must generally enter input items related to medical expenses separately for each service category displayed in the BPT. Note that the “Part B Rx” service category includes prescription drug rebates that serve to decrease the MAO’s cost of providing Part B Rx benefits. The total amount of the Part B Rx rebate is to be included here. If the pharmacy benefit manager (PBM) retains a portion of the manufacturers’ rebate to cover administrative costs, the total rebate including the amount retained by the PBM must be reported as a decrease in medical cost. The retained amount must also be shown to increase non-benefit expenses (NBE).

See Appendix F for a suggested mapping of BPT and PBP service categories. For more information on benefits and service categories, see—

- Chapter 4, “Benefits and Beneficiary Protections,” of the *Medicare Managed Care Manual* located at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS019326>.
- Other Part C benefits information provided by CMS.

### **Disease Management**

Disease management (DM) expenses are to be treated as medical expenses, non-benefit expenses, or both, depending upon the nature of the expense. For DM services furnished in a clinical setting by approved providers, costs are to be treated as medical expenses. The cost of durable medical equipment (DME) associated with DM activities is typically classified as a medical expense.

For care management services provided under a Special Needs Plan (SNP) model of care—for example, services provided by an interdisciplinary care team as mandated by the Medicare Improvements for Patients and Providers Act (MIPPA) and addressed in a HPMS memorandum dated September 15, 2008—costs are treated as medical expenses. Should the team provide additional services, any added costs may be classified by the certifying actuary as medical expenses or as non-benefit expenses.

Absent additional CMS guidance, other DM and care coordination costs—such as those 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 BPT must be explained in the supporting documentation for projected allowed costs and non-benefit expenses.

***Medicare-Covered and Non-Covered***

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”).

For the third type, values are allocated between Medicare-covered benefits and A/B mandatory supplemental benefits in Worksheet 4 as specified by the user. This allocation must be consistent with the benefit type classification in the PBP. For example—

- A skilled nursing facility (SNF) waiver of a qualifying 3-day inpatient hospital stay and the associated SNF stay are Medicare-covered benefits.
- For HMOPOS plans, out-of-network point-of-service inpatient stays are A/B mandatory supplemental benefits.
- Physical exams that provide services not included in the required Annual Wellness Visits are A/B mandatory supplemental benefits.
- For SNPs, assessments of enrollees are considered Medicare-covered benefits as explained in the CY2013 Call Letter.

To maintain consistency with the PBP, the cost to provide Medicaid benefits must be entered in Worksheet 4 Section IV since these benefits are not entered in the PBP.

***Inpatient Facility Additional Days***

CMS developed a 1.2-percent factor based on FFS data that the certifying actuary may use as a “safe harbor” for the proportion of the costs of inpatient facility days that are non-covered. If the non-covered inpatient facility 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.

Further, the certifying actuary may use the inpatient facility “safe harbor” as a basis for determining the inpatient facility cost-sharing Medicare-covered percentages entered on Worksheet 4.

***Non-Covered Limited Benefits***

For non-covered limited benefits with no cost sharing, the value of benefits over the limit must be excluded from projected allowed costs. For example, if the PBP contains a hearing aid benefit with a \$500 annual cost limit and no cost sharing, and the average cost of a hearing aid is \$2,500, then the allowed PMPM amount must be based on the

\$500 maximum benefit. The user must not enter a \$2,500 cost offset by a cost-sharing entry in Worksheet 3 for the \$2,000 paid by the beneficiary.

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

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

Section 422.105 of the *Code of Federal Regulations* and Chapter 4 of the *Medicare Managed Care Manual* allow HMOs to offer a POS option as a mandatory or optional supplemental benefit. Therefore, the projected allowed cost of all POS benefits must be allocated to A/B mandatory supplemental benefits or entered in Worksheet 7 consistent with the PBP. The Plan A/B Bid for Medicare-covered services may not include the cost of POS benefits.

For POS limited benefits, any benefit value exceeding the annual limit must be excluded from projected allowed costs. When cost sharing applies, the projected allowed cost should include both the plan-paid amount and the beneficiary cost sharing, but only up to the annual limit. For example, assume an HMO-POS plan covers out-of-network Part B services with 20 percent member coinsurance and a \$500 annual limit. If a member incurs a \$2,500 out-of-network claim, the plan pays \$500 (its maximum responsibility) and the member pays \$125 in coinsurance on the covered portion. The projected allowed cost is therefore \$625, and the remaining \$1,875 above the annual limit must be excluded from projected allowed costs.

**Capitated Arrangements for Medical Services**

This section applies to medical costs provided under all types of capitation arrangements and risk-sharing arrangements.

The BPT must reflect base period data, projection factors, and cost sharing for medical services, as explained below.

✓ **Annual Utilization Per 1,000**

Utilization rates entered on Worksheet 1 must be based on claims or encounter data for the bid. However, if encounter data are not available for a certain service, supporting documentation must fully explain the extenuating circumstances and remedy for the deficiency.

✓ **Allowed PMPM**

If the MAO purchased capitated services, then the allowed cost is the capitation paid for medical services plus any related cost sharing plus an estimate of the outcome for any risk-sharing arrangements.

✓ **Projection Assumptions**

Each projection factor must reflect the combined impact from the base period to the contract year of the change in allowed costs for non-capitated and capitated services.

- The “Unit Cost Adjustment – Provider Payment Change” factors entered on Worksheet 1 must include the impact of changes in all capitation arrangements aside from those attributable to changes in utilization or benefits.

***Global Capitation and Risk-Sharing Arrangements***

This subsection contains additional requirements for costs associated with global capitation and risk-sharing arrangements as described below.

- It is not appropriate to provide risk protection for Part D through MA or vice versa.
- The BPT must reflect the benefit costs in the service categories included in global capitation and risk-sharing contracts. If the certifying actuary projects a payment for the base period or contract year, the payment must be allocated to the service category based on net medical costs under the global capitation or risk-sharing arrangement prior to the payment. Specifically, the payment for a particular service category is based on the ratio of (i) net medical costs in that service category, and (ii) total net medical costs of the service categories included in the global capitation or risk-sharing contract.

The cost sharing PMPM in Worksheet 3, Section III, column i must be based on benefits outlined in the PBP. Therefore, in order for the BPT to reflect the appropriate projected allowed costs and net medical expenses, the effective coinsurance percentage in column i may not match the coinsurance percentage in the PBP. See the “Cost Sharing” pricing consideration for more information about the calculation of the effective coinsurance percentage.

**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 MAO pays claims for its estimated liability only (that is, net of the amount that is the responsibility of another payer, such as an auto policy), the MAO’s net liability amount (before cost-sharing reductions) must be entered on Worksheet 1, Section III, lines a through q.

**Cost Sharing**

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

***Coinsurance***

The cost-sharing PMPM amount in Worksheet 3, Section III, column i must be based on benefits outlined in the PBP. Therefore, in order for the BPT to reflect the appropriate projected allowed costs and net medical expenses, the effective coinsurance percentage in column i may not match the coinsurance percentage in the PBP. Examples include, but are not limited to, the following: sequestration, unless the Medicare fee-for-service (Medicare FFS) pricing option is used; global capitation; and risk-sharing arrangements.

**Example:** The PBP contains in-network cost sharing of 20 percent. To reflect a global capitation arrangement, \$3 PMPM of projected allowed costs must be

removed from medical expense. The following are BPT values before the global capitation arrangement is taken into account:

| (e)<br>Measurement<br>Unit Code | (g)<br>PMPM | (i)<br>Effective Coin<br>Before OOP Max | (j)<br>Effective Coin<br>After OOP Max | (k)<br>In-Network<br>PMPM |
|---------------------------------|-------------|-----------------------------------------|----------------------------------------|---------------------------|
| Coin                            | 25          | 0.2000                                  | 0.1900                                 | 4.75                      |

BPT values reflecting the global capitation arrangement are as follows:

| (e)<br>Measurement<br>Unit Code | (g)<br>PMPM | (i)<br>Effective Coin<br>Before OOP Max | (j)<br>Effective Coin<br>After OOP Max | (k)<br>In-Network<br>PMPM |
|---------------------------------|-------------|-----------------------------------------|----------------------------------------|---------------------------|
| Coin                            | 22          | 0.2273                                  | 0.2159                                 | 4.75                      |

### **Consistency with PBP**

The cost-sharing information entered in the BPT must tie to data in the PBP. 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 PMPM amount in MA Worksheet 3. The PBP line numbers in Section IV of MA Worksheet 3 must be mapped to the BPT line numbers to identify all of the plan cost sharing.

The cost-sharing descriptions in Worksheet 3 may be used by plan managers, marketing staff, and plan actuaries to ensure that the benefits priced in the BPT are consistent with those in the PBP, as part of the quality control process for bid submissions. These descriptions will be deleted from the finalized BPT and therefore will not be uploaded to HPMS for use by CMS or CMS reviewers.

### **Deductibles**

In Worksheet 3, Section III, column f, “In-Network Effective Deductible PMPM,” the BPT must reflect the in-network impact of the following deductibles, with exception of the pricing option described in the “Medicare FFS Cost Sharing” subsection of this pricing consideration:

- A local preferred provider organization (PPO) or a regional PPO deductible that applies to one or more in-network benefits.
- A plan-level in-network or combined deductible contained in the Plan Level Cost Sharing Section of the PBP.

Further, in Worksheet 3, Section III, columns g through k, “In-network Cost Sharing After Deductible,” the BPT must reflect the impact of service-category specific deductibles included in the Benefit Details Section of the PBP.

### **Medicare Fee-For-Service (Medicare FFS) Cost Sharing**

The Medicare FFS cost-sharing pricing option allows the use of Medicare FFS actuarial equivalent cost sharing in Worksheet 4 as the basis for pricing certain plan cost sharing designed to match Medicare FFS cost sharing, as explained in this subsection.

Note that the adjustment to the coinsurance percentage due to sequestration described in the “Coinsurance” subsection of this pricing consideration does not apply.

The Medicare FFS cost-sharing pricing option is available for all inpatient facility services, and/or all SNF services, and/or all Medicare Part B services, as explained below.

✓ **Local and Regional PPO**

For a local PPO or a regional PPO bid, the Medicare FFS cost sharing pricing option is available only for all Medicare Part A and Part B services.

- The deductible in the PBP must be—
  - A “Medicare-Defined Part A and B Deductible amount combined as a single deductible.”
  - “Differentially applied to Part A and Part B Medicare services, reflecting Original Medicare payment structure.”
- All other cost sharing in the PBP for Medicare Part A and Part B services must align with Medicare FFS cost sharing, subject to the applicable dollar limit specified in Part C benefits information provided by CMS. Note that the “max plan visit amount” for PBP category 4a, Emergency Services and 4b, Urgently Needed Services, must be the applicable dollar limit specified in Part C benefits information provided by CMS.

✓ **Health Maintenance Organization (HMO), HMO with a Point-of-Service Option (HMOPOS), and Non-Network PFFS**

For an HMO, an HMOPOS, or a non-network PFFS bid, the Medicare FFS cost sharing pricing option is available only for all inpatient facility services, and/or all SNF services, and/or all Medicare Part B services. It is not available for full network PFFS or partial network PFFS bids.

- If this option is used for all inpatient facility services, then the service-specific cost sharing for all inpatient facility services must be “Medicare-Defined Cost Shares.”
- If this option is used for all SNF services, then the service-specific cost sharing for all SNF services must be “Medicare-Defined Cost Shares.”
- If this option is used for all Part B services, then—
  - The applicable in-network plan deductible (HMO), or combined plan deductible (HMOPOS), or plan deductible (non-network PFFS) must be “Medicare-Defined Part B Deductible amount.”
  - The “max plan visit amount” for PBP category 4a, Emergency Services and 4b, Urgently Needed Services, must be the applicable dollar limit specified in Part C benefits information provided by CMS.
  - All other cost sharing in the PBP for Medicare Part B services must align with Medicare FFS cost sharing, subject to the applicable dollar limit specified in Part C benefits information provided by CMS.

BPT data entry requirements under the Medicare FFS cost-sharing pricing option are described below.

✓ **Worksheet 3 – Plan Cost Sharing**

For the applicable service categories, the user must enter—

- Zeroes (0) as the in-network cost of the plan deductible (column f).
- The in-network portion of plan cost sharing as the in-network effective copay/coinsurance after the plan deductible has been satisfied and before the impact of the maximum out-of-pocket (MOOP) (column i).

### **Visitor/Travel Benefits**

In-network cost sharing in Worksheet 3 includes mandatory supplemental benefits offered under the Visitor/Travel Program (that is, Medicare-covered and non-covered services obtained outside the bid's service area).

### **Credibility**

CMS does not permit adjustments to the credibility percentages on Worksheet 2 for the purpose of modifying the manual rate. For example, do not adjust the credibility percentages in the BPT as an equivalent alternative to removing the base period experience from the manual rate development.

The following credibility guidance in this section is provided as a resource to certifying actuaries, not as a requirement.

Information on the development of CMS guidelines for full credibility can be found at <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Bid-Pricing-Tools-and-Instructions-Items/BidGuidance>.

### **Claims Credibility**

This section pertains to the credibility percentages on Worksheet 2 and to the ESRD subsidy on Worksheet 4.

CMS has established MA credibility guidelines as summarized in the following table:

| Subject Experience     | Exposure Required for Full Credibility | CMS Formula for Partial Credibility          |
|------------------------|----------------------------------------|----------------------------------------------|
| Non-ESRD Allowed Costs | 24,000 member months                   | $\sqrt{\frac{\text{member months}}{24,000}}$ |
| ESRD Allowed Costs     | 3,000 member months                    | $\sqrt{\frac{\text{member months}}{3,000}}$  |

### **Risk Score Credibility**

This section pertains to the credibility of risk scores based on the CMS preferred methodology. CMS has not developed credibility guidelines for risk scores based on alternate approaches or for CMS-HCC ESRD risk scores.

## PRICING CONSIDERATIONS

CMS has established MA credibility guidelines as summarized in the following table:

| Subject Experience                                                          | Exposure Required for Full Credibility | CMS Formula for Partial Credibility                 |
|-----------------------------------------------------------------------------|----------------------------------------|-----------------------------------------------------|
| Estimated Part C risk scores for development of 2027 bids as posted on HPMS | 300 beneficiaries                      | $\sqrt{\frac{\text{number of beneficiaries}}{300}}$ |
| Beneficiary-level file to support 2027 Part C bids as distributed by CMS    | 3,600 member months                    | $\sqrt{\frac{\text{member months}}{3,600}}$         |

### ***Overriding the CMS Formulas for Partial Credibility***

The following guideline is applicable only to the CMS claims and risk score credibility formulas presented above; such guideline may not be suitable for any alternative credibility formula. If the CMS formula for partial credibility is applied and the resulting credibility is—

- Less than or equal to 20 percent, then the actuary may override the computed credibility with 0-percent credibility.
- Greater than or equal to 90 percent, then the actuary may override the computed credibility with 100-percent credibility.

Information on why it is inappropriate to use blended risk scores to adjust manual claims experience can be found at <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/CredibilityDemo2016.zip>.

### **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.

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

### ***Medicaid Revenue and Costs***

In Worksheet 4, Section IV, if the MAO has a separate contract with a state or territory for Medicaid services, then enter projected Medicaid revenue and cost for members of the MA bid.

- The projected Medicaid cost—
  - Includes the cost for the Medicaid benefits that the MAO has contracted to provide bid members under the state or territory Medicaid program.
  - Reflects the full cost, which includes benefit expenses and non-benefit expenses.

- May include prescription drug benefits that the Commonwealth of Puerto Rico requires to be offered, beyond what is submitted in the Part D bid, in order to participate in the Platino Program.
- The projected Medicaid revenue is the corresponding revenue received from the state Medicaid program to provide the Medicaid benefits.
- The values must be on a PMPM basis.
- Worksheet 1 collects the Medicaid revenue and costs (in total dollars) in the base period (Section V, lines 10a, 10b1, and 10b2). These items are defined in the same manner as for the projection period.

For more information on Medicaid benefits, see Chapter 4 of the *Medicare Managed Care Manual* at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS019326>.

#### ***Determination of DE# Beneficiaries***

Per federal statute, QMBs and QMBs with full Medicaid benefits (QMB Plus) are not liable for Medicare cost sharing; therefore, these individuals are always considered to be DE# beneficiaries, as defined in the “Introduction” of these Instructions.

The certifying actuary must determine which additional beneficiaries are DE# based on the Medicaid cost-sharing policy for the states or territories in the bid’s service area.

However, the certifying actuary has the option to approximate the DE# population as described below, if the condition in the second bullet point is satisfied.

- The first step is to consider the bid-specific enrollment data available in HPMS, under the “Risk Adjustment” link as well as the 2025 membership data posted in HPMS for the Contract-Plan ID-Segment ID(s) listed in Worksheet 1 for the base period.
- If the percentage of total dual-eligible beneficiaries (who comprise all dual-eligible categories and not just the QMB and QMB Plus categories) is less than 10 percent of total beneficiaries, then the certifying actuary may consider the membership in the QMB and QMB Plus categories to represent the entire DE# population.

#### ***Bid Values***

The BPT must reflect data and costs for the DE# and non-DE# populations separately, as explained in this section and summarized in Appendix G. Note that the distinct data and costs for both the DE# and non-DE# populations must reflect the impact of out-of-area members.

#### **✓ Worksheet 1 – Base Period Data**

Enter distinct 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. The DE# risk score default calculation may be overwritten by the user, for example, to take into account payments as well as member months.

All other data on Worksheet 1 are to be entered for the total population.

See the “Medicaid Revenue and Costs” subsection of this pricing consideration for information about entering Medicaid data in Worksheet 1.

✓ **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.

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 projected allowed costs for the DE# beneficiaries in column q.
- If DE# projected member months are between 10 percent and 90 percent of the total projected member months, 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, 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**

Enter cost-sharing information in Worksheet 3 based on benefits outlined in the PBP, which will be paid by the non-DE# beneficiaries. Worksheet 3 is not meant to reflect the limited cost sharing for the DE# beneficiaries, except in cases in which the DE# enrollees constitute less than 10 percent or more than 90 percent of the total bid enrollees. Completion of Worksheet 3 must be consistent with how the non-DE# and DE# Allowed PMPM columns on Worksheet 2 are completed and follow the guidance specified in Appendix G.

✓ **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.

## PRICING CONSIDERATIONS

- 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, taking into account the reduced or eliminated cost-sharing liability of dual-eligible beneficiaries, including the state or territory Medicaid cost sharing (column k). Specifically, the Medicare-covered net PMPM reflects—
  - The amount that the MAO pays the provider for Medicare-covered services; plus
  - The actual cost sharing for Medicare-covered services; less
  - The state or territory Medicaid cost sharing for Medicare-covered services.
- 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 the gain/loss margin for all beneficiaries.

Considerations for developing data for DE# beneficiaries in subsection B include the following:

- All values must be calculated on a “per DE# member per month” basis.
- In 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 to allowed costs in subsection A.
  - However, the default formulas may be overwritten at the discretion of the certifying actuary.
- Also, in column f, plan cost sharing must reflect the following:
  - If projected DE# member months are greater than zero, and non-DE# cost sharing (Worksheet 4 Section IIA column f) are greater than zero, then DE# cost sharing (Worksheet 4 Section IIB column f) must be greater than zero.
  - If projected DE# member months equal total member months (that is, 100 percent DE# plan), then DE# cost sharing (Worksheet 4 Section IIB column f) must equal the cost sharing entered on Worksheet 3.
- In column h, Plan Reimbursement, enter the amount the MAO pays the providers.
- In column k, the “Medicaid Cost Sharing” reflects the cost sharing that the beneficiary is liable to pay.
  - The “Medicaid Cost Sharing” includes the following:
    - Cost-sharing amounts required by state or territory Medicaid programs based on the eligibility rules for subsidized cost sharing for DE# beneficiaries in the bid’s service area.
    - Plan cost sharing for non-Medicare and non-Medicaid covered benefits.
  - The user must—
    - Calculate the “Medicaid Cost Sharing” 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, and (ii) the projected allowed 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.

See the “Medicaid Revenue and Costs” subsection of this pricing consideration for information about entering Medicaid data on Worksheet 4.

✓ **Worksheet 5 – Benchmark**

The user must enter—

- Distinct projected member months and projected risk factor for the non-DE# population, (including out-of-area members) in Section II (lines 1 and 4).
- Projected member months and projected risk factors for out-of-area members (DE# plus non-DE#) in Section VI (line 38, columns e and f).
- County-specific projected member months and projected risk factors for the total (DE# plus non-DE#) population, excluding out-of-area members, in Section VI (columns e and f) beginning in line 39.

In Section II, the BPT displays the total member months and membership/payment-weighted average risk factor for the total population based on the county-level information (including out-of-area). Values for the DE# population are calculated automatically from the values for the total and the non-DE# populations. The DE# risk factor default calculation may be overwritten by the user, for example, to take into account payments as well as member months.

Considerations for developing projected member months include the following:

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

Non-DE# and DE# projected risk factors are determined as follows:

- If the projected allowed costs in Worksheet 2 for the total, DE#, and non-DE# populations are not all equal, 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, the user must enter a projected risk factor for the non-DE# population equal to the projected risk factor for the total population.

**Employer/Union Groups**

An MAO may offer its individual-market MA plans to employer/union group health plan sponsors and modify benefits for each group, as outlined in Appendix D.

For CY2027, CMS does not require an MA BPT for employer-only or union-only group waiver plans (EGWPs).

**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, with the exception of Worksheet 1, Section V; Worksheet 4, Section III; and Worksheet 5, Section VIII.

An enrollee is considered to be in ESRD status for a specified time period if the “Monthly Membership Report” (MMR) indicates that the CMS-HCC ESRD Risk Adjustment model is being used for payment, or the Beneficiary File indicates ESRD.

Worksheet 4, Section III must be completed for all C-SNPs that target Chronic Kidney Disease (CKD). MAOs may choose whether to complete Worksheet 4, Section III for other plan types. If Worksheet 4, Section III is completed, MAOs must choose whether to reflect the Total CY ESRD “subsidy” in Worksheet 4, Section II by making the appropriate selection in the “Include ESRD ‘subsidy’ in Total Revenue Requirement” cell on Worksheet 4, Section III.

***ESRD Subsidy***

The benchmarks calculated in the MA BPT exclude enrollees in ESRD status, as does the projection of bid expenditures. However, all individuals enrolled in the bid, including those in ESRD status, are required to pay the same MA premium and are offered the same benefit package. In order to account for the projected marginal costs (or savings) of bid enrollees in ESRD status, the BPT allows for an adjustment that is allocated across ESRD and non-ESRD bid members (including out-of-area members). 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 gain/loss 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

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 (as is done on Worksheet 2 for non-ESRD enrollees).

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

✓ **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, including a proportionate share of non-benefit expenses and gain/loss margin, and allocate such costs across ESRD and non-ESRD bid members.

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 in an MA-PD plan must be consistent with that for the corresponding Part D bid and must reflect the same underlying population. Therefore, if the projected enrollment in a particular county equals zero, the user is to enter for the county code zero (0) projected member months and not another number such as one (1) or a fraction between zero and one. There is no requirement to enter member months greater than zero in order to generate a county-level payment rate.

If a member is assigned to more than one status at the same time, the priority for assigning status for bid development is (1) hospice, (2) ESRD, (3) out-of-area, and (4) all other statuses.

The “Hospice Enrollees” and “Out-of-Area Enrollees” pricing considerations explain which BPT entries must include the impact of out-of-area and hospice members.

**Gain/Loss Margin**

Gain/loss margin refers to the additional revenue requirement beyond benefit expenses and non-benefit expenses.

By statute, the bid must represent the revenue requirement of the expected population; therefore, the gain/loss margin requirements must be met with the gain/loss margin entered in the BPT.

Do not combine gain/loss margin for the MA and Part D components of MA-PD bids to satisfy these Instructions.

Do not combine gain/loss margins for bids in segmented plans to satisfy these Instructions.

The gain/loss margin entered in the BPT must be determined in connection with other CMS instructions such as Total Beneficiary Cost (TBC). If there is a conflict between satisfying gain/loss margin requirements and other CMS instructions, flexibility will be given to the gain/loss margin requirements only to the extent necessary to meet the other CMS instructions. Such conflicts with the gain/loss margin requirements must be disclosed, fully explained, and supported. An exception must be approved by CMS.

Gain/loss margin requirements apply at two levels—the bid level and the aggregate level—and both sets of requirements must be met in the initial bid submission and upon bid resubmission or withdrawal.

***Definitions***

In the BPT and in these Instructions, the term—

- “Aggregate MA gain/loss margin” refers to the projected enrollment-weighted average BPT PMPM gain/loss margin for all MA BPTs, including general enrollment plans, SNPs, and MSA plans.

***Bid-Level Requirements***

The gain/loss margin entered in the BPT is allocated to Medicare-covered services and A/B mandatory supplemental benefits based on the distribution of total medical expenses between these benefits (excluding the impact of the ESRD subsidy).

There is flexibility in setting the gain/loss margin at the bid level provided that—

- The bid offers benefit value in relation to the gain/loss margin level;
- Anti-competitive practices are not used; and
- All aggregate-level gain/loss margin requirements described below are met.

✓ **Benefit Value**

The bid must provide benefit value in relation to the gain/loss margin level.

For a bid with a high gain/loss margin, consideration must be given to—

- All possible benefits that the expected population can utilize, including rebates applied to the Part B premium buydown; and
- Benefit and premium changes that can be made in CY2027 to reduce gain/loss margin.

✓ **Anti-Competitive Practices**

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

***Aggregate-Level Requirements***

✓ **Year-to-Year Consistency**

Although actual gain/loss margin may vary from year to year, CMS expects certifying actuaries to price bids such that actual aggregate MA gain/loss margin as a percentage of revenue over the long term is consistent with the gain/loss margin assumptions used for pricing.

✓ **Requirements for MA Plans**

For MA plans, the aggregate MA gain/loss margin must be calculated at the parent organization level as a percentage of revenue and must be disclosed. If such margin is less than 0 percent or greater than 5.5 percent, then this condition must be fully explained and supported and must be approved by CMS for CY2027.

***MA-PD Gain/Loss Margin Requirements***

See the “Instructions for Completing the Prescription Drug Plan Bid Pricing Tool for Contract Year 2027” for gain/loss margin requirements that affect MA-PD bids.

***Exclusions***

The BPT must exclude non-insurance revenues pertaining to investments; fee-based activities designed to influence state or federal legislation, such as the cost of lobbying activities; the costs of value-added items and services (VAIS); and capital and infrastructure costs and investments directly incurred or paid by the MA plan relating to additional telehealth benefits.

See the announcement about lobbying activities released via an HPMS memorandum dated October 16, 2009, and see Chapter 4 of the *Medicare Managed Care Manual* for more information about VAIS.

**Hospice Enrollees**

The supporting experience and projection of MA Medicare-covered bid excludes beneficiaries in hospice status as of the first day of the month. Accordingly, the following data must exclude enrollees for the time period that they are in hospice status:

- Base period member months and base period risk scores in Worksheet 1, Section II, and
- Projected member months in Worksheet 5, Sections II and VI, and
- Projected risk factors in Worksheet 5.

However, base period data in Worksheet 1, Section V must include hospice data.

Since hospice enrollees continue to receive supplemental benefits from the MA plan, the projected allowed cost PMPM may reflect claim costs for these enrollees for supplemental benefits, at the discretion of the certifying actuary—for example, for a dental or another additional benefit. If the projected allowed costs for mandatory supplemental benefits include claims costs for hospice enrollees, then the mandatory supplemental medical expenses in Worksheet 1, Section III must include claims for hospice enrollees for the time period that they are in that status.

The “Monthly Membership Report” (MMR) data include hospice status.

## **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 to account for the 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 the MA rate book 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 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 bid. However, hospice enrollees have not been excluded in calculating the PMPM FFS costs used to weight original Medicare FFS cost sharing on Worksheet 5. 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, can be found under Medicare > Payment > Medicare Advantage Rates & Statistics > Ratebooks & Supporting Data at <https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/ratebooks-supporting-data>.

## **Medicare Secondary Payer (MSP) Adjustment**

The bid reflects lower claim amounts for enrollees whose primary coverage is not Medicare—that is, enrollees with Medicare Secondary Payer (MSP) status of aged/disabled MSP or ESRD MSP—and MAOs receive reduced payments for such enrollees. Accordingly, the BPT uses the MSP adjustment, in conjunction with the projected risk score and the standardized A/B benchmark, to produce a plan A/B benchmark consistent with the plan A/B bid; therefore, the projected MSP adjustment represents the average payment reduction for the expected bid population due to MSP enrollees (with the limited exception described below in the “Manually Rated Bids” subsection of this pricing consideration). 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 bid specific.

The user may enter a 0-percent Medicare Secondary Payer (MSP) adjustment in the BPT only if—

- The certifying actuary expects no MSP enrollees in the contract year, or
- The requirements described below in the “Manually Rated Bids” subsection of this pricing consideration are met.

MSP data provided by CMS serve as the basis for projecting the MSP adjustment. Included are data described in the *MAPD Plan Communications User Guide (PCUG)*, which can be found at <https://www.cms.gov/data-research/cms-information-technology/access-cms-data-application/mapd-plan-communication-user-guide>.

The method to calculate the MSP adjustment is based on payment dollars as described below.

- MSP adjustment =  $1 - X/Y$ , where  
 $X$  = Bid portion of payment reflecting reduced payments for MSP beneficiaries, excluding MA rebates and basic MA premium, if any, as shown in the example below; and  
 $Y$  = Bid portion of payment that would be paid if no beneficiaries had a payer that was primary to Medicare. This value is determined by (i) grossing up the payments for MSP beneficiaries to the amount that would be paid if they did not have a payer that was primary to Medicare and (ii) adding these payments to the payments for non-MSP beneficiaries. The resulting value of  $Y$  explicitly takes into account the distinct risk characteristics of MSP beneficiaries as compared to non-MSP beneficiaries.

Note that the MSP adjustment must reflect changes from the source data payment year to the contract year that affect the relative payment dollars for MSP and non-MSP beneficiaries. Examples include, but are not limited to, a change in the MSP factor or a change in the distinct risk characteristics of MSP beneficiaries as compared to non-MSP beneficiaries.

### Example:

The source data to project the CY2027 MSP adjustment for Hxxxx-001-000 is March 2026 MMR data for Hxxxx-001-000. There is no change in the distinct risk characteristics of MSP beneficiaries as compared to non-MSP beneficiaries from CY2026 to CY2027. There is no Part C basic premium.

Step 1: Calculate the CY2026 bid portion of payment reflecting reduced payments for MSP beneficiaries ( $X_{2026}$ ).

\$12,000,000 = “Total MA Payment” for the bid from a 2026 MMR file. This field includes all rebates except rebates for reduction of the Part B premium and the Part D basic premium and excludes the Part C basic premium, if any.

\$2,337,525 = Sum of rebates for cost-sharing reduction, other mandatory supplemental benefits, and Part D supplemental benefits for the bid. See the PCUG for the applicable field names.

$X_{2026} = \$12,000,000 - \$2,337,525 = \$9,662,475$ .

Step 2: Separate the CY2026 bid portion of payment reflecting reduced payments for MSP beneficiaries ( $X_{2026}$ ) into payments for non-MSP enrollees and MSP enrollees based on MSP status.

$\$9,609,346 = \text{CY2026 bid portion of payment for non-MSP enrollees.}$

$\$53,129 = \text{CY2026 bid portion of payment for MSP enrollees.}$

$X_{2026} = \$9,662,475 = \$9,609,346 + \$53,129.$

Step 3: Calculate the CY2027 bid portion of payment reflecting reduced payments for MSP beneficiaries (X).

$\$9,609,346 = \text{CY2026 bid portion of payment for non-MSP enrollees.}$

$0.136 = \text{CY2026 “MSP factor” for working aged and working disabled (non-ESRD).}$

$0.136 = \text{CY2027 “MSP factor” for working aged and working disabled (non-ESRD).}$

$\$53,129 = (0.136 \div 0.136) \times \$53,129 = \text{CY2027 bid portion of payment for MSP enrollees.}$

$X = \$9,662,475 = \$9,609,346 + \$53,129.$

Step 4: Calculate the projected CY2027 bid portion of payment that would be paid if no beneficiaries had a payer that was primary to Medicare (Y).

$Y = \$9,609,346 + (\$53,129 \div .136) = \$9,609,346 + \$390,654 = \$10,000,000.$

Step 5: Calculate the projected CY2027 MSP adjustment to enter into the BPT.

$\text{MSP adjustment} = 1 - \$9,662,475 \div \$10,000,000 = 0.0338 = 3.38\%.$

### **Manually Rated Bids**

If the following conditions are met, the actuary does not need to estimate an explicit MSP adjustment for 100 percent manually rated bids and must enter zero (0) in the MSP adjustment field in Worksheet 5:

- The basis for both projected allowed costs and projected risk scores is FFS data that are reduced for MSP.
- The projected proportion of MSP members is the same as the proportion of MSP enrollees in the FFS data.

Examples of FFS data located on the CMS website that are reduced for MSP include—

- Rate Calculation Data zip files (for example, “Risk\_Scores 20XX-20YY Non-PACE.csv”).
- Limited Data Sets (or “CMS 5% sample”).
- FFS Data zip files (for example, “FFS data 20XX”).

### **Non-Benefit Expenses**

Non-benefit expenses consist of all the bid-specific administrative and other non-benefit costs incurred in the operation of the MA bid. Therefore, any allocation of non-benefit expenses to

the MA bid (whether performed at the bid level or at a broader level) must take into consideration the differences between the MA bid and other bids, as well as the impact on non-benefit costs of the MA bid.

Non-benefit expenses also include the costs of programs that CMS requires to be included in the bid as non-benefit expenses such as Rewards and Incentives (RI) programs. See Chapter 4 of the *Medicare Managed Care Manual* for more information about non-benefits expenses.

Worksheet 4 distributes the non-benefit expenses proportionately between Medicare-covered services and A/B mandatory supplemental benefits (excluding the PMPM impact of the ESRD subsidy). Within A/B mandatory supplemental benefits, non-benefit expenses are further distributed 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:

- Sales & Marketing. Examples include, but are not limited to the cost of—
  - Marketing materials.
  - Rewards and incentives allowed under 42 CFR § 422.134.
  - Commissions.
  - Enrollment packages.
  - Identification cards.
  - Salaries of sales and marketing staff.
- Direct Administration. Examples include, but are not limited to—
  - Customer service.
  - Billing and enrollment.
  - Medical management.
  - Claims administration.
  - Part C National Medicare Education Campaign (NMEC) user fees. CMS collects NMEC user fees based on a percentage of revenue; however, the BPT entry is a PMPM equivalent value consistent with the calculation of other BPT values. MAOs may use the CMS estimate, which is TBD PMPM on a national basis for CY2027, or develop an alternative estimate that is consistently applied to all bids in the contract—for example, the MAO’s historical amount relative to the CMS annual national estimate.
  - Uncollected enrollee premium.
  - Certain disease management functions. See the “Benefits and Service Categories” pricing consideration for more information about the classification of disease management expenses.
  - For Part B Rx: amounts retained by the PBM from rebates, network transition costs, or other items defined as DIR had such items been attributable to a Part D prescription drug.
- Indirect Administration. Examples include, but are not limited to, functions that may be considered “corporate services,” such as—
  - The position of CEO.
  - Accounting operations.
  - Actuarial services.
  - Legal services.
  - Human resources.

- Net Cost of Private Reinsurance (that is, reinsurance premium less projected recoveries; however, for quota share reinsurance, the net cost of private reinsurance must be entered as \$0).

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 (sales and marketing) 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 is 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 and other activities related to non-medical costs incurred in the operation of the MA bid must be excluded from non-benefit expenses. Such costs include income taxes; changes in statutory surplus and investment expenses; the cost of lobbying activities; and value-added items and services.

See the "Gain/Loss Margin" pricing consideration for more information about exclusions from the BPT.

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 solely attributable to MA or Part D must be reported only on the corresponding MA or Part D BPT.

Non-benefit expenses that are common to the MA and Part D components of MA-PD bids must be allocated proportionately between the MA and Part D BPTs.

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

### **Optional Supplemental Benefits**

See the Announcement at

<https://www.cms.gov/medicare/health-plans/medicareadvtspecratestats/announcements-and-documents-items/2020announcement>. CMS considers plan designs for optional supplemental benefits to be non-discriminatory and provides reasonable value to enrollees when the total value of the optional supplemental benefits offered by all plans under the contract meet the following thresholds:

- The enrollment-weighted contract-level projected gain/loss margin, as measured by a percent of premium, cannot exceed 15 percent.

- The sum of the enrollment-weighted contract-level projected gain/loss margin and non-benefit expenses, as measured by a percent of premium, cannot exceed 30 percent of revenue.

**Out-of-Area Enrollees**

The BPT must reflect the impact of out-of-area members in the base period experience and in the projected values for the contract year, including the calculation of the ESRD subsidy.

Enrollees are classified as out-of-area based on the classification used for MA payment.

The user must enter distinct projected member months and projected risk factors for out-of-area members in Worksheet 5, Section VI, row 38.

The “Dual-Eligible Beneficiaries” pricing consideration explains that out-of-area members are attributable to the DE# and non-DE# populations in Worksheet 5, Section II.

**Part B Premium and Buydown**

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

Note that the Part B premium amount charged by CMS is not the same for all Medicare beneficiaries.

- 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 is 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.
- Certain beneficiaries’ premium increase is limited by the increase in their Social Security checks (that is, the “hold harmless” provision).
- Certain beneficiaries may pay a late-enrollment penalty.

The amount of rebates that can be applied to the Part B premium is limited to the amount pre-populated in the BPT by CMS at the time when the BPT is released.

The BPT 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, MAOs must use the CMS pre-populated amount in the BPT to determine the level of rebates to allocate to the Part B premium buydown.

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

The MA BPT calculates the bid’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, 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 PPO benchmarks (typically in July). Therefore, for MA-PD plans, the premium shown on the MA BPT may not be the final plan premium for CY2027.

For local MA-only plans, the premium shown on the MA BPT in the initial bid 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 MA regional PPO benchmark calculations. Local MA-only plans do not have an opportunity to resubmit for rebate reallocation. The initial bid submission must reflect the desired plan premium.

For regional PPO plans, the initial bid submission contains an estimated MA premium. The actual MA premium will not be known until after the initial June bid submission, when the MA regional PPO benchmarks are calculated by CMS. Note that after the regional PPO benchmarks are released by CMS, all regional PPO 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 reallocate rebates accordingly.

MA-PD and regional MA-only sponsors have the opportunity to reallocate rebates after the release of the Part D national average bid amount and MA regional PPO benchmarks.

Appendix E contains information about rebate reallocation and rounding rules, including the following:

- A description of the rebate reallocation period.
- A summary of the circumstances under which rebate allocation is required, permitted, or not permitted.
- Specific rules for returning to the target Part D basic premium.
- Limitations on benefit changes that are permitted during the rebate reallocation period.
- Limitations on changes in pricing assumptions that are permitted during the rebate reallocation period, including a small change in gain/loss margin in order to satisfy Total Beneficiary Cost (TBC) evaluations.
- Limitations on significant changes to the BPT when rounding premiums.
- Examples of rebate reallocation and rounding.

It is important to note that for all bids, the initial 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 PPO benchmarks, MAOs may reallocate MA rebates in certain MA-PD bids in

order to return to the target Part D basic premium. MA-PD 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.” There is no option to target and reallocate rebates to return to Total Plan Premium.

The target Part D basic premium is the Part D basic premium net of any MA rebates 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 (LIPSA) applies to the Part D basic premium and does not cover the cost of Part D supplemental benefits.

CMS expects a consistent estimate of the LIPSA among bids in the same region.

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

### **Rebate Allocations**

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

- The “Maximum Value” 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 zero.
- The total rebates allocated must equal the total rebates available. MAOs are not permitted to under- or over-allocate rebates in total.
- No rebate allocations may be negative.
- Rebate allocations for “Reduce A/B Cost Sharing” and “Other A/B Mandatory Supplemental Benefits” are rounded by the BPT to two decimals.
- Rebate allocations for the Part B premium, the Part D basic premium, and the Part D supplemental premium are rounded by the BPT to one decimal (that is, the nearest dime) due to withhold system requirements.
- 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 BPT 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.

### **Regional Preferred Provider Organizations (RPPOs)**

A regional PPO plan must cover only enrollees eligible for both Part A and Part B of Medicare. See Chapter 1 of the MMCM, which can be found at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS019326>.

#### ***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 MAOs, on a case-by-case basis, to request that payment rates for regional PPOs be

developed using plan-provided geographic intra-service area rate (ISAR) factors. See the instructions for Worksheet 5 for more details on ISAR factors.

**Related-Party Arrangements**

The related-party requirements apply to any MAO entering into any type of arrangement with, or receiving services from, an entity that has a different tax identification number than that of the MAO but is associated with the MAO by any form of common, privately held ownership, control, or investment, including any arrangement in which the MAO does business with a related party through one or more unrelated parties.

CMS requires all MAOs to disclose whether or not they are in a business arrangement with a related party. MAOs in such an arrangement must: (i) enter related-party expenses on lines z1 and z2 of Worksheet 4, and (ii) provide additional documentation for each related party in accordance with the requirements in Appendix B.

**Risk Score Development for CY2027**

The projected CY2027 risk score must—

- Be based on the data sources and their respective weights, as specified in the resources listed below in the “Risk Adjustment Information Sources” subsection of this pricing consideration.
- Reflect the expected risk score trend at the bid level.
- Be appropriate for the expected population.
- Include adjustments for CY2027 normalization and coding intensity.

***Risk Score Calculation Approaches***

There are two methods for calculating the projected risk score: the preferred approach and the alternate approach.

- The preferred approach is to start with either the beneficiary or plan-level data files provided by CMS, which contain the calculated risk scores using the CY2027 payment model on 12 months of 2025 membership or the July 2025 enrollees, respectively.
- The alternate approach allows new plans or plans with significant population changes to use a different starting point for estimating their contract year risk score.

For both approaches, explicit adjustments for the following factors are required:

- Run-out of diagnosis data from all sources, including differences in the final cutoff date for data submission.
- Bid-specific coding trend.
- Changes in bid population.
- Impact of any improvements to the operational and submission process for diagnosis data sources.
- Other appropriate factors.

For an alternate approach, MAOs must consider the following additional adjustments:

- Conversion to risk model-specific unblended risk scores.

- If the starting risk scores are blended scores, then MAOs must produce unblended risk scores before the conversion to raw scores.
- Conversion to a raw risk score.
  - When starting from a data source with normalized risk scores, such as the MMR, MAOs must consider a conversion to a raw (unnormalized) score before making other adjustments.
    - Conversion to a raw score includes subtraction of the frailty score, if applicable, and then multiplicative adjustments for normalization and coding intensity.
- Impact of lagged versus non-lagged diagnosis data.
  - If the starting risk scores are based on lagged diagnosis data, as is the case for initial risk scores, MAOs must transition the scores from lagged to non-lagged risk scores.
- Seasonality.
  - If the starting risk score is based on membership other than the July cohort or a full calendar-year cohort, then MAOs must make an adjustment for enrollment seasonality.
- Risk model change.
  - This includes the use of a different model in the data source versus the projection year and differences in the diagnoses included in each model.
- Impact of changes to diagnosis data sources and weights between the time period of the data source and the contract year. Examples of the use of this factor include adjustments for—
  - The transition of starting risk scores based on MMR data from incomplete to final diagnosis data.
  - An estimate of the impact of the final risk score reconciliation.

Once projected to the contract year, the risk scores must reflect the CY2027 MA normalization factor(s), the MA coding pattern adjustment factor, and the frailty factor, if applicable. Note that, if a raw (unnormalized) risk score associated with a different model calibration year is being normalized, the CY2027 MA normalization factor(s) is not the appropriate normalization factor.

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

The following resources provide information on the development of projected CY2027 risk scores:

- The CY2027 Advance Notices and Announcement can be found at <https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/announcements-and-documents>.
- Bid-level data and technical notes are available after the publication of the CY2027 Announcement through the “Risk Adjustment” link on the HPMS Home page.
- Beneficiary-level files and technical notes are sent to MAOs electronically after the publication of the CY2027 Announcement.
- Additional information can be found—

- At the “Risk Adjustment” link at <https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/risk-adjustment>.
- At the “Ratebooks & Supporting Data” link at <https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/ratebooks-supporting-data>.
- At <https://www.csscooperations.com>, including slides from Risk Adjustment User Group Calls.

### ***Other Considerations***

See the “Credibility” pricing consideration for more information about the projection of risk scores.

See Appendix I for more information about trending MA risk scores.

### **Sequestration**

To account for sequestration during the projection period, net medical expenses must reflect the impact of sequestration on provider payments. Cost sharing is not reduced under sequestration; therefore, for purposes of completing the BPT, net medical expenses are reduced, cost sharing is unaffected, and total allowed costs are reduced to equal the sum of net medical expenses and cost sharing. Similar modifications must be made to base period data to the extent that actual provider payments are affected by sequestration.

Some calculations in the BPT may be affected by the modifications listed above and are to be handled as follows:

- In the case of coinsurance, the effective cost sharing entered in Worksheet 3 may not match the cost-sharing percentage in the PBP. In this case, the MAO must adequately justify such difference. See the “Cost Sharing” pricing consideration for more information about the calculation of the effective coinsurance percentage.

### **Service Area**

#### ***Segmented Service Areas***

For information on MA segmented service area options see the CY2019 Final Call Letter (page 210) in the Announcement at <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Announcements-and-Documents-Items/2019Announcement>.

For information on non-regional PPO bids with segmented service areas see the uniformity of benefit requirements in Chapter 4 - Benefit and Beneficiary Protections of the *Medicare Managed Care Manual* at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS019326>.

#### ***Pending 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 MAO must resubmit a BPT

that includes only the approved counties. The revised bid values must reflect only the change in the service area.

If a decision by CMS on a service area change remains outstanding as of July 15<sup>th</sup>, then CMS will request a sample BPT omitting the pending change. The sample BPT is not to be uploaded to HPMS.

**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 includes line-by-line instructions for completing the Medicare Advantage (MA) BPT and the Medical Savings Account (MSA) BPT. It also describes the formulas for calculated cells.

#### MEDICARE ADVANTAGE

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

The MA BPT 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 bid does not include any optional supplemental benefit packages, then Worksheet 7 may be left blank.

#### MEDICAL SAVINGS ACCOUNT

Appendix H provides additional guidance in completing the MSA BPT for MSA plans, and highlights 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 zero (0) in the cell.

Do leave a field blank if—

- The field does not apply, for example, Worksheet 1, Sections II and III, when no base period experience is reported.
- These Instructions state to leave a field blank, for example, the in-network and out-of-network plan deductibles when the annual deductible for a local or regional Preferred Provider Organization (PPO) functions as a combined deductible.

## **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 bid 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 bid.
- Section IV captures the factors used to project the base period data to the contract period.
- Section V contains a summary of the base period revenue and expenses.
- Section VI summarizes the base period risk-sharing arrangement payments.

Section I must be fully completed for all bids. (Note that some fields may be pre-populated by the PBP.) Sections II through VI must be completed for all bids with experience data for 2025 regardless of the level of enrollment.

### **SECTION I – GENERAL INFORMATION**

The fields of Section I have been formatted as the “General” format in Excel to support the link functionality to other 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 zeroes. All fields in Section I must be completed; none can be left blank.

#### **Line 1 – Contract Number**

Enter the contract number for the bid. The designation begins with a capital letter H (local plan) or R (regional PPO plan) and includes four Arabic numerals (for example, H9999, R9999). Be sure to include all leading zeroes (for example, H0001).

#### **Line 2 – Plan ID**

Plan IDs contain three Arabic numerals; however, this field is to be entered as a text input (that is, with a preceding apostrophe). Be sure to include all leading zeroes (for example, ‘001).

#### **Line 3 – Segment ID**

If the bid is in a non-segmented plan, enter zero (0). Otherwise, enter the segment ID. This field is to be entered as a text input (that is, with a preceding apostrophe). Be sure to include all leading zeroes (for example, ‘000 or ‘001).

#### **Line 4 – Contract Year**

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

**Line 5 – Organization Name**

Enter the MAO's legal entity name. This information also appears in HPMS and the PBP.

**Line 6 – Plan Name**

Enter the plan name. 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.

| Type of Plan                                                         | Plan Type Code        |
|----------------------------------------------------------------------|-----------------------|
| <b>Local Coordinated Care Plans:</b>                                 |                       |
| 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              |
| <b>Regional Coordinated Care Plan:</b>                               |                       |
| Regional Preferred Provider Organization (RPPO)                      | RPPO                  |
| <b>Private Fee-for-Service Plans:</b>                                |                       |
| Private Fee-for-Service (PFFS)                                       | PFFS                  |
| Religious Fraternal Benefit PFFS                                     | RFB PFFS              |

**Line 8 – MA-PD**

If the bid provides coverage under a Medicare Advantage Prescription Drug Plan (MA-PD), as defined in Chapter 1 of the *Medicare Managed Care Manual*, enter “Y”. Otherwise, enter “N”.

**Line 9 – Enrollee Type**

If the bid covers enrollees eligible for both Part A and Part B of Medicare, enter “A/B”. If the bid covers 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,” 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 zeroes (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 Swapping or Actuarial Equivalence Apply**

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

**Line 12 – SNP**

If the plan is a SNP, enter “Y”. Otherwise, enter “N”.

**Line 13 – Region Name**

No user input is required. This field displays the region name, based on the region number entered in line 10.

**Line 14 – SNP Type**

If the plan is a SNP, 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 2025 and at least 30 days of paid claims run-out; 2–3 months of paid claim run-out is preferable.

The incurred dates in the first two cells are pre-populated with 01/01/2025 and 12/31/2025.

In the third cell enter the date that indicates the number of days of paid run-out. For example, if there are two months of paid claims run-out in the detailed claims data by service category, then the paid-through date is 02/28/2026. Note that such date would not change, if claims data

paid on a subsequent date were used to revise estimated incurred claims, but were not used to update the detailed claims data set by service category.

**Line 2 – Member Months**

This line is calculated as the sum of the member months entered in line 6. The total member months in line 2 represent the base period experience excluding ESRD enrollees for the time period that enrollees are in ESRD status and excluding hospice enrollees for the time period that the enrollees are in hospice status.

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.

**Line 3 – Risk Score**

Enter the final average risk score for the non-ESRD and non-hospice members of the population represented in the base period data using the Part C risk adjustment model that was used for payment year 2025. This risk score must incorporate the normalization factor, the MA coding pattern adjustment factor, and an estimate of the final reconciliation.

Actuaries may use as a starting point risk scores calculated with the model used for 2025, which are included in the beneficiary-level files sent to MAOs electronically after the publication of the CY2027 Announcement.

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. The DE# risk score default calculation may be overwritten by the user. See the “Dual-Eligible Beneficiaries” pricing consideration for more information about base period risk scores.

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 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                                         | 1/1/2025 – 12/31/2025 |
| Paid-Through Date (PTD)                               | 2/28/2026             |
| Capitation Payments                                   | \$ 100                |
| PTD Claims Requiring Completion                       | \$ 400                |
| <u>Estimate of Unpaid 2025 Claims as of 2/28/2026</u> | <u>\$ 30</u>          |
| Total Incurred Claims for 2025                        | \$ 530                |
| The Completion Factor would be calculated as:         |                       |
| Completion Factor = $(400 + 30) \div 400 = 1.075$     |                       |

**Line 5 – Level of Significance**

If a level of significance is used to determine whether a Contract-Plan ID-Segment ID is listed in Worksheet 1, Section II, line 6, enter the level of significance in this cell. The value must be greater than 0% and less than 100%. Otherwise, leave this cell blank.

**Line 6 – Bids Included in Base Period Data**

The “Contract-Plan-Segment ID” columns in line 6 must include the contract number, plan ID, and segment ID of each bid (including a segment ID of zero (0) for a non-segmented plan), for which: (i) base period data are required to be reported in Worksheet 1 in accordance with the “Base Period Experience” pricing consideration, and (ii) such base period data exists.

The required format is “H####-###-###” (with the first character being H or R and ending in “000” for a non-segmented plan).

The BPT calculates the Contract-Plan ID-Segment ID in cell N14 based on the contract number, plan ID, and segment ID in Section I. However, the Contract-Plan ID-Segment ID in cell N14 may be overwritten by the user, that is, if the base period data excludes the experience of the bid.

In the second column, the user must enter each bid’s base period member months. The sum of the member months entered in line 6 is displayed as the total member months in line 2.

If base period data are reported for more than eight bids, then the MAO must include in supporting documentation the base period member months for such bids. Further, the user must: (i) enter in cells N14:N17 and P14:P16, the Contract-Plan ID-Segment ID of the seven bids with the greatest number of base period member months, and (ii) enter in cell P17, “All Other”.

**SECTION III – BASE PERIOD DATA (AT PLAN’S RISK FACTOR) FOR 1/1/2025 – 12/31/2025**

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

**In lines a through q:**

✓ **Column b – Service Category**

The benefit service categories are displayed in column b.

✓ **Column d – Net PMPM**

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

✓ **Column e – 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.

✓ **Column f – 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 – 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 – Average Cost per Unit**

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

✓ **Column i – Allowed PMPM**

Enter the allowed PMPM by service category for the base period.

**Line r – COB/Subrogation (outside claims system)**

The Coordination of Benefits (COB)/Subrogation service category is intended to include only those amounts that are to be settled outside the claim system. See the “COB/Subrogation” pricing consideration for more information.

✓ **Column b – Service Category**

COB/Subrogation is displayed in lieu of a service category.

✓ **Column d – Net PMPM**

Line r, COB, is set equal to the allowed PMPM in column i by formula.

✓ **Column e – Cost Sharing**

Line r, COB, is set equal to zero.

✓ **Column i – Allowed PMPM**

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

**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 factors from the base period to the contract period, not annual trend rates. For example, assume that the base period is calendar year 2025 and that the contract year is 2027. If the utilization trend is 5 percent from 2025 to 2026 and 6 percent for projecting 2026 to 2027, then enter “1.113” in column j ( $1.05 \times 1.06$ ).

**In lines a through r:**

This section may be used for new, removed or existing benefits.

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

Enter the utilization trend factor from the base period to the contract period by service category. An example of the use of this factor is to reflect the impact on utilization of changes in medical management. Entering 1.000 would indicate 0 percent trend. Do not leave this field 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, increases 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 this field 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. An example of the use of this factor is to remove the base period experience for certain membership (such as members affected by a service area reduction) in order for the projected experience rate calculated in Worksheet 2 to be based on actual experience of base period membership continuing in the bid for the contract year. Entering 1.000 would indicate 0 percent change. Do not leave this field blank. Do not enter zero (0).

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

Enter any other utilization factor adjustments by service category. An example of the use of this factor is to reflect the impact on utilization of a change in the service area from the base period to the contract year that does not change the expected demographic or morbidity characteristics of the base period population. Entering 1.000 would indicate 0 percent adjustment. Do not leave this field blank. Do not enter zero (0).

✓ **Column n – Unit Cost Adjustment – Provider Payment Change**

Enter the unit cost adjustments by service category for expected changes in provider payments from the base period to the contract period aside from those attributable to changes in utilization or benefit changes. Examples of this type of change include changes in provider reimbursement due to: (i) inflation; sequestration; an indexing provision in provider contracts; or changes in capitation, global-capitation or risk-sharing arrangements aside from those attributable to changes in utilization or benefits. Entering “1.000” would indicate 0 percent trend. Do not leave this field blank. Do not enter zero (0).

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

Enter any other factors for unit cost adjustments by service category. An example is a change in unit cost due to intensity of service trend or the impact on unit costs of the covered population’s change in risk from the base period to the contract period. Entering 1.000 would indicate 0 percent adjustment. Do not leave this field blank. Do not enter zero (0).

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

Use these columns to reflect adjustments that are additive; adjustments in columns j through o are multiplicative factors.

This section may be used for new or removed benefits.

- For a benefit that is no longer being offered, but is included in the base period data, enter the projected value of such benefit as a negative number in column p and/or q.
- The adjustment for a new benefit in the contract year depends upon whether or not there is base period experience for other benefits in the same service category.
  - If there is no base period experience for other benefits in the same service category, then enter the projected value of the new benefit as—
    - A positive number in Worksheet 1, column p and/or column q, or
    - A manual rate in Worksheet 2.
  - If the base period experience for other benefits in the same service category is 100 percent credible, then—
    - Enter the projected value of the new benefit as a positive number in Worksheet 1, column p and/or column q.
    - Do not change the credibility percentage to 0 percent; do not enter a manual rate.
  - If the base period experience for other benefits in the same service category is less than 100 percent credible, then—
    - Enter the projected value of the new benefit as a positive number in Worksheet 1, column p and/or column q.
    - Enter the appropriate credibility percentage for other benefits in the same service category in Worksheet 2; do not change the credibility percentage to 0 percent.
    - Enter the projected value of all benefits in the service category, including the new benefit, as a manual rate in Worksheet 2.

**SECTION V – BASE PERIOD SUMMARY FOR 1/1/2025 – 12/31/2025 (EXCLUDES OPTIONAL SUPPLEMENTAL)**

Section V contains a summary of the actual bid-level base period revenue and expenses. This section must be completed consistently with both the “Bids in Base” bid information (reported in Section II line 6) and the information reported in Section III. See the “Base Period Experience” pricing consideration for more information on reporting base period data.

Note that Section V must be completed in total dollars, and it must include all beneficiaries—(that is, it must include ESRD and hospice and out-of-area and all other enrollees).

Section V must not include amounts that are entered in Worksheet 1 of the Part D BPT. (For example, do not include MA rebates applied to Part D premiums.)

Section V must not include optional supplemental benefits.

The values in the hospice category should reflect only the experience incurred during the period enrollees are in hospice status.

This section must not be left blank.

**Line 1 – CMS Revenue**

This field captures MA revenue from CMS earned in the base period in total dollars. Enter bid-based MA payments and accruals from CMS.

- Include rebates for the reduction of A/B cost sharing and other A/B mandatory supplemental benefits.
- Include an estimate of the final risk-adjustment reconciliation payment for CY2025, which will be received in 2026.
- Do not include rebates applied to Parts B and D premium buydowns.
- Report the CMS revenues gross of user fee reductions and net of sequestration reductions.

In the first column, enter the amount applicable for ESRD enrollees. In the second column, enter the amount applicable for hospice enrollees. In the third column, enter the amount applicable to all other enrollees (including out-of-area members). The sum total is displayed in the fourth column. Values must be greater than or equal to zero.

**Line 2 – Premium Revenue**

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

In the first column, enter the amount applicable for ESRD enrollees. In the second column, enter the amount applicable for hospice enrollees. In the third column, enter the amount applicable to all other enrollees (including out-of-area members). The sum total is displayed in the fourth column. Values must be greater than or equal to zero.

**Line 3 – Total Revenue**

This line is calculated as the sum of lines 1 and 2. If base period data are entered in Section III, then this line total must be completed (that is, must be greater than zero).

**Line 4 – Net Medical Expenses**

Enter the net medical expenses for the base period in total dollars. Include net medical expenses associated with Medicare-covered and all A/B mandatory supplemental benefits, and COB/Subrogation offsets to medical costs. Do not include expenses for optional supplemental benefits, and do not include expenses for Part D benefits.

In the first column, enter the amount applicable for ESRD enrollees. In the second column, enter the amount applicable for hospice enrollees. In the third column, enter the amount applicable to all other enrollees (including out-of-area members).

The net medical expenses for hospice enrollees must reflect anticipated recoveries from the Medicare FFS program for payment of Medicare Part A and Part B claims that are not the responsibility of the MAO.

The sum total is displayed in the fourth column. Values must be greater than or equal to zero. If base period data are entered in Section III, then this line total must be completed—that is, it must be greater than zero.

**Line 5 – Member Months**

Enter the base period member months.

In the first column, enter the amount applicable for ESRD enrollees. In the second column, enter the amount applicable for hospice enrollees. The third column displays the amount applicable to all other enrollees (including out-of-area), which is equal to the member months entered in Section II. The sum total is displayed in the fourth column.

- Member months are to be assigned to the hospice or non-hospice category based on the enrollee's status as of the beginning of the month.

**Line 6 – PMPMs**

Lines 6a through 6d compute base period PMPM values for revenue, net medical expenses, non-benefit expenses, and gain/loss margin, respectively.

**Line 7 – Non-Benefit Expenses**

Enter the MA non-benefit expenses for the base period in total dollars by category. A total is computed. Values in lines 7a, 7b, and 7c must be greater than or equal to zero. If base period data are entered in Section III, then this line total must be completed (that is, must be greater than zero).

Uncollected premiums must be included in line 7b ("Direct Administration").

**Line 8 – Gain/Loss Margin**

Calculated as MA revenue (line 3) less net medical expenses (line 4) less MA non-benefit expenses (line 7).

**Line 9 – Percentage of Revenue**

Lines 9a, 9b, and 9c compute the percentage of MA revenue for net medical expenses, non-benefit expenses, and gain/loss margin for the base period.

**Lines 10a and 10b – Medicaid Revenue and Medicaid Cost**

See the "Dual-Eligible Beneficiaries" pricing consideration for more information about Medicaid data.

The amounts in lines 10a, 10b, 10b1, and 10b2 are in total dollars (not PMPMs).

Line 10b computes the Medicaid cost from Medicaid benefit expenses (line 10b1) and Medicaid non-benefit expenses (line 10b2).

**SECTION VI – BASE PERIOD RISK-SHARING PAYMENTS**

Section VI summarizes the base period risk-sharing arrangement payments net PMPM amount by service category.

**In lines a through q:****✓ Column v – Net PMPM**

Enter the net PMPM for base period risk-sharing arrangement payments by service category. The amount entered in this column is a subset of the net PMPMs entered in Section III, column d, and may be positive or negative depending on the direction of the payment. For example, if the payment was made from the plan sponsor to the provider the amount would be positive, whereas if the payment was made from the provider to the plan sponsor the amount would be negative. Do not include salaries, fee-for-service payments, capitations, or returned withholds in column v.

**Line r – COB/Subrogation (outside claims system):****✓ Column v – Net PMPM**

Line r is set equal to zero.

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

This worksheet calculates the projected allowed costs for the contract year. For bids 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# plus DE#), non-DE#, and DE# members.

**In lines a through q:**

#### **✓ 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 cell labels.

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 calculates the expected average cost, and column h calculates the allowed PMPM for the contract period, projected based on base period experience data.

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

For a bid with less than fully credible experience or no experience, enter manual rate information for the contract period.

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

Enter utilization/1000 assumptions by service category in column i. 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.

✓ **Column l – Credibility Percentage**

Enter the 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 bid 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.

✓ **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.

✓ **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.
- 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 “Dual-Eligible Beneficiaries” pricing consideration for more information about the reporting requirements of DE# pricing.

PMPM values entered in columns p and q must be greater than or equal to zero.

✓ **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 0 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 bid has OON cost sharing PMPM on Worksheet 3, or is a regional PPO plan, then it is expected that the percentage of services provided out-of-network on Worksheet 2 will be greater than 0 percent.

**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 k – Manual Rate – Allowed PMPM**

Enter any PMPM COB/Subrogation offsets to costs.

✓ **Column l –Credibility Percentage**

For a bid with less than fully credible experience or no experience, enter the credibility percentage subject to the conditions described above for lines a through q, column l.

✓ **Column o – Blended Rate**

Calculated automatically based on the projected experience rate, the manual rate, and the credibility percentage.

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

Enter in columns p and q, the separate allowed PMPM costs for non-DE# (on a “per non-DE# member per month” basis) and DE# (on a “per DE# member per month” basis), respectively, subject to the conditions described above for lines a through q, columns p and q.

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

Enter the percentage of COB/Subrogation offsets to costs that are expected to be provided out-of-network subject to the conditions described above for lines a through q, column r.

**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.

## **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 “Cost Sharing” and “Dual-Eligible Beneficiaries” pricing considerations for more information on cost sharing, in general, and on cost sharing for DE# beneficiaries.

All PBP benefits must be reflected on Worksheet 3 as though the beneficiary were paying the cost sharing. If the PBP cost sharing is zero, the utilization for the service must still be reflected on Worksheet 3. However, utilization for beneficiaries who do not pay cost sharing, for example DE# beneficiaries, is not to be included on Worksheet 3 unless the DE# enrollees make up less than 10 percent or more than 90 percent of the total bid enrollees. Worksheet 3 must be consistent with how the non-DE# and DE# Allowed PMPM columns on Worksheet 2 are completed and the guidance specified in Appendix G must be followed.

### **SECTION I – GENERAL INFORMATION**

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

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

#### **Lines 1 through 3 – Plan-Level Out-of-pocket Maximums**

The responses to the plan-level (out-of-pocket) OOP maximum drop-down questions depend on how the Plan Level Cost Sharing Section of the PBP is completed and must be—

- “No” if the corresponding in-network, out-of-network, or combined plan-level maximum enrollee OOP cost is blank in the PBP or if the PBP field is not applicable.
- “Yes” if the corresponding in-network, out-of-network, or combined plan-level maximum enrollee OOP cost is entered in the PBP, including a zero maximum enrollee OOP cost. The PBP amount must be entered in the corresponding amount field on the BPT.

Note that the question in line 3 regarding a combined plan-level maximum enrollee OOP cost applies to a non-network PFFS maximum enrollee out-of-pocket cost amount.

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 or equal to zero.

The responses to the plan-level OOP maximum drop-down questions are summarized below by type of plan:

- For HMO plans and HMO with optional supplemental POS plans enter—
  - “Yes” for the plan-level in-network OOP maximum.
  - “No” for the plan-level out-of-network and combined OOP maximum, even if the PBP includes, in the Cost Share Groups Section, a POS OOP maximum for a subset of service categories.
- For HMO with mandatory supplemental POS plans enter—

- “Yes” for the plan-level in-network OOP maximum in the Plan Level Cost Sharing Section of the PBP.
- “Yes” or “No” for the plan-level out-of-network OOP maximum in the Plan Level Cost Sharing Section of the PBP, consistent with the PBP.
- “Yes” or “No” for the plan-level combined OOP maximum, consistent with the PBP.
- For local PPO and regional PPO plans enter—
  - “Yes” for the plan-level in-network OOP maximum.
  - “Yes” or “No” for the plan-level out-of-network OOP maximum, consistent with the PBP.
  - “Yes” for the plan-level combined OOP maximum.
- For full network PFFS and partial network PFFS plans enter—
  - “Yes” or “No” for the plan-level in-network and out-of-network OOP maximums, consistent with the PBP.
  - “Yes” for the plan-level combined OOP maximum.
- For non-network PFFS plans enter—
  - “No” for the plan-level in-network and out-of-network plan-level OOP maximums.
  - “Yes” for the plan-level combined OOP maximum.

✓ **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. This dollar amount must match the dollar amount entered in the in-network maximum enrollee OOP cost field in the Plan Level Cost Sharing Section of the PBP.

✓ **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. This dollar amount must match the dollar amount entered in the out-of-network maximum enrollee out-of-pocket cost field in the Plan Level Cost Sharing Section of the PBP.

✓ **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 one of the following amounts:

- For non-network PFFS plans, the maximum total dollar amount that a member could pay in the contract year for cost sharing. This dollar amount must match the dollar amount entered in the non-network maximum enrollee out-of-pocket cost field in the Plan Level Cost Sharing Section of the PBP.
- For other plans, the maximum total dollar amount that a member could pay in the contract year for cost sharing both in- and out-of-network. This dollar amount must match the dollar amount entered in the combined (in-network and out-of-network)

maximum enrollee out-of-pocket cost field in the Plan Level Cost Sharing Section of the PBP. Do not sum separate in-network and out-of-network OOP maximums.

### SECTION III – DEVELOPMENT OF CONTRACT YEAR COST SHARING PMPM (PLAN’S RISK FACTOR)

Section III summarizes the cost sharing for all services included in the PBP.

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 service-specific cost-sharing maximums. Assume that the total in-network inpatient utilization/1000 is 2,000 days, 1,900 of which are for acute stays and the remaining 100 for psychiatric stays. The projected impact of the plan-level in-network cost sharing maximum is \$0. These figures could be reflected in the BPT 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 with no service-specific cost sharing maximums. The projected impact of the plan-level in-network cost sharing maximum is \$0. Assume that in-network office visit utilization is distributed as follows:

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

Some of the options that could be used to complete the BPT are as follows:

**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         | \$ 0.17         |
| Line i6 – Other              | <u>50</u>       | <u>\$20.00</u>  | <u>\$ 0.08</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 (not in finalized BPT)</u> | <u>Col j</u> | <u>Col k</u> |
|---------------------------------|--------------|-------------------------------------|--------------|--------------|
| Line i1 – PCP                   | 5,000        | \$10 per visit                      | \$10.00      | \$4.17       |
| Line i2 – Specialist<br>excl MH | 2,900        | \$20 per visit                      | 20.00        | 4.83         |
|                                 |              | \$40/visit for indiv MH sessions,   |              |              |
| Line i3 – MH                    | <u>100</u>   | \$20/visit for group MH             | <u>30.00</u> | <u>0.25</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 (not in finalized BPT)</u> | <u>Col j</u>   | <u>Col k</u>  |
|---------------------------|--------------|-------------------------------------|----------------|---------------|
|                           |              | \$10/visit PCP                      |                |               |
|                           |              | \$20/visit non-MH specialist        |                |               |
|                           |              | \$20/visit for group MH             |                |               |
| Line i6                   | <u>8,000</u> | \$40/visit for indiv MH             | <u>\$13.88</u> | <u>\$9.25</u> |
| Total                     | 8,000        |                                     | \$13.88        | \$9.25        |

In lines a1 through q:

✓ **Column c – Service Category**

This column is pre-populated with line numbers and benefit service categories.

✓ **Column d – Service Category Description**

This column is pre-populated with 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.

✓ **Column e – Measurement Unit Code**

For each cost-sharing line, enter the appropriate measurement unit that reflects the projected utilization per 1,000 or PMPM value entered in column g. 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  
Coin – Coinsurance  
Ded – Deductible (used only for single-line items, such as per-benefit period deductibles; plan-level deductibles that apply to multiple service categories and the pricing impact are entered in line t and column f, respectively)

✓ **Column f – In-Network Effective Deductible PMPM**

See the “Cost Sharing” pricing consideration for information about pricing deductibles and entering such pricing in column f or in other columns on Worksheet 3.

✓ **Columns g through k – In-Network Cost Sharing after 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, before the impact of the OOP maximum.

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

These cells are text fields that may be used by bid preparers to enter internal descriptions of in-network plan cost sharing contained in the PBP, including descriptions of all PBP benefits priced together within each BPT service category and any benefit limits. These details are useful since each BPT category may map to several PBP benefit categories.

The text in column h above the “Total” row 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. This text will not be deleted from the working file or from the backup file during finalization.

Enter the actual combined plan-level deductible amount (if applicable) in line t.

**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).

If the effective cost-sharing amount in column g reflects the unadjusted utilization for all days, visits, etc., then the corresponding cost-sharing amount in column j must include an adjustment for the time period for which the cost sharing applies.

Note that in certain cases, the effective coinsurance percentage in column i may not match the coinsurance percentage in the PBP. See the “Cost Sharing” pricing consideration for more information about the calculation of the effective coinsurance percentage.

Also note that this cell is not used to calculate the in-network PMPM in column k. See the instruction for column j, the projected effective in-network cost-sharing amount after the plan-level deductible has been satisfied and including the impact of the OOP maximum. However, if a value is entered in column j, then a corresponding value for the same service category must be entered in column i.

#### **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 maximum. 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 line v.

#### **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.

Enter the actual in-network plan-level deductible and the pricing impact of the in-network OOP maximum in line t and line v, respectively.

#### ✓ **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 for which cost sharing PMPMs are entered.

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

This column may be used to enter internal descriptions of the out-of-network cost sharing for each service category. This column will be deleted from the finalized file. See the instructions for in-network cost sharing in column h for additional information.

✓ **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 and the pricing impact of the out-of-network OOP maximum in the line t and line v, respectively.

✓ **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).

**In blank lines between q and s:**

✓ **Column c – Service Category**

This column may be used to provide internal numbering (cells B55:B64) and detailed cost-sharing information. The valid entries for service category (cells C55:C64) are as follows:

- Inpatient Facility
- Skilled Nursing Facility
- Home Health
- Ambulance
- DME/Prosthetics/Diabetes
- 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)
- Suppl. Ben. Chpt 4 (Non-covered)
- Other Non-covered

Technical note: The benefit service category entries (cells C55:C64) must match exactly those listed above. 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**

Enter one of the valid cost-sharing items shown in rows a1 through q.

✓ **Columns e through o**

If a benefit service category is entered in column c (C55:C64), then the instructions for lines a1 through q, columns e through o apply.

**Line s – Total**

Calculated automatically as the sum of columns f, k, l, or o (or not applicable).

**Line t – Plan-Level Deductible Amounts**

The cells in columns h, k and n are used to enter plan-level deductible amounts consistent with the Plan Level Cost Sharing Section of the PBP as described below by plan type. When entering such amounts in the BPT, if the PBP indicates that the amount of a deductible is—

- A Medicare-defined deductible (for example, the Medicare-defined Part B deductible) instead of a dollar amount, enter the term *Medicare FFS* as the amount of such deductible. Do not enter an estimate of the actual Medicare-defined deductible for 2027 or leave the cell blank.
- A dollar amount, enter that value—for example, “\$500.”

If entry in the BPT of a deductible amount is not required, leave the field blank. Do not enter zero (0) as the deductible amount.

✓ **LPPO and RPPO Plan Types**

For a bid with an “LPPO” or a “RPPO” plan type, the deductible always applies to Medicare-covered out-of-network benefits. Therefore, consistent with the PBP, if the deductible—

- Applies to one or more in-network benefits, such deductible is similar to a combined deductible. In this case, —
  - Enter in column h, “Actual combined plan deductible,” the deductible amount or “Medicare FFS”.
  - Leave blank column k, “Actual in-network plan deductible” and column n, “Actual OON plan deductible.”
- Does not apply to any in-network benefits, such deductible is similar to an out-of-network deductible. In this case, —
  - Leave blank column h, “Actual combined plan deductible” and column k, “Actual in-network plan deductible.”
  - Enter in column n, “Actual OON plan deductible,” the deductible amount or “Medicare FFS”.

✓ **Plan Types Other Than LPPO and RPPO**

Consistent with the PBP, —

- Enter in column h a combined plan deductible amount or “Medicare FFS”.
- Enter in column k an in-network plan deductible amount or “Medicare FFS”.
- Enter in column n an out-of-network plan deductible amount or “Medicare FFS”.

**Line u – PMPM Impact of MOOP**

Consistent with the PBP, —

- Enter in column k the PMPM pricing impact of the in-network OOP maximum. Such value must reflect the PMPM difference between the pricing for in-network cost sharing before and after the OOP maximum is applied.

- Enter in column n the PMPM pricing impact of the out-of-network OOP maximum. Such value must reflect the PMPM difference between the pricing for out-of-network cost sharing before and after the OOP maximum is applied.

The PMPM values must be greater than or equal to zero.

#### **SECTION IV – MAPPING OF PBP SERVICE CATEGORIES TO BPT**

Section IV captures the mapping of PBP benefit categories to BPT service categories. The cells for PBP categories 1a through 18b are pre-populated based on the suggested mapping of PBP to BPT categories in Appendix F, but they must be overwritten by the user to reflect the actual mapping used in developing PMPM amounts in the BPT.

If the PBP includes benefits offered under MA Uniformity Flexibility or Special Supplemental Benefits for the Chronically Ill (SSBCI), the user must enter the mapping for PBP categories 19a and 19b.

## 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.” (Total of subsections A and B)

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 bid’s revenue requirements for the contract year. Values are allocated between Medicare-covered services and A/B mandatory supplemental benefits and reflect the bid’s risk factor for the contract period. In Section III, the MAO may enter the projected ESRD “subsidy.” Section III must be completed for all C-SNPs that target CKD.

Section IV captures projected Medicaid data.

See the “Dual-Eligible Beneficiaries” pricing consideration 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 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.

✓ **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 for each service category (except for line r). If additional cost-sharing lines are entered on Worksheet 3, then verify that the total cost sharing on Worksheet 4 equals 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 bid. The user must enter in columns i and j the expected percentages of benefits that represent Medicare-covered services. The percentages may differ for Non-DE# beneficiaries and DE# beneficiaries as explained below.

- For Non-DE# beneficiaries in subsection A, —
  - The BPT uses the percentages in column i, to allocate allowed costs (column e) between Medicare-covered services (column m) and A/B mandatory supplemental benefits.
  - The BPT uses the percentages in column j, 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.
- For DE# beneficiaries in subsection B, —
  - The BPT uses the percentages in column i, to allocate provider reimbursement plus actual cost sharing for total benefits (column e) between Medicare-covered services (column m) and A/B mandatory supplemental benefits.
  - The BPT uses the percentages in column j, to allocate the plan’s cost sharing (column f) between actual 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 defined in the PBP as non-covered, the percentage for Medicare-covered services is defaulted to 0.0 percent (for example, line l, “Transportation Non-covered”). For all other services, the MAO must estimate the percentage of covered services. For example, if the MAO’s benefit for a service is richer than that under FFS Medicare or is classified as a mandatory supplemental benefit, such as a POS benefit in the PBP, the user must enter in column i a percentage less than 100 percent.

**Non-DE# Example:**

The MAO estimates that 99.92 percent of the allowed PMPM in column e for outpatient facility emergency services is for Medicare-covered services and 0.08 percent is for A/B mandatory supplemental benefits, whereas 98.03 percent of the cost sharing PMPM in column f is for Medicare-covered services and 1.97 percent of the cost sharing is for A/B mandatory supplemental benefits. The entries in columns i and j would be as follows:

| (c)                        |  | (i)                    | (j)          |
|----------------------------|--|------------------------|--------------|
|                            |  | % for Covered Services |              |
| Service Category           |  | Allowed                | Cost Sharing |
| f. OP Facility – Emergency |  | 99.92%                 | 98.03%       |

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 in columns p through r, consistent with the PBP. In addition, the relationship between the PBP benefits and the BPT pricing is to be consistent with the mapping entered on Worksheet 3 Section IV. For example, if a bid covers additional inpatient hospital days, and the bid is using the suggested mapping from Appendix F, 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 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 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 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 “Dual-Eligible Beneficiaries” pricing consideration for more information about plan cost sharing.

✓ **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**

Enter values in accordance with the “Dual-Eligible Beneficiaries” pricing consideration.

✓ **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 “Dual-Eligible Beneficiaries” pricing consideration.

✓ **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 (Total of Subsections A and B)**

The risk factor for total beneficiaries (non-DE# plus DE#) 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.

✓ **Column u – Net PMPM for Projected Risk-Sharing Payments**

Enter the net PMPM for projected risk-sharing arrangement payments by service category for the total benefits. The amount entered in this column is a subset of the automatically calculated amounts in Section II, Subsection C, column h, and may be positive or negative depending on the direction of the payment. For example, if the payment was made from the plan sponsor to the provider the amount would be positive, whereas if the payment was made from the provider to the plan sponsor the amount would be negative. Do not include salaries, fee-for-service payments, capitations, or returned withholds in column u. Line t is set equal to zero.

**Line r – ESRD**

This line is populated based on Section III (except line r, column u, which is set equal to zero).

**Line s**

For future use.

**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 each of the categories.

The worksheet distributes the non-benefit expenses proportionately between Medicare-covered services (column o) and A/B mandatory supplemental benefits (column r) for each category.

Within A/B mandatory supplemental benefits, non-benefit expenses are also distributed between “Additional Services” (column p) and “Reduction of A/B Cost Sharing” (column q).

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

Total non-benefit expenses are input in column h and are allocated proportionately between Medicare-covered services (column o) and A/B mandatory supplemental benefits (column r). Note that the same proportion is used for each line item. The allocation is based on the relative proportion of the bid's medical expense requirements for Medicare-covered services ("bid") and A/B mandatory supplemental benefits, 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 Services**

These values are calculated as column h minus column r.

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

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

✓ **Line v5 – Total Non-Benefit Expense**

**Column h – Total Non-Benefit Expense PMPM**

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

**Columns p and q – Non-Benefit Expense PMPM 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 the reduction of A/B cost sharing, excluding the impact of the ESRD subsidy.

**Columns o and r – Non-Benefit Expense PMPM for Medicare-Covered and A/B Mandatory Supplemental Benefits**

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

**Line w – Gain/Loss Margin**

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

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

**Line x – Total Revenue Requirement**

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

**Lines y1 through y3 – Percentage of Revenue**

These lines calculate the ratio of net medical expense, non-benefit expense, and gain/loss margin as a percentage of revenue.

**Lines z1 through z2 – Related-Party Expenses**

See the “Related-Party Arrangements” pricing consideration for more information regarding related-party requirements.

✓ **Line z1 – Related-Party and Same Tax Identification Number Allowed Cost PMPM**

Enter the best estimate of the plan sponsor’s total allowed PMPM cost for the sum of the following:

- 1) All related-party medical services in the bid, and
- 2) Services provided by entities with the same tax identification number reported in the bid.

✓ **Line z2 – Related-Party Non-Benefit Expense PMPM**

Enter the best estimate of the plan sponsor’s total PMPM cost for all related-party non-benefit expenses reported in the bid.

**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. Values entered in input cells must be greater than or equal to zero.

Section III must be completed for all C-SNPs that target CKD. MAOs may choose whether to complete Section III for other plan types.

**CY Member Months (entered by county)**

This value is obtained from Worksheet 5.

**CY ESRD Member Months**

This value is obtained from Worksheet 5.

**CY Out-of-Area (OOA) Member Months**

This value is obtained from Worksheet 5.

**Include ESRD "subsidy" in Total Revenue Requirement**

Enter “Y” if the plan is choosing to reflect the Total CY ESRD “subsidy” in line r of Section II. Otherwise, enter “N”.

**Basic Benefits**

See the “End-Stage Renal Disease (ESRD)” pricing consideration for more information about this section of the BPT.

**Supplemental Benefits**

See the “End-Stage Renal Disease (ESRD)” pricing consideration for more information about this section of the BPT.

**SECTION IV – PROJECTED MEDICAID DATA**

This section contains three input cells to capture Medicaid projected revenue and costs. Entries must be reported on a PMPM basis. Values must be greater than or equal to zero. See the “Dual-Eligible Beneficiaries” pricing consideration for more information about Medicaid data.

## **MA WORKSHEET 5 – MA BENCHMARK PMPM**

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This worksheet calculates the A/B benchmark and evaluates whether the bid generates a savings or the need 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 the regional A/B benchmark (including the statutory component of the regional benchmark). Applies only to a “RPPO” plan type.
- Section V – Summary of Quality Bonus Rating information (from CMS).
- Section VI – Projected bid-specific information based on projected enrollment.
- Section VII – Other Medicare information (populated based on the enrollment projection).
- Section VIII – Projected CY Member Months.

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 and hospice): Projected non-ESRD non-hospice member months, reported by county of the bid’s service area.
- Projected Risk Factor (excluding ESRD and hospice): Projected average risk factor for non-ESRD non-hospice enrollees, reported by county of the bid’s service area.
- Medicare Secondary Payer Adjustment Factor: Factor relative to all payments.
- For regional PPO plans, 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).
- Quality Bonus Rating (from CMS).

### **SECTION I – GENERAL INFORMATION**

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

### **SECTION II – BENCHMARK AND BID DEVELOPMENT**

#### **Line 1 – Member Months (from Section VI)**

The value for projected member months (including out-of-area but excluding ESRD and hospice) is obtained from Section VI (entered by county of the bid’s service area). You must enter the projected non-DE# member months (including non-DE# out-of-area). The value for DE# member months is calculated as the difference between the total and the non-DE# amounts. See the “Enrollment” pricing consideration for more information about projected member months.

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

This value is obtained from Section IV for regional plans and from Section VI 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 projected value, then enter zero (0) in this field. The value entered must be between 0 percent and 100 percent.

**Line 4 – Weighted Average Risk Factor**

This member/payment-weighted average value is obtained from Section VI. You must enter the projected non-DE# value (including non-DE# out-of-area). The DE# value is calculated based on the total and the non-DE# amounts. The DE# risk factor default calculation may be overwritten by the user. See the “Projected Risk Score for CY2027” pricing consideration for more information about the DE# risk factor default calculation.

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

**Line 5 – Conversion Factor**

Calculated as (1.000 minus line 3) times line 4. This is an intermediate 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, 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, and 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 Section III, line 1 (“Savings”) times Section V, line 3 (“Rebate %”). 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 PPO 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 BPT by CMS.

### **Line 2 – Plan Bid Component**

The plan bid component of the MA regional PPO benchmark 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 monthly bid amount is announced (typically in July).

MAOs may input an estimated average regional PPO bid amount in their initial bid submission.

For bids that are submitted prior to the announcement of the regional PPO bid 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 regional PPO bid for the region. The MA regional PPO announcement includes the weighted-average MA regional PPO bid for each region. MAOs will be instructed at the time of the announcement to submit revised regional PPO MA BPTs with the applicable average regional PPO bid amount entered in line 2. Any changes in rebates due to the actual plan bid component must be reallocated at the same 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 MAO 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 – QUALITY RATING**

This section captures quality rating information released by CMS. See the “Affordable Care Act” pricing consideration for more information about QBP star ratings and rebate percentages.

### **Line 1 – Quality Bonus Rating (per CMS)**

Enter the numeric quality bonus rating (that is, QBP “star rating”) released by CMS for the contract (that is, a numeric value from “1.0” through “5.0”) or leave the cell blank. The value entered in the BPT will be validated upon upload. (That is, if the BPT value does not match the value released by CMS in HPMS, the upload will be rejected.)

**Line 2 – New/Low Indicator (per CMS)**

Enter the new/low indicator released by CMS for the contract. The four valid options are as follows:

- “Low”
- “New contract under new parent org”
- “New contract under existing parent org”
- “Not applicable”

If the new/low indicator is applicable, the text entered in the BPT will be validated upon upload. (That is, if the BPT text does not match the text released by CMS in HPMS, the upload will be rejected.)

**Line 3 – Rebate Percentage**

The BPT computes the rebate percentage that is used in Section III, line 2.

**SECTION VI – COUNTY-LEVEL DETAIL AND SERVICE AREA SUMMARY**

This section contains detailed data by county and develops bid-specific county-level MA payment rates. For most bids, the only user inputs are the state-county codes (column b), projected member months (column e), projected risk factors (column f) by county, and out-of-area enrollment data. Entries must reflect bid-specific non-ESRD non-hospice enrollment projections for each county within the service area, including the case in which member months are projected to be zero. There is no requirement to enter member months greater than zero in order to generate a county level payment rate.

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

Payment rates for regional PPOs may be developed using plan-provided geographic intra-service area rate (ISAR) factors on a case-by-case basis, as explained in the “Regional Preferred Provider Organizations (RPPOs)” pricing consideration.

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

**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 (including out-of-area in row 38). The projected risk factors are also weighted by MA Ratebook rates.

**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 zeroes.
- 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 county, "99999" in rows 39 through 9999. Out-of-area enrollees must be captured in row 38.
- The county codes entered in the BPT must match the service area defined in HPMS by the MAO. 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, as well as DE# and non-DE# members, but exclude ESRD and hospice members. Enter Out-of-area projected member months in row 38.

See the "Enrollment" pricing consideration for more information about projected member months.

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 factor must be entered in columns b and f, respectively.

✓ **Column f – Projected Risk Factors**

Enter the risk factors for the projected non-ESRD non-hospice membership by county. The risk factors for out-of-area members must be entered in row 38.

If a risk factor 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 MAO 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 factors 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 VII – OTHER MEDICARE INFORMATION

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

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

**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.

**SECTION VIII – PROJECTED CY MEMBER MONTHS**

This section captures and summarizes the various components of the bid's member months.

**Line 1 – Member Months entered by county (from Section VI)**

This value is obtained from Section VI.

**Line 2 – ESRD Member Months**

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.

This amount is used on Worksheet 4 Section III.

**Line 3 – Hospice Member Months**

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

**Line 4 – Out-of-Area (OOA) Member Months**

This value is obtained from Section VI.

**Line 5 – Total Member Months**

Calculated as the sum of lines 1 through 4.

The enrollment for the MA bid must be based on a population consistent with the corresponding Part D bid.

## **MA WORKSHEET 6 – MA BID SUMMARY**

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Worksheet 6 summarizes the results of the calculations of the BPT. 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**

#### **SUBSECTION A – Part B Information**

See the “Part B Premium and Buydown” pricing consideration for further information regarding allocating rebates to buy down the Part B premium.

##### **Line 1 – Maximum Part B Premium Buydown Amount, per CMS**

This value is pre-populated by CMS at the time that the BPT is released.

#### **SUBSECTION 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.

#### **SUBSECTION C – Rebate Allocations**

##### **Line 1 – Reduce A/B Cost Sharing**

Enter the PMPM amount of rebates to reduce A/B cost sharing.

##### **Line 2 – Other A/B Mandatory Supplemental Benefits**

Enter the PMPM amount of rebates to apply toward other A/B mandatory supplemental benefits.

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

Section III summarizes the BPT information in three subsections.

- Subsection A is an overview of the plan A/B bid and the costs of A/B mandatory supplemental benefits, and it also displays certain benchmark and risk score information from Worksheet 5.
- Subsection B contains the MA rebate allocation.

- Subsection 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.

**SUBSECTION 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 bid, 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 bid's 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 Regional PPO Plans)**

This amount is obtained from Worksheet 5.

**Line 7 – Risk Factor**

This amount is obtained from Worksheet 5.

**Line 8 – Conversion Factor**

This amount is obtained from Worksheet 5.

**SUBSECTION B – MA Rebate Allocation**

MAOs may choose which of the following category, or categories, in which to allocate rebates:

- 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.

See Appendix E for information regarding the reallocation of rebates (permitted for certain bids) 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**

The fourth column displays the portion of the total MA rebate that is allocated to each of the rebate options. Note that the rebate allocations are 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 margin in the same proportion that was used in Worksheet 4. The fifth column contains the maximum value that applies to each rebate category. See the “Rebate Allocations” pricing consideration 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.

**SUBSECTION 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 BPT). 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.

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

Enter the rebates that the MAO 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 BPT 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.

✓ **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 July).

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

This field is not applicable to MA-only plans (that is, it must be equal to zero).

If the plan intention for the target premium (cell R47) equals “Low Income Premium Subsidy Amount (LIPSA)” and the user 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.

The bid-level Low-Income Premium Subsidy Amount (LIPSA) for an existing bid that spans multiple Part D regions is the LIS eligible member-weighted average of the LIPSAs for each region. This calculation uses the actual June enrollment of the prior year and accounts for enrollment moved into or out of the bid as part of an official HPMS crosswalk. For new bids without crosswalk enrollment and spanning multiple service areas, the amount to be used is the straight average of the LIPSAs for each region covered in the MA service area. This is in accordance with both section 1860D-14 of the Social Security Act and the final rule “Modification to the Weighting Methodology Used to Calculate the Low-Income Benchmark Amount,” which was published in the *Federal Register* (73 FR 18176) on April 3, 2008.

**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 BPT) 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.

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 MAO 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 BPT 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.

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

Calculates the Part D supplemental premium net of rebates. Line 8d equals line 8a minus line 8c. The value must be greater than or equal to zero. This field is not applicable to MA-only plans (that is, it must be equal to zero in these cases).

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. The 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 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, the target Part D basic premium is not applicable.

See the “Plan Intention for Target Part D Basic Premium” pricing consideration for more information on the target Part D basic premium.

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

MAOs must identify three persons as the MA plan bid contact, the MA certifying actuary, and the MA additional actuarial BPT contact. However, the MAO may designate a centralized mailbox as the “Email Address” for any of the three contacts.

The MA certifying actuary and the MA additional actuarial BPT contact must be readily available and authorized to discuss the development of the pricing of the bid.

In this section, enter the name, phone number, and email information for all three contacts; credentials are a required input for the certifying actuary. For the phone number, enter all ten digits consecutively without parentheses or dashes. Do not leave any part of this section blank.

Section IV also contains a field labeled “Date Prepared.” This field is populated with a date/time stamp during BPT finalization.

**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, and the package name/description must match the PBP.

### **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 – Description**

For each OSB package, enter a description. This description must match the description/package name entered in the PBP for each package—for example, “Enhanced Dental,” “Gold Package,” etc. The description field must not be left blank when there is an optional supplemental package entered.

#### **Column d – Allowed Medical Expense: PMPM**

Enter the projected contract year allowed medical expense PMPM for each package.

#### **Column e – Enrollee Cost Sharing: PMPM**

Enter the projected enrollee cost sharing PMPM for each package.

#### **Column f – Net PMPM Value**

Column f is calculated automatically as the allowed PMPM (column d) minus the cost sharing PMPM (column e).

#### **Column g – Non-Benefit Expense**

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

#### **Column h – Gain/Loss Margin**

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

**Column i – Premium**

The sum of columns f (medical expenses), g (non-benefit expenses), and h (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.

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

**Column j – Projected Member Months**

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

**SECTION III – BASE PERIOD SUMMARY (ENTERED AT THE CONTRACT LEVEL)**

This section contains a summary of the actual contract-level base period revenue and expenses.

Note that Section III must be completed in total dollars (not PMPMs), and it must include all optional supplemental benefit packages that were provided in the base period.

## **IV. APPENDICES**

### **APPENDIX A – ACTUARIAL CERTIFICATION**

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#### **GENERAL**

CMS requires an actuarial certification to accompany every bid submitted to HPMS. If a certification is not submitted via the HPMS certification module, the bid will not be considered for CMS review and approval. Every MA BPT requires a certification. Likewise, every Part D BPT requires a certification.

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 that person accountable for the reasonableness of the assumptions and projections.

#### **Certification Module**

The certification module contains the following features:

- Standardized required language.
- 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.

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.

Multiple actuaries may be 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. The instructions contained in this appendix must be followed by all certifying actuaries.

Additional information regarding the actuarial certification process (including technical instructions for completing the HPMS certification module) will be included in an initial actuarial certification deadline memorandum released via HPMS.

Detailed instructions regarding how to apply for access to the certification module are released via an HPMS memorandum regarding consultant access or electronic signature access to HPMS.

### 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 completed.
- Declaration 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 number, plan ID, and segment ID of the bid(s) being certified.
- The contract year of the bid(s) contained in the certification.
- Indication of whether the certification applies to the MA bid(s), the PD (Part D) bid(s), or both.
- Attestation that the bid(s) are in compliance with the applicable laws<sup>1</sup>, rules<sup>2</sup>, CY2027 bid instructions, and current CMS guidance.
- Attestation that, in accordance with Federal law, the bid(s) are 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(s) are reasonable for the PBP.
- Attestation that the bid(s) were prepared in compliance with the current standards of practice, as promulgated by the Actuarial Standards Board of the American Academy of Actuaries<sup>3</sup>.

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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.

<sup>3</sup> Emphasis is placed on, but not limited to, the following Actuarial Standards of Practice (ASOPs):

- ASOP No. 5, *Incurred Health and Disability Claims*
- ASOP No. 8, *Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits (Revised)*
- ASOP No. 23, *Data Quality*
- ASOP No. 25, *Credibility Procedures*
- ASOP No. 41, *Actuarial Communications*
- ASOP No. 45, *The Use of Health Status Based Risk Adjustment Methodologies*

## APPENDIX B – SUPPORTING DOCUMENTATION

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### GENERAL

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

Unless otherwise noted, MAOs must upload to HPMS all required supporting documentation at the time of the initial June bid submission. Additional supporting documentation must be made available to CMS auditors and reviewers upon request, and for CMS reviewers, within 48 hours of the request, as required by these Instructions. MAOs must upload supporting documentation consistent with the final certified bid.

Additional information not listed by number in this appendix may be requested by CMS reviewers and auditors at any point during bid desk review or a CMS audit.

Supporting documentation requirements apply regardless of the source of the assumption, whether it was developed by the actuary, the MAO, 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 provide all substantiation pertaining to the bid as required in this appendix, even if it was prepared by others or is based on reliance.

In preparing supporting documentation, the actuary must consider ASOP No. 41, *Actuarial Communications*. In accordance with Section 3.2, “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 and additional MA BPT actuarial contacts 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 assumptions, including quantitative support and details, rather than just provide narrative descriptions of assumptions.
- Describe bid-specific variations in addition to the overall pricing assumption or methodology.
- Match the values entered in the current BPT and tie to the PBP.
- Include Excel spreadsheets with working formulas, rather than pdf files, and a narrative explanation of the inputs and the calculations and their components.
- 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 and organization name must appear on the first page. Specific Contract-Plan ID-Segment ID(s) must be included where appropriate, such as on the first page, in a separate chart, or as an attachment.
- Include a hard-coded date.
- Include the Contract-Plan ID (or organization name) and brief description in the beginning of the file name.

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

- Meeting minutes that include comprehensive documentation of discussions related to bid development.
- A complete description of data sources—for example, a report’s official name/title, file name, the date obtained, a source file, the precise name of any published tables used, etc.
- Intermediate calculations showing each step taken to develop an assumption.
- A summary of contractual terms of administrative services arrangements.
- 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 accessible only through a secure server link that requires a password.
- A reference to the supporting documentation for another bid, such as “the same as for plan Hxxxx-xxx-xxx,” and not the documentation itself. The supporting documentation for a bid must be self-contained.
- Excel spreadsheets with a vague explanation or no explanation of the bid-specific inputs and calculations.
- Excel spreadsheets with data that cannot be directly traced back to data entered in the BPT.
- PDF files with the “copy” function disabled.
- A statement that the source of a pricing assumption is “professional judgment” with no additional explanation of the data points underlying the assumptions, such as 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 bid filings in previous years.

## **SUBMITTING SUPPORTING DOCUMENTATION**

Supporting materials must be in electronic format (for example, 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 note that although one file can be uploaded to multiple bids in HPMS, documentation must not be uploaded to bids to which it does not pertain. Similarly, it is not acceptable to upload to multiple bids materials specific to a Part D plan, an MA bid, or another contract number.

More requirements about the upload of substantiation files are located in HPMS in the “Notes” section under HPMS Home > Plan Bids > Bid Submission > CY2027 > Upload > Substantiation > Next.

### **Cover Sheet**

To expedite the bid review process, MAOs must upload a cover sheet that lists all of the supporting documentation that is uploaded or provided with 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 bids for which such support item applies 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 Contract-Plan ID-Segment IDs (such as “plans 001 – 030” or “all plans under contract Hxxxx”). For these items, the cover sheet must contain the exact Contract-Plan ID-Segment IDs to which the documentation applies.

For subsequent substantiation uploads, the cover sheet must summarize the additional documents uploaded at that time (that is, the initial cover sheet must not be maintained as a cumulative list). The subsequent cover sheets must also contain the exact Contract-Plan ID-Segment IDs rather than a range of Contract-Plan ID-Segment 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**

MAOs and certifying actuaries must prepare all supporting documentation at the time of the initial June bid submission so that it is immediately available to CMS and reviewers at the time of that submission or readily available upon request as explained below.

- The “Initial June Bid Submission” section of Appendix B describes supporting documentation materials that MAOs must upload to HPMS with that submission.
- The “Upon Request by CMS Reviewers” section of Appendix B describes materials that MAOs and certifying actuaries must provide within 48 hours of request by CMS reviewers.
- When a BPT is resubmitted, the MAO must upload to HPMS a summary of changes, including the cause and effect of each revision authorized by CMS or CMS reviewers, or proposed by the MAO for rebate reallocation.
  - If a BPT is resubmitted for rebate reallocation, CMS expects the upload of the summary of changes to occur by the end of the rebate reallocation period, but not later than prior to the final actuarial certification. For all other BPT resubmissions, such upload must occur when the BPT is resubmitted.
  - If multiple BPTs are resubmitted at the same time, the summary of changes must include a mapping of specific bid changes to each Contract-Plan ID-Segment ID.

- Sample BPTs are not to be uploaded to HPMS.
- Prior to the final actuarial certification, —
  - MAOs and certifying actuaries must revise supporting documentation consistent with the final certified bid and must upload any additional information or materials provided during bid desk review to support the bid. Specifically—
    - All supporting documentation items listed under the “Initial June Bid Submission” section of Appendix B that were required with the initial bid and continue to be required with the final bid must be revised and uploaded consistent with the final certified bid. In addition, if issues were discovered with these items during bid desk review, support must be revised to address these issues. Please note that only items that changed from initial bid to final bid must be uploaded again.
    - All supporting documentation items listed under the “Initial June Bid Submission” section of Appendix B that were not applicable to the initial bid, but are applicable to the final bid must be uploaded. For example, if the gain/loss margin as a percentage of revenue at the bid level exceeds 11.5% in the final submission, Appendix B.8.6 must be uploaded even when the gain/loss margin as a percentage of revenue at the bid level did not exceed 11.5% in the initial submission.
    - All supporting documentation items listed under the “Upon Request by CMS Reviewers” section of Appendix B that were requested by the bid desk reviewer must be revised and uploaded consistent with the final certified bid.
  - CMS expects revised supporting documentation to have the same file name as the original substantiation file except for a different date or a word such as “revised.”

### Initial June Bid Submission

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

1. A cover sheet outlining the documentation files, as described above.
2. A product narrative that offers relevant information about plan design—including significant benefit changes, the product positioning in the market (such as high/low), enrollment shifts, changes in service area, type of coverage, contractual arrangements, 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.
  - 2.1. When a decision by CMS on a service area change remains outstanding as of July 15<sup>th</sup>, a sample BPT omitting the pending change must be provided to the OACT. The sample BPT is not to be uploaded to HPMS.
3. A document titled “Related-Party Declaration” that states whether or not the MAO is in a related-party arrangement in the base period and/or the projection period.
4. Support for the effect of sequestration on the bid, including a detailed qualitative and quantitative description of how sequestration is reflected in pricing assumptions.
5. Support for the claims credibility assumptions (Worksheet 2), including—

- 5.1. A statement of the credibility methodology used—for example, CMS guidelines.
- 5.2. An actuarial report of the credibility procedure used if it varies from CMS guidelines.
6. A detailed description of the process used for adjusting cost sharing due to maximum OOP limits, including how the PMPM impact of the maximum OOP was determined (Worksheet 3). If the PMPM impact of the maximum OOP is zero, a justification must be included that contains all applicable Contract-Plan ID-Segment IDs, the source data, and an explicit statement that the projected PMPM impact for the contract year equals zero (or “essentially zero”).
7. Support for non-benefit expense assumptions (Worksheets 1 and 4). The required elements include—
  - 7.1. A reconciliation of the base period non-benefit expenses reported in Worksheet 1 of the BPT to auditable material such as corporate financials and bid-level operational data.
  - 7.2. A description of the expenses included in each non-benefit expense category in the BPT.
    - 7.2.1. For the “Net Cost of Private Reinsurance” category, disclose whether or not there is reinsurance. For reinsurance, even if the net cost of private reinsurance is entered as \$0, the required elements include the type of reinsurance and applicable benefits, attachments points, maximums, ceding commissions, and other information pertinent to the reinsurance coverage.
  - 7.3. Detailed support for the development of projected non-benefit expenses. The required elements include—
    - 7.3.1. A description of the methodology used to develop non-benefit expenses.
    - 7.3.2. An analysis that demonstrates the development of each line item using relevant data, assumptions, contracts, financial information, business plans, and other experience.
    - 7.3.3. A description of the relationship between the non-benefit expense line items entered in the BPT and auditable material such as corporate financials and plan-level operational data.
8. Justification of the MA gain/loss margin (Worksheet 4). The required elements include—
  - 8.1. Disclosure of the aggregate MA gain/loss margin at the time of the initial bid submission.
  - 8.2. Support for the aggregate MA gain/loss margin if the aggregate MA gain/loss margin as a percentage of revenue is below 0 percent or above 5.5 percent. The required elements include—
    - 8.2.1. A description of the reasons supporting the aggregate MA gain/loss margin.
    - 8.2.2. An aggregate-margin numeric (non-PDF) business plan showing the current bid submission and next year’s submission. The required elements include—

- a. Projected member months, risk scores, CMS revenue, MA premium, Medicare-covered benefit and A/B mandatory supplemental benefit medical expenses, non-benefit expenses, and gain/loss margin.
  - b. Projected gain/loss margin as a percentage of revenue from the previous year's business plan(s), if applicable.
- 8.3. A demonstration of consistency between the projected and the actual aggregate MA gain/loss margins as a percentage of revenue over the long term. Include an explanation of how that knowledge was incorporated into the current bid submission, if the gain/loss margins have been inconsistent historically.
- 8.4. A detailed justification of the need for flexibility in the gain/loss margin requirements in order to satisfy other CMS instructions such as TBC.
- 8.5. Support for how the aggregate MA gain/loss margin does not jeopardize financial solvency, if the aggregate MA gain/loss margin is negative. Quantify the projected aggregate loss and demonstrate numerically that this loss does not jeopardize financial solvency.
- 8.6. Justification of benefit value in relation to the gain/loss margin, if the gain/loss margin as a percentage of revenue at the bid level is greater than 11.5 percent, or if the gain/loss margin as a percentage of revenue at the bid level is less than -10% percent and the bid has existed since CY2023. The required elements include—
  - 8.6.1. A comparison of premiums for CY2027 and CY2026, if applicable. Include the rounded MA premium, Part D basic premium after MA rebates, Part D supplemental premium after MA rebates, total plan premium, and MA rebate allocation for the Part B premium.
  - 8.6.2. Support for changes in A/B mandatory supplemental benefits, if applicable. Provide a comparison in an Excel spreadsheet of (i) data from Worksheet 4, Section IIC, column R, lines a through u in the BPT, and (ii) the best estimate of the same items changing only the A/B mandatory supplemental benefits to be identical to CY2026.
9. Detailed support for the development of projected risk scores (Worksheet 5). The required elements include—
  - 9.1. A detailed description, and corresponding numerical demonstration, of the methodology used to develop projected CY2027 MA risk scores.
  - 9.2. A description of, and the rationale for choosing, the source data for the development of the projected CY2027 MA risk scores, including—
    - 9.2.1. Identification of the source of the starting risk score and, if the CMS-provided risk scores are not used, an explanation of why the alternative source was appropriate.
    - 9.2.2. For an alternative approach, identification of the years used, the population incorporated, and any data points used as a basis for developing the CY2027 risk score.
  - 9.3. A description of the methodology used to derive each projection factor, including—

- 9.3.1. A summary of the consideration for using or not using the projection factor, a description of and the rationale for choosing the source data, and the data points used in the derivation of the projection factor.
- 9.3.2. For the bid-specific coding trend, a statement about the risk score years utilized, the number of years used and whether the scores are normalized or raw.
- 9.4. A statement about the consistency between the development of the projected risk scores for the bid population and the development of projected medical expenses.
- 9.5. For an alternate approach, a demonstration that the method used is consistent with the preferred development approach in these Instructions, including an explanation of why such approach is more appropriate than the CMS preferred approach.
- 9.6. A statement of the credibility approach used—for example, CMS guidelines.
- 9.7. A description of the credibility methodology used if it varies from CMS guidelines.

The following documentation requirements apply to all bids that contain these specified assumptions:

- 10. Support for the development of the base period data (Worksheet 1).
  - 10.1. Detailed qualitative and quantitative support for the development of the base period experience. 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—
    - 10.1.1. A description of the allocation of allowed costs by service category when the allocation method is not based on bid experience data.
    - 10.1.2. Information regarding the base period member months, if more than eight bids constitute the base period experience.
    - 10.1.3. Justification for the lack of encounter data for services provided under capitated arrangements including—
      - a. An explanation for the deficiency.
      - b. A detailed description of the steps that the MAO has taken or is taking to obtain encounter data for subsequent year's bid submissions.
      - c. A description of the data source for utilization per 1,000 and the basis for any adjustments.
    - 10.1.4. For Part B Rx and DME, the PMPM value of prescription drug and DME rebates attributable to Part B Rx and DME benefits.
  - 10.2. Reconciliation of base period experience to the MAO's auditable material such as corporate financials and bid-level operational data. The data are to be reported on an incurred basis, including claims paid, unloaded claim reserves, non-benefit expenses, and revenues.

- 10.3. Crosswalk information regarding data aggregation. See the sample format at the end of Appendix B. The required elements include—
  - 10.3.1. A list of all bids that are involved in approved crosswalks for CY2026 and proposed crosswalks for CY2027 that are considered for base period data aggregation.
  - 10.3.2. A statement of the intention to submit a crosswalk exception for CY2027, if applicable.
  - 10.3.3. The rationale for determining the level of significance on Worksheet 1, Section II, line 5. A detailed calculation of the proportion of members crosswalked to the Contract-Plan ID-Segment ID from others bid(s) listed on Worksheet 1, Section II, line 6, Bids in Base, for example, numerical components of the numerator and the denominator.
11. Detailed qualitative and quantitative support for the development of each projection factor or adjustment (Worksheet 1). The required elements include—
  - 11.1. A description of the source data, including the data’s relevance to the MA bid.
  - 11.2. A summary of the MAO’s historical trends including—
    - 11.2.1. The percentage trends.
    - 11.2.2. A description of the methodology used to analyze the data.
    - 11.2.3. The numeric calculations.
  - 11.3. Any applicable adjustments to the source data, such as considerations for—
    - 11.3.1. The MAO’s experience.
    - 11.3.2. Industry and/or internal studies.
    - 11.3.3. Changes to benefit design between the base and projection period.
    - 11.3.4. A change in the mix of services, including the rationale for the type of projection factor used to reflect such change.
    - 11.3.5. A change in the mix of provider arrangements such as capitated and risk-sharing arrangements.
    - 11.3.6. Bid-specific circumstances.
    - 11.3.7. Adjustments for differences in Part B Rx and DME rebates between the base and projection period. Include the PMPM value of prescription drug and DME rebates attributable to Part B Rx and DME benefits in the projection period.
  - 11.4. Justification for combining data for multiple service categories.
12. Detailed support for the data and methodology used in the development of appropriate manual rates for the expected population (Worksheet 2). The required elements include—
  - 12.1. A description of the source data, including, but not limited to, the data’s relevance to the MA bid, incurred dates, and the exposure (expressed in member months) that was used to develop the manual rate.

- 12.2. An analysis justifying the reasonableness of the MA manual rate, if it is based on experience of less than 24,000 member months of exposure.
- 12.3. Methodologies and factors used to reflect differences between—
  - 12.3.1. The underlying population and that expected of the MA bid.
  - 12.3.2. The source data and the MA bid in areas including, but not limited to, benefits and the delivery of health care.
- 12.4. Data and methodology used to project the data from the incurred period to CY2027.
- 12.5. All other applicable factors and/or adjustments. Include considerations for the allocation of projected allowed costs by service category.
  - 12.5.1. For Part B Rx and DME, the PMPM value of prescription drug and DME rebates attributable to Part B Rx and DME benefits.
13. An MAO in a related-party arrangement must provide the following:
  - 13.1. Declaration of every related-party arrangement in the base period and projection period.
  - 13.2. Disclosure of all services provided in every related-party arrangement in the base period and projection period.
  - 13.3. A summary that explains the relationship of the parties involved and common ownership, control, and investment in the base period and projection period.
  - 13.4. If the ratio of the total related-party expenses (Worksheet 4 cell M104 plus Worksheet 4 cell M105) to the total allowed cost plus total non-benefit expenses (Worksheet 2 cell O38 plus Worksheet 4 cell H106) is greater than 30 percent, provide a summary of the contractual terms for the five largest related parties declared in the projection period, including a description of the services provided and money exchanged. The five largest related party relationships are to be determined by their share in the total related-party expenses (Worksheet 4 cells M104 and M105).
  - 13.5. If the ratio of the total related-party expenses (Worksheet 4 cell M104 plus Worksheet 4 cell M105) to the total allowed cost plus total non-benefit expenses (Worksheet 2 cell O38 plus Worksheet 4 cell H106) is greater than 30 percent, provide items 13.5.1 and 13.5.2 for the five largest related parties declared in the projection period. The five largest related-party relationships are to be determined by their share in the total related-party expenses (Worksheet 4 cells M104 and M105).
    - 13.5.1. The PMPM cost of services or benefits consistent with the contractual arrangement and the number of member months eligible for each contract, and
    - 13.5.2. A comparison for each contractual arrangement to the cost of the services or benefits in the absence of a related party or to actual cost. Acceptable forms of comparison are as follows:

a. Market Comparison for Administrative Services

Demonstrate through analysis and contract terms, how the fees associated with the MAO's related-party arrangement are comparable to the fees for providing similar services in an administrative arrangement between the following entities:

- The MAO and an unrelated party, or
- The related-party organization and an unrelated party.

To meet this requirement, the MAO must demonstrate at the time of bid submission that—

- The contract with the unrelated party is associated with sufficient costs of services to be considered a valid contract.
- The fees associated with such arrangements are within 5 percent.
- For a related-party administrative arrangement between the related-party organization and an unrelated party, provide a signed attestation from the related party stating that the actual contract will be available for review upon request by CMS.

b. Actual Cost Comparison for Administrative Services

Show the actual cost of the non-benefit services provided by the related party, excluding the gain/loss margin of the related party, compared to the cost in the bid, and provide a qualitative and quantitative summary of the development of the related party's expenses to provide the administrative services.

c. Alternative Comparison for Administrative Services

If the MAO is not able to meet the requirements of 13.5.2a or 13.5.2b, the MAO must show a comparison for administrative services as outlined in 13.5.2a even if the fees associated with the arrangement are not within 5 percent of the comparison.

d. Market Comparison for Medical Services

Either demonstrate through analysis and contract terms, that the fee associated with each service category in the MAO's related-party arrangement is comparable to the fee for providing the same service to a Medicare population in a medical arrangement between the following entities:

- The related-party organization and an unrelated entity with an arrangement that covers Medicare beneficiaries, or
- The MAO and an unrelated party in the bid's service area.
  - Global capitation arrangements that are contracted as a percentage of revenue may be compared across different service areas.

To meet this requirement, the MAO must demonstrate at the time of bid submission that—

- The contract with the unrelated party is associated with sufficient costs of services to be considered a valid comparison.
- The service categories included in the unrelated-party arrangement must be similar to the service categories in the related-party arrangement.
  - Global capitation arrangements are considered to be sufficiently similar even when there are some minor differences as long as the MAO is able to demonstrate through analysis that the fees are comparable.
- The fees associated with such arrangements are within 5 percent or \$2 PMPM—whichever is greater.
- For a related-party medical arrangement between the related-party organization and an unrelated entity, provide a signed attestation from the related party stating that the actual contract will be available for review upon request by CMS.

Or demonstrate by pricing the utilization of the related party through the unrelated-party arrangement that the financial results are comparable for a Medicare population in a medical arrangement between the following entities:

- The related-party organization and an unrelated entity with an arrangement that covers Medicare beneficiaries, or
- The MAO and an unrelated party in the bid's service area.

To meet this requirement, the MAO must demonstrate at the time of bid submission that—

- The contract with the unrelated party is associated with sufficient costs of services to be considered a valid comparison.
- The service categories included in the unrelated-party arrangement must be similar to the service categories in the related-party arrangement.
- The utilization being priced either is aggregated for all the bids that utilize the related-party arrangement or is compared at the bid level.
- The results of pricing the utilization associated with such arrangements are within 5 percent or \$2 PMPM—whichever is greater.
- For a related-party medical arrangement between the related-party organization and an unrelated entity, provide a signed attestation from the related party stating that the actual contract will be available for review upon request by CMS.

e. Fee-For-Service Comparison for Medical Services

Either demonstrate at the time of bid submission that the fees associated with the related-party arrangement are comparable to 100 percent FFS costs, that is, within 5 percent or \$2 PMPM—whichever is greater, or

Demonstrate by pricing the utilization of the related party through the FFS fee schedules that the financial results are comparable to the FFS reimbursements, that is, within 5 percent or \$2 PMPM—whichever is greater.

To meet this requirement, the MAO must demonstrate at the time of bid submission that the utilization being priced either is aggregated for all the bids that utilize the related-party arrangement or is compared at the bid level.

f. Actual Cost Comparison for Medical Services

Show the actual cost of the related party to provide the medical services, excluding the gain/loss margin of the related party, compared to the cost in the bid, and provide a qualitative and quantitative summary of the development of the related party's expenses to provide the medical services.

g. Alternative Comparison for Medical Services

If the MAO is not able to meet the requirements of 13.5.2d through 13.5.2f, the MAO must show a comparison for medical services as outlined in 13.5.2d or 13.5.2e, even if the fees associated with the arrangements are not within 5 percent or \$2 PMPM of the comparison.

- 13.6. When a MAO has an arrangement for benefit services within their tax ID number and does not submit bid data that matches the reporting of these internal transactions in their financial statements, then the plan sponsor must submit supporting documentation—required by Appendix B, items 13.1 to 13.5—that explains and compares how these costs are reflected in the bid versus the MAO's financial statements.
14. The input sheet(s) for the pricing model used in the development of the bid.
15. An explanation of and detailed support for how CY2026 bid audit findings and compliance issues were corrected in the current bid for the same plan. To the extent that an issue applies to other bids in the same contract or parent organization, the documentation for the audited bids must describe how the bids for all plans are treated consistently regarding that issue. This does not apply if the plan audited for CY2026 is not renewed in CY2027. However, any audit findings remain applicable to other plans under the same parent organization in CY2027, and their pricing should be applied consistently with those findings.
16. Support for reliance on information supplied by others that—
  - 16.1. Identifies the source(s) of the information—for example, name, position, company, date;
  - 16.2. Identifies the information relied upon;
  - 16.3. States the extent of the reliance—for example, whether or not checks as to reasonableness have been applied; and
  - 16.4. Indicates to which bid(s) the reliance information applies.

See the sample format at the end of this appendix.

17. Not applicable because the Medicare Advantage Value-Based Insurance Design model is ending as of December 31, 2025.
18. Support for the development of DE# and non-DE# bid values. The required elements include—
  - 18.1. Support for the allocation of enrollment between DE# and non-DE# beneficiaries including the basis for classifying dual-eligible enrollees as DE# (Worksheets 1 and 5).
  - 18.2. Support for DE# and non-DE# projected allowed costs (Worksheet 2).
  - 18.3. Support for zero projected DE# member months when there are DE# members in the base period (Worksheet 5).
19. Support for claim costs for hospice enrollees for mandatory supplemental benefits when these costs are included in the projected allowed cost PMPM.
20. The rationale for entering in the BPT a projected cost of zero (0) for a benefit in the PBP. The required elements for each benefit include—
  - 20.1. The applicable Contract-Plan ID-Segment ID.
  - 20.2. Medicare-covered or non-covered services, as applicable.
  - 20.3. The source data.
  - 20.4. An explicit statement that the projected cost for the contract year equals zero (or “essentially zero”).(Detailed support for the pricing of non-covered services is available upon request.)
21. Support, at the benefit level, for non-covered services (Worksheet 2, lines l through q, column o), if any, including a breakdown of the PMPM value shown in the BPT. For example, a \$4.00 PMPM in column o of row p, “Suppl. Ben. Chpt 4 (Non-Covered),” is to be shown in the supporting documentation as \$1.50 PMPM for a smoking and tobacco cessation counseling and \$2.50 PMPM for medical nutrition therapy. (Detailed support for the pricing of non-covered services is available upon request.)
  - 21.1. If non-covered services are aggregated into a single benefit (for example, debit card, OTC card, flex card, or any comparable means that can be applied across multiple PBP benefits), the support must report each underlying non-covered service separately regardless of the PBP benefit category under which the service would otherwise be classified. If any of the aggregated services are 14c or 19b services, they must be reported at the subcategory level (that is, you must report the PMPM for “14c4: Fitness Benefit” and “14c18: Therapeutic Massage” separately). The reporting must include a breakdown of the PMPM value corresponding to each service, consistent with the amounts reflected in the BPT.
  - 21.2. Ensure that the benefits described in your supporting documentation are consistent with the benefit terminology used in the PBP. Benefits listed in the support must be easily traceable to the corresponding PBP benefits. For example, referencing “Meals

on Wheels” in support for the PBP benefit “Food and Produce” is not acceptable unless both benefits are clearly identified and mapped.

22. Support for the development of projected cost sharing (Worksheet 3). The required elements include—

22.1. A detailed demonstration of how coinsurance or copayments, for which CMS does not have an established amount, satisfy CMS service category requirements. This demonstration must be included when:

- a. A coinsurance is used for inpatient hospital acute and psychiatric or SNF plan benefits;
- b. A copayment is used for DME service categories for which CMS does not have a set copayment limit;
- c. A coinsurance or copayment amount is used for other service categories for which CMS does not have an established limit on cost sharing under §§ 422.100 or 422.113.

22.2. The determination of the PMPM impact of deductibles.

22.3. When any of the actuarial equivalent cost sharing tests fail (failing “red circle” validations) on Worksheet 4, the MAO must adequately demonstrate the requirement that the plan cost sharing for Medicare-covered benefits entered in the PBP is not greater than FFS cost sharing.

23. Support for provider capitation arrangements and risk-sharing arrangements. The required elements for the base and projected periods include—

23.1. For provider capitation arrangements—

- a. A description of each arrangement. Arrangements similar in design may be grouped in the description.
- b. A description and numerical demonstration of the methodology used to allocate payments to service categories. Provide a demonstration for each separate methodology.

23.2. For provider risk-sharing arrangements—

- a. A description of each arrangement. Arrangements similar in design may be grouped in the description.
- b. A description and numerical demonstration of the methodology used to allocate payments to service categories. Provide a demonstration for each separate methodology.
- c. A description and numerical demonstration of the methodology used to allocate payments across each associated BPT. Provide a demonstration for each separate methodology.

24. Support for the “Development of the Projected Contract Year ESRD ‘Subsidy’” (Worksheet 4). This required documentation includes the following:

- 24.1. Base period (for example, 2025) revenues and medical expenditures for Medicare-covered benefits provided to enrollees in ESRD status.
- 24.2. The source for, and the development process of, any manual rates used.
- 24.3. Relevant base-to-contract year trend factors.
- 24.4. A demonstration of the revenue development, including the development of risk scores, split by dialysis, transplant and functioning graft status.
- 24.5. A statement of the credibility approach used—for example, CMS guidelines.
- 24.6. A description of the credibility methodology used if it varies from CMS guidelines.
- 24.7. Each support item listed above must be split between dialysis claims and all other claims.
- 25. Detailed support for the MSP adjustment, including justification for a zero amount. (Worksheet 5).
- 26. Support for the development of plan-provided ISAR factors (Worksheet 5), if used. (This requirement applies to regional PPOs only.) A description of the methodology and data source(s) used to calculate the ISAR factor(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.
- 27. Support for the projected medical expense, projected non-benefit expense, and projected gain/loss margin for specific optional supplemental benefit packages (Worksheet 7).
- 28. Support for actuarial swapping/equivalence customization for employer/union groups enrolled in individual-market plans (Worksheet 1).
- 29. Detailed support for cost-sharing utilization assumptions (Worksheet 3).
- 30. – 33. For future use.

**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 by the certifying actuary or additional MA BPT contact within 48 hours. These materials will be reviewed at audit:

- 34. Support for how the pricing of the bid is not anti-competitive, including a comparison of the bid benefits and premium to the benefits and premiums of competitors.
- 35. Copies of related-party contracts.
- 36. 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.
- 37. An explanation of how certain findings from the Office of Financial Management (OFM) audit were addressed in the current bid.

38. Justification of benefit value in relation to the gain/loss margin, if the gain/loss margin as a percentage of revenue at the bid level is less than or equal to 11.5 percent. The required elements include the elements listed in 8.6.
39. For the projected bid values listed below, an analysis of the relationship between bid-level actual and projected experience for CY2023, CY2024 and CY2025, including an explanation of how that knowledge was incorporated into the current bid submission.
  - 39.1. Total Non-benefit Expense, Worksheet 4, cell H106
  - 39.2. Total Allowed PMPM, Worksheet 2, cell O38.
  - 39.3. Total Weighted Avg Risk Factor, Worksheet 5, cell E15.
40. For an MA-PD plan, if the MA and Part D enrollment differ after taking into account hospice and ESRD enrollees, justification that base period and projected enrollment in the corresponding MA and Part D bids reflect the same underlying population.  
(Worksheets 1 and 5)
41. Support for the pricing of 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.)
42. Support for the allocation of allowed costs and cost sharing between Medicare-covered and A/B mandatory supplemental benefits (Worksheet 4).
43. 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.
44. Support for the calculation of “Medicaid Cost Sharing” (Worksheet 4, Section IIB, column k), including cost sharing required by state or territory Medicaid programs in the bid’s service area based on the eligibility rules for subsidized cost sharing for DE# beneficiaries.
45. Support that changes in PMPM bid values as a result of rebate reallocation are consistent with the pricing approach and methodologies used in the initial June bid submission. This support must include the cause and effect of each revision proposed by the MAO. See Appendix E, item 12 for more detail.
46. Justification for changes in DE# plan reimbursement, including the derivation of the revised plan reimbursement PMPMs in Worksheet 4, column h.
47. For the Low-Income Premium Subsidy Amount (LIPSA) plan intention for the target Part D basic premium option, support for the LIPSA estimate in Worksheet 6, Subsection C, line 7d, including historical data.

**MA CHECKLIST FOR REQUIRED SUPPORTING DOCUMENTATION****Initial June Bid Submission – Required for All Bids**

|   |                                                  |
|---|--------------------------------------------------|
| 1 | Cover sheet                                      |
| 2 | Product narrative                                |
| 3 | Related-party declaration                        |
| 4 | Sequestration                                    |
| 5 | Claims credibility assumption                    |
| 6 | Adjustment to cost sharing for maximum OOP limit |
| 7 | Non-benefit expenses                             |
| 8 | Gain/loss margin                                 |
| 9 | Projected risk scores                            |

**Initial June Bid Submission – Required for All Bids with Specified Assumptions**

|    |                                                          |
|----|----------------------------------------------------------|
| 10 | Base period data                                         |
| 11 | Projection factors                                       |
| 12 | Manual rates                                             |
| 13 | Related-party arrangements                               |
| 14 | Input sheets for pricing model                           |
| 15 | Bid audit results and compliance issues                  |
| 16 | Reliance information                                     |
| 17 | Not applicable                                           |
| 18 | DE# and non-DE#                                          |
| 19 | Hospice claims costs for mandatory supplemental benefits |
| 20 | Zero projected benefit cost                              |
| 21 | Non-covered services benefit-level summary               |
| 22 | Cost sharing                                             |
| 23 | Capitation or risk-sharing arrangements                  |
| 24 | ESRD “subsidy”                                           |
| 25 | MSP adjustment                                           |
| 26 | ISAR factors                                             |
| 27 | Optional supplemental benefit (OSB)                      |
| 28 | Employer or union groups actuarial swapping/equivalence  |
| 29 | Cost-sharing utilization                                 |
| 30 | – 33 Not applicable                                      |

|                                                                                          |
|------------------------------------------------------------------------------------------|
| <b>Upon Request by CMS Reviewers</b>                                                     |
| 34 Bid not anti-competitive                                                              |
| 35 Related-party contracts                                                               |
| 36 Reliance letter                                                                       |
| 37 OFM audit results                                                                     |
| 38 Benefit value/margin                                                                  |
| 39 Actual to Projected                                                                   |
| 40 MA-PD enrollment                                                                      |
| 41 Non-covered services pricing                                                          |
| 42 Allocation of allowed costs/cost sharing to Medicare-covered and non-covered services |
| 43 DE# plan cost sharing override                                                        |
| 44 State and territory cost sharing requirements                                         |
| 45 Rebate reallocation pricing                                                           |
| 46 DE# plan reimbursement                                                                |
| 47 LIPSA target                                                                          |

## SAMPLE SUPPORTING DOCUMENTATION

## SAMPLE MA Cover Sheets

## MA Cover Sheet #1 - CY2027 Initial Bid Submission

**Organization Name:** Health One**Contract(s):** Hxxxx and Hyyyy**Date:** June 1, 2026

| <b>Documentation Requirement</b> | <b>Specific Bid(s)</b> | <b>File Name</b>                                  | <b>Location within File</b>      | <b>MA, PD or Both</b> |
|----------------------------------|------------------------|---------------------------------------------------|----------------------------------|-----------------------|
| 1 Cover sheet                    | All bids               | 1 Cover Sheet HealthOne Hxxxx Hyyyy 6-1-2026.xlsx | 1 Cover sheet                    | Both                  |
| 1 - 9                            | All bids               | Pricing Memo HealthOne Hxxxx, Hyyyy 6-1-2026.pdf  | MA #1 - #9<br>PD #1 - #9         | Both                  |
| 3 Related-Party declaration      | Hyyyy                  | 3 Related Party Declaration Hyyyy 6-1-2026.pdf    | N/A                              | Both                  |
| 6 Cost sharing mapping           | All bids               | 1 Cover Sheet HealthOne Hxxxx Hyyyy 6-1-2026.xlsx | 6.1 WS3 Mapping                  | MA                    |
| 7 Non-benefit expenses           | All bids               | 1 Cover Sheet HealthOne Hxxxx Hyyyy 6-1-2026.xlsx | 7.1 NBE                          | Both                  |
| 8 Gain/loss margins              | All bids               | 1 Cover Sheet HealthOne Hxxxx Hyyyy 6-1-2026.xlsx | 8.1, 8.2, 8.3 Margin             | Both                  |
| 9 Risk scores                    | All bids               | 1 Cover Sheet HealthOne Hxxxx Hyyyy 6-1-2026.xlsx | 9.1 MA RS<br>9.2 PD RS           | Both                  |
| 12 Manual rates                  | Hxxxx                  | Pricing Memo HealthOne Hxxxx, Hyyyy 6-1-2026.pdf  | MA #12<br>PD #12                 | Both                  |
| 12 Manual rates                  | Hxxxx                  | 1 Cover Sheet HealthOne Hxxxx Hyyyy 6-1-2026.xlsx | 12.1 MA Manual<br>12.2 PD Manual | Both                  |
| 13 Related-Party                 | Hyyyy                  | Pricing Memo HealthOne Hxxxx, Hyyyy 6-1-2026.pdf  | MA #13<br>PD #13                 | Both                  |
| 24 ESRD subsidy                  | Hxxxx-001<br>Hxxxx-004 | 1 Cover Sheet HealthOne Hxxxx Hyyyy 6-1-2026.xlsx | 24 ESRD                          | MA                    |

**MA Cover Sheet #2 - CY2027 Subsequent Bid Submission****Organization Name:** Health One**Contract(s):** Hxxxx, Hyyyy, and Szzzz**Date:** July 12, 2026

| <b>Documentation Requirement</b> | <b>Specific Bid(s)</b> | <b>File Name</b>                                           | <b>Location within File</b> | <b>MA, PD or Both</b> |
|----------------------------------|------------------------|------------------------------------------------------------|-----------------------------|-----------------------|
| 1 Cover sheet                    | Hxxxx, Hyyyy           | 1 Cover Sheet HealthOne Hxxxx Hyyyy Revised 7-12-2026.xlsx | N/A                         | Both                  |
| 8 Gain/loss margins              | Hxxxx Hyyyy            | 8 HealthOne AdminProfit Revised 07-12-2026.xlsx            | 8.1, 8.2, 8.3 Margin        | Both                  |
| 12 Manual rates                  | Hxxxx-003              | 1 Cover Sheet HealthOne Hxxxx Hyyyy Revised 7-12-2026.xlsx | 12.1 MA Manual              | MA                    |

**SAMPLE Reliance on Information Supplied by Others**

| <b>Bid</b> | <b>MA, PD or Both</b> | <b>Source (Name, Position, Company)</b>         | <b>Type of Information</b>                | <b>Comments</b>                                                                                             |
|------------|-----------------------|-------------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Hxxxx-002  | Both                  | Joe Smith, Director of Finance, ABC Health Plan | Administrative expenses, gain/loss margin |                                                                                                             |
| Hxxxx-002  | Both                  | 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. |

## SAMPLE Crosswalk Supporting Documentation

**Bid:** Hxxxx-001

**Significance Level (for all bids):** 30%

**Determination of the Level of Significance:**

*[Describe the determination of the level of significance used as a threshold for reporting aggregated period experience.]*

**CY 2027 WK1 Reporting for:** Hxxxx-001

|            | Member Months (MMs)           |                                                                   |                                              |                                                    |                                                    |                                                                           |                                                                                               |
|------------|-------------------------------|-------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| CY2025 Bid | (c)<br>CY2025<br>Total<br>MMs | (d)<br>#<br>Crosswalked<br>from CY2025<br>Bid to<br>Reporting Bid | (e)<br># Removed<br>from<br>Reporting<br>Bid | (f)<br># Remaining<br>in Reporting<br>Bid<br>(d-e) | (g)<br>% Remaining<br>in Reporting<br>Bid<br>(f/c) | Include<br>CY2025 Base<br>Period Data<br>CY2027<br>Reporting Bid<br>(WK1) | Relevant<br>Crosswalk                                                                         |
| Hxxxx-001  | 3,000                         | —                                                                 | 2,500                                        | N/A                                                | N/A                                                | Yes                                                                       | N/A<br>Ongoing bid                                                                            |
| Hxxxx-002  | 500,000                       | 10,000                                                            | —                                            | 10,000                                             | 2.0%                                               | No                                                                        | Plan 001:<br>CY2026 SAE                                                                       |
| Hxxxx-003  | 200                           | 150                                                               | 80                                           | 70                                                 | 35.0%                                              | Yes                                                                       | Plan 001:<br>CY2026 SAE;<br>Intend to file<br>CY2027 SAR<br>Crosswalk<br>Exception<br>Request |
| Hxxxx-004  | 6,000                         | 3,000                                                             | —                                            | 3,000                                              | 50.0%                                              | Yes                                                                       | Plan 001: Intend<br>to file CY2027<br>SAE Crosswalk<br>Exception<br>Request                   |
| Hxxxx-005  | 6,000                         | 1,000                                                             | —                                            | 1,000                                              | 16.7%                                              | No                                                                        | Plan 001: Intend<br>to file CY2027<br>SAE Crosswalk<br>Exception<br>Request                   |

## 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. A regional PPO 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 MAOs provide to such remaining Part B-only enrollees constitutes a separate MA plan (which requires a separate bid submission).

CMS encourages MAOs 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 MAO can submit one plan for all its pre-1999 Part B-only members under an MA contract if the members 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 the benefits offered to A/B members (that is, those eligible for both Part A and Part B of Medicare), the MAO is not required to submit a separate bid for the Part B-only members.

MAOs are to prepare Part B-only bids in much the same way that they prepared for Part A/B members. For Part B-only plans, MAOs 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 <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS012673>. We estimate that 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 PLANS AVAILABLE TO EMPLOYER/UNION GROUPS

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### INDIVIDUAL-MARKET PLANS (“MIXED ENROLLMENT” PLANS)

An MAO may offer its individual-market MA plans to employer/union group health plan sponsors and modify benefits for specific employer/union groups through two types of allowable customization: “actuarial swapping” or “actuarial equivalence.”

#### ***Actuarial Swapping***

If an MAO requests the actuarial swapping category of customization, the MAO must 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. Part D supplemental benefits are not eligible for actuarial swapping. The MAO may make specific swaps in negotiations with employers or unions in the context of the CMS general approval of the candidates, without obtaining further approval from CMS for the actual swaps.

#### ***Actuarial Equivalence***

If an MAO requests the actuarial equivalence category of customization allowable for employer and union groups, the MAO must provide the following information as supporting documentation:

- The proposed change in cost-sharing amounts and the MA plan containing such cost sharing.
- Any modification to the premium charged.
- Any improvement in the benefit related to the changed cost sharing.

Unlike the actuarial swapping flexibility, this customization may apply to both covered and non-covered Medicare benefits.

An MAO must retain in its files, but not upload to HPMS, a package of documents with computations supporting the proposed changes under these two types of allowable customization.

For more information on employer/union group sponsorship of individual MA plans, see Chapter 9 of the *Medicare Managed Care Manual* (MMCM) at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Internet-Only-Manuals-IOMs-Items/CMS019326>.

## **APPENDIX E – REBATE REALLOCATION AND PREMIUM ROUNDING**

MAOs may resubmit bids during the rebate reallocation period to reallocate MA rebates for certain bids and, in most cases, achieve the target plan intention for their Part D basic premium.

MAOs have two options for the target plan intention of their Part D basic premium in the MA-PD bids. 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) as submitted in the initial June bid submission, or
- The low-income premium subsidy amount (LIPSA).

This choice is designated on line 10 of MA BPT Worksheet 6 Section IIIC; it is called the “plan intention for target PD basic premium”. MAOs provide each bid’s plan intention for the Part D basic premium in the initial June bid submission. The plan intention for the Part D basic premium does not apply to an MA-only plan, since this plan type does not submit a Part D BPT.

CMS will announce the exact dates of the rebate reallocation period when the MA regional benchmarks and the Part D benchmarks (that is, the Part D national average monthly bid amount, the Part D base beneficiary premium, and the Part D regional LIPSA) are released. Consequently, MAOs are required to reallocate rebates for some MA bids, are permitted (but not required) for others, and are not permitted for certain bids, as indicated in this appendix. MAOs also may be permitted to use the rebate reallocation period to round the total plan premium to the nearest dollar in their MA BPTs, subject to the premium rounding rules in this appendix.

### **I. REBATE REALLOCATION AND PREMIUM ROUNDING PERMISSIBILITY**

MAOs may resubmit their MA-PD bids to reallocate rebates with the goal of achieving their target plan intention for the Part D basic premium. Some MAOs have MA-PD bids that require reallocation of rebates. The tables below summarize rebate reallocation permissibility during the rebate reallocation period for various plan types and Part D premium scenarios and shows where examples can be found in this appendix. Additionally, the tables indicate if premium rounding is permitted during the rebate reallocation period.

## A. Non-RPPO MA-PD

| Case # | Initial June Submission MA Rebate | Part D Premium Scenario                                                                                                                                                                                                                                                                         | Rebate Reallocation | Rebate Reallocation Example | Premium Rounding | Premium Rounding Example |
|--------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------|------------------|--------------------------|
| 1      | Greater than \$0                  | (i) \$0.00 allocated to the Part D basic premium in the initial submission; and (ii) total Part D premium* decreases below \$0.                                                                                                                                                                 | Required            | None                        | Permitted        | None                     |
| 2      | Greater than \$0                  | (i) \$0.00 allocated to the Part D basic premium in the initial submission; (ii) Part D basic premium is greater than the target plan intention for the Part D basic premium after the reflection of the published benchmarks; and (iii) total Part D premium* is greater than or equal to \$0. | Permitted           | None                        | Permitted        | 15b                      |

| Case # | Initial<br>June<br>Submission<br>MA<br>Rebate | Part D Premium<br>Scenario                                                                                                                                                                                                                                                                                                          | Rebate<br>Reallocation | Rebate<br>Reallocation<br>Example | Premium<br>Rounding | Premium<br>Rounding<br>Example |
|--------|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------------|---------------------|--------------------------------|
| 3      | Greater than<br>\$0                           | (i) \$0.00 allocated to the Part D basic premium in the initial submission; (ii) Part D basic premium is less than the target plan intention for the Part D basic premium after the reflection of the published benchmarks; and (iii) total Part D premium* is greater than or equal to \$0.                                        | Not permitted          | 1                                 | Permitted           | None                           |
| 4      | Greater than<br>\$0                           | (i) Greater than \$0.00 allocated to the Part D basic premium in the initial submission; (ii) excessive rebates allocated to the Part D basic premium in the initial submission; and (iii) rebates allocated to Part D basic premium exceed the Part D basic premium prior to rebates or total Part D premium* decreases below \$0. | Required               | 2 and 3                           | Permitted           | None                           |

| Case # | Initial June Submission MA Rebate | Part D Premium Scenario                                                                                                                                                                                                                                                                                               | Rebate Reallocation | Rebate Reallocation Example                                                                   | Premium Rounding | Premium Rounding Example |
|--------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------------------------------------------------------------------------|------------------|--------------------------|
| 5      | Greater than \$0                  | (i) Greater than \$0.00 allocated to the Part D basic premium in the initial submission;<br>(ii) excessive rebates allocated to the Part D basic premium in the initial submission but does not exceed the Part D basic premium prior to rebates; and<br>(iii) total Part D premium* is greater than or equal to \$0. | Permitted           | 4 and 5, if targeting the initial Part D basic premium; or<br>7 and 8, if targeting the LIPSA | Permitted        | 14 and 16                |
| 6      | Greater than \$0                  | (i) Greater than \$0.00 allocated to the Part D basic premium in the initial submission;<br>(ii) insufficient rebates allocated to the Part D basic premium in the initial submission; and<br>(iii) total Part D premium* is greater than or equal to \$0.                                                            | Permitted           | 6, if targeting the initial Part D basic premium; or<br>9, if targeting the LIPSA             | Permitted        | 15a                      |
| 7      | \$0                               | (i) \$0.00 allocated to the Part D basic premium in the initial submission; and<br>(ii) total Part D premium* decreases below \$0.                                                                                                                                                                                    | Required            | None                                                                                          | Permitted        | None                     |

| Case # | Initial June Submission MA Rebate | Part D Premium Scenario                                                                                                                     | Rebate Reallocation | Rebate Reallocation Example | Premium Rounding | Premium Rounding Example |
|--------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------|------------------|--------------------------|
| 8      | \$0                               | (i) \$0.00 allocated to the Part D basic premium in the initial submission; and (ii) total Part D premium* is greater than or equal to \$0. | Not permitted       | N/A                         | Permitted        | None                     |

*\*Total Part D Premium includes (i) the Part D basic premium net of rebates (line 7d of Worksheet 6, Section IIIC) after reflecting the Part D benchmarks and (ii) the Part D supplemental premium net of rebates (line 8d of Worksheet 6, Section IIIC).*

#### B. RPPO MA-PD

| Case # | Initial June Submission MA Rebate | Part D Premium Scenario                                                                                                                                                                                                                                                                         | Rebate Reallocation                                                                                                                              | Rebate Reallocation Example | Premium Rounding | Premium Rounding Example |
|--------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|--------------------------|
| 9      | Greater than \$0                  | (i)\$0.00 allocated to the Part D basic premium in the initial submission; and (ii) total Part D premium* decreases below \$0.                                                                                                                                                                  | Required to allocate rebates after reflecting the published MA regional benchmarks and to correct negative Part D premium                        | None                        | Permitted        | None                     |
| 10     | Greater than \$0                  | (i) \$0.00 allocated to the Part D basic premium in the initial submission; (ii) Part D basic premium is greater than the target plan intention for the Part D basic premium after the reflection of the published benchmarks; and (iii) total Part D premium* is greater than or equal to \$0. | (i) Required to reflect the published MA regional benchmarks; and (ii) Permitted (but not required) to participate in Part D rebate reallocation | 12 and 13                   | Permitted        | None                     |

| Case # | Initial June Submission MA Rebate | Part D Premium Scenario                                                                                                                                                                                                                                                                                                             | Rebate Reallocation                                                                                                                              | Rebate Reallocation Example | Premium Rounding | Premium Rounding Example |
|--------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|--------------------------|
| 11     | Greater than \$0                  | (i) \$0.00 allocated to the Part D basic premium in the initial submission; (ii) Part D basic premium is less than the target plan intention for the Part D basic premium after the reflection of the published benchmarks; and (iii) total Part D premium* is greater than or equal to \$0.                                        | (i) Required to reflect the published MA regional benchmarks; and (ii) Not permitted to participate in Part D rebate reallocation                | 10 and 11                   | Permitted        | None                     |
| 12     | Greater than \$0                  | (i) Greater than \$0.00 allocated to the Part D basic premium in the initial submission; (ii) excessive rebates allocated to the Part D basic premium in the initial submission; and (iii) rebates allocated to Part D basic premium exceed the Part D basic premium prior to rebates or total Part D premium* decreases below \$0. | Required to allocate rebates after reflecting the published MA regional benchmarks and to correct negative Part D premium                        | None                        | Permitted        | None                     |
| 13     | Greater than \$0                  | (i) Greater than \$0.00 allocated to the Part D basic premium in the initial submission; (ii) excessive rebates allocated to the Part D basic premium in the initial submission but does not exceed the Part D basic premium prior to rebates; and (iii) total Part D premium* is greater than or equal to \$0.                     | (i) Required to reflect the published MA regional benchmarks; and (ii) Permitted (but not required) to participate in Part D rebate reallocation | None                        | Permitted        | None                     |

**APPENDIX E**

| <b>Case #</b> | <b>Initial June Submission MA Rebate</b> | <b>Part D Premium Scenario</b>                                                                                                                                                                                                                                                                     | <b>Rebate Reallocation</b>                                                                                                                                                                                                                    | <b>Rebate Reallocation Example</b> | <b>Premium Rounding</b> | <b>Premium Rounding Example</b> |
|---------------|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------|---------------------------------|
| 14            | Greater than \$0                         | (i) Greater than \$0.00 allocated to the Part D basic premium in the initial submission;<br>(ii) insufficient rebates allocated to the Part D basic premium in the initial submission; and<br>(iii) total Part D premium* is greater than or equal to \$0.                                         | (i) Required to reflect the published MA regional benchmarks;<br>and<br>(ii) Permitted (but not required) to participate in Part D rebate reallocation                                                                                        | None                               | Permitted               | None                            |
| 15            | \$0                                      | (i) \$0.00 allocated to the Part D basic premium in the initial submission; and<br>(ii) total Part D premium* decreases below \$0.                                                                                                                                                                 | (i) Required to reflect the published MA regional benchmarks;<br>and<br>(ii) Required to achieve a positive total Part D premium                                                                                                              | None                               | Permitted               | None                            |
| 16            | \$0                                      | (i) \$0.00 allocated to the Part D basic premium in the initial submission; (ii) Part D basic premium is greater than the target plan intention for the Part D basic premium after the reflection of the published benchmarks; and<br>(iii) total Part D premium* is greater than or equal to \$0. | (i) Required to reflect the published MA regional benchmarks;<br>and<br>(ii) Permitted (but not required) to participate in Part D rebate reallocation when MA rebates are greater than \$0 after reflecting published MA regional benchmarks | None                               | Permitted               | None                            |

## APPENDIX E

| Case # | Initial June Submission MA Rebate | Part D Premium Scenario                                                                                                                                                                                                                                                                               | Rebate Reallocation                                                                                                               | Rebate Reallocation Example | Premium Rounding | Premium Rounding Example |
|--------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|--------------------------|
| 17     | \$0                               | (i)\$0.00 allocated to the Part D basic premium in the initial submission; and<br>(ii) Part D basic premium is less than the target plan intention for the Part D basic premium after the reflection of the published benchmarks; and<br>(iii) total Part D premium* is greater than or equal to \$0. | (i) Required to reflect the published MA regional benchmarks; and (ii) Not permitted to participate in Part D rebate reallocation | None                        | Permitted        | None                     |

*\*Total Part D Premium includes (i) the Part D basic premium net of rebates (line 7d of Worksheet 6, Section IIIC) after reflecting the Part D benchmarks and (ii) the Part D supplemental premium net of rebates (line 8d of Worksheet 6, Section IIIC).*

### C. MA-Only

| Case # | Plan Type        | Part D Premium Scenario | Rebate Reallocation                                                                                             | Rebate Reallocation Example | Premium Rounding                                                                         | Premium Rounding Example |
|--------|------------------|-------------------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------------------------------|--------------------------|
| 18     | Non-RPPO MA-Only | N/A                     | Not permitted; these plans are not affected by the Part D and MA regional benchmarks                            | N/A                         | Not permitted; premiums must reflect desired rounding in the initial June bid submission | N/A                      |
| 19     | RPPO MA-Only     | N/A                     | Required to reflect the published MA regional benchmarks; these plans are not affected by the Part D benchmarks | None                        | Permitted                                                                                | None                     |

## II. REBATE REALLOCATION GUIDELINES

### A. Primary Guidelines

1. Rebate reallocation is only an opportunity to (i) achieve the target plan intention for the Part D basic premium, subject to these instructions, and (ii) reflect the published MA regional benchmarks in RPPO bids.
  - 1.1 When rebates are reallocated to achieve the target plan intention for the Part D basic premium, CMS will only accept a partial return to the target plan intention for the Part D basic premium in the following situations:
    - 1.1.1 The total MA rebate amount has been allocated to reduce the Part D basic premium, but the resulting Part D basic premium is still greater than the target.
    - 1.1.2 The rebate amount allocated to Part D basic premium is \$0, and it is impossible to achieve the target plan intention for the Part D basic premium.
  - 1.2 When rebates are reallocated to achieve the LIPSA as the Part D basic premium, the Part D basic premium net of rebate must be equal to (i) the exact published LIPSA, (ii) the LIPSA rounded to the nearest \$0.10 when the published LIPSA is not already rounded to \$0.10 (that is, the rounded value must be within +/- \$0.05 of the unrounded LIPSA benchmark value), or (iii) the LIPSA rounded down to the nearest dollar amount. The LIPSA for a plan that spans multiple Part D regions must be the LIS eligible member weighted average of the LIPSA for each service region.
  - 1.3 When rebates are reallocated to achieve the LIPSA as the Part D basic premium, if (i) the MAO has no total MA rebates or has allocated the total MA rebates to the Part D basic premium, and (ii) the difference between the Part D basic premium post-benchmark and the LIPSA is between \$0 and the de minimis amount published by CMS, the MAO may volunteer to waive the portion of the Part D basic premium equal to this difference. If the difference between the Part D basic premium post-benchmark and the LIPSA is greater than the de minimis amount published by CMS, the MAO cannot volunteer to waive the de minimis amount.
  - 1.4 MAOs must resubmit all their RPPO bids during the rebate reallocation period to reflect the published MA regional benchmarks within their bids. The allocation of rebates must be revised to reflect the new total rebates. After updates for the regional benchmarks and allocation of rebates due to the regional benchmarks, MAOs are permitted or required to reallocate rebates in their MA-PD RPPO bids to achieve the target plan intention for the Part D basic premium.
2. To satisfy all CMS rebate reallocation requirements, it may not be possible for the MAO to return to the total estimated plan premium (line 9 of Worksheet 6, Section IIIC) from the BPT submitted prior to rebate reallocation.
3. MAOs may not change the “plan intention for target PD basic premium” (line 10 of MA BPT Worksheet 6, Section IIIC) after initial submission.
4. The total Part D premium must be greater than or equal to \$0. Total Part D Premium includes (i) the Part D basic premium net of rebates (line 7d of Worksheet 6, Section IIIC)

after reflecting the Part D benchmarks and (ii) the Part D supplemental premium net of rebates (line 8d of Worksheet 6, Section IIIC).

5. The Part D basic premium prior to rebates (line 7a of Worksheet 6, Section IIIC) must be greater than or equal to the rebates allocated to Part D basic premium (line 7c of Worksheet 6, Section IIIC). In the case that the Part D basic premium prior to rebates (line 7a of Worksheet 6, Section IIIC) is negative, then the rebates allocated to Part D basic premium (line 7c of Worksheet 6, Section IIIC) must equal \$0.00.
6. During the rebate reallocation period, the MAO may decrease or increase Part D supplemental premium due to excessive or insufficient allocation of rebates. 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, no changes are permitted to the allowed costs, administrative costs, or gain/loss margin in the Part D basic and supplemental benefits. In the rare case that (i) the total Part D premium (that is, the Part D basic premium net of rebates plus Part D supplemental premium net of rebates) is negative after the release of the national average and base beneficiary premium and (ii) it cannot be made positive by reducing the rebates allocated to Part D supplemental premium, CMS may require the MAO to enhance the Part D benefits. The enhancement must be limited to the minimum amount necessary to make a non-negative total Part D premium.
7. When MAOs resubmit bids during or after the rebate reallocation period, they must update the Part D BPT to reflect the published national average monthly bid amount and base beneficiary premium.
8. The exact amount of the plan’s total MA rebate must be allocated. 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, the MAO may not allocate more than \$50 to buy down that premium. Rebate allocations to the Part B premium cannot exceed the amount provided by CMS that is pre-populated in the BPT.
9. There are several options for reallocating excessive (or insufficient) allocation of rebates during the rebate reallocation period. An MAO may select one or multiple of these options for a plan during rebate reallocation. In order from the (i) fewest changes to the BPT cells and having the greatest effect on all beneficiaries to (ii) most changes to the BPT cells and having the least effect on most beneficiaries—
  - 9.1 Decrease (or increase) other premiums (Part B, A/B mandatory supplemental, or Part D supplemental);
  - 9.2 Increase/add (or reduce/remove) non-Medicare covered benefits in service category lines l-q and then buy down the new A/B mandatory supplemental premium to the initial level;
  - 9.3 Reduce (or increase) cost sharing for widely used services such as primary care visits and then buy down the new A/B mandatory supplemental premium to the initial level; and
  - 9.4 Reduce (or increase) cost sharing for more limited-use services such as inpatient, skilled nursing facility (SNF), and home health care, or the maximum out-of-pocket (MOOP) and then buy down the new A/B mandatory supplemental premium to the initial level.

10. CMS will not allow MAOs to substantially change A/B mandatory supplemental benefits during the rebate reallocation period. CMS expects only marginal adjustments during this period and will evaluate material differences.
  - 10.1 For a non-RPPO plan, the value of unallocated rebates is defined as the amount of unallocated rebates remaining after achieving the target plan intention for the Part D basic premium.
    - 10.1.1 If the Part D basic premium prior to rebates (line 7a of Worksheet 6, Section IIIC) results in a negative value—either at initial submission or after the published direct subsidy is applied to the BPT—the amount of unallocated rebates includes the amount required to return the total Part D premium to that originally submitted. For plans targeting the LIPSA, this calculation instead reflects the amount necessary to return the Part D supplemental premium to its intended level—generally resulting in a \$0 total Part D premium for low-income beneficiaries—rather than the originally submitted total Part D premium, which may vary based on assumptions for the low-income subsidy and the NAMBA in the initial submission.
  - 10.2 For an RPPO plan, the value of unallocated rebates is defined as the amount of unallocated rebates remaining after—
    - 10.2.1 For an MA-PD plan, (i) applying the MA regional benchmark, and (ii) if applicable, achieving the target plan intention for the Part D basic premium. If the Part D basic premium prior to rebates (line 7a of Worksheet 6, Section IIIC) results in a negative value—either at initial submission or after the published direct subsidy is applied to the BPT—the amount of unallocated rebates includes the amount required to return the total Part D premium to that originally submitted. For plans targeting the LIPSA, this calculation instead reflects the amount necessary to return the Part D supplemental premium to its intended level—generally resulting in a \$0 total Part D premium for low-income beneficiaries—rather than the originally submitted total Part D premium, which may vary based on assumptions for the low-income subsidy and the NAMBA in the initial submission.
    - 10.2.2 For an MA-only plan, applying the MA regional benchmark.
- 10.3 When changing A/B mandatory supplemental benefits during the rebate reallocation period, —
  - 10.3.1 The change in Worksheet 4, cell R108, must be between \$0.00 and 110 percent of unallocated rebate value as described above; and
  - 10.3.2 The gain/loss margin PMPM in Worksheet 4, cell H107, must not increase or decrease by more than \$1.00. Note that this step is separate from any change in gain/loss margin to comply with CMS’s TBC requirement and/or the premium rounding rules; and
  - 10.3.3 CMS will not allow the MAO to eliminate or significantly reduce one benefit for the purpose of adding or significantly enhancing another benefit (or vice versa). For example, if the MAO has an excessive allocation of \$3, CMS will not allow the reduction of an A/B mandatory supplemental benefit

by \$2 to add \$5 into a different mandatory supplemental benefit. We consider this to be a substantial change in the A/B mandatory supplemental benefit; and

10.3.4 Changes in MA pricing assumptions for the incremental change in A/B mandatory supplemental benefits and the associated impact on other pricing assumptions (that is, flow-through pricing), as described in section III of this appendix, are permitted only for the bids involved in rebate reallocation. Note that flow-through pricing may be limited by items 10.3.1 and 10.3.2 above.

11. CMS will allow additional changes to the MA gain/loss margin PMPM when it is required for an MAO to comply with CMS's TBC requirement.

11.1 After CMS's release of the MA regional benchmarks and the Part D benchmarks and prior to an MAO's participation in rebate reallocation for a plan, if the plan's premium increases due to the updates to the benchmarks such that it is no longer compliant with CMS's TBC requirements, the MAO is required to make any necessary changes to ensure compliance with TBC requirements. Additionally, when making adjustments for TBC compliance, the MAO may be required, permitted, or not permitted to return to the target intention for the Part D basic premium, as specified in applicable guidance.

11.1.1 Plans may adjust the MA gain/loss margin PMPM when the plan modifies A/B mandatory supplemental benefits that do not affect the TBC calculation (such as non-covered or Professional supplemental benefits not included in the OOPC model). MA gain/loss margin PMPM may be adjusted without changes to these benefits if the plan can demonstrate that TBC compliance cannot otherwise be achieved, which may occur when the plan does not offer any A/B mandatory supplemental benefits that do not affect the TBC calculation. Any change in the MA gain/loss margin PMPM must not exceed the amount needed to change the premium such that the plan's TBC value is reduced to equal the TBC threshold amount.

11.2 After an MAO participates in rebate reallocation for a plan, if the MAO's changes in A/B mandatory supplemental benefits during rebate reallocation cause the plan to no longer comply with CMS's TBC requirements, CMS will require the MAO to resubmit to comply with TBC requirements by changing (i) A/B mandatory supplemental benefits; or (ii) MA, Part D, or Part B premiums. CMS will only permit additional changes in MA gain/loss margin PMPM (that is, additional to the changes in MA gain/loss margin PMPM in 10.3.2 and for premium rounding) as a last resort in this case.

12. Per Appendix B, item 45, support may be required for changes in PMPM bid values as a result of rebate reallocation. When requested the following information is to be provided —

12.1 A statement of the intent to participate in rebate reallocation, premium rounding, or both rebate reallocation and premium rounding.

12.2 Reconciliation between the amount of unallocated rebates due to rebate reallocation and the changes in the BPT during rebate reallocation.

**B. Label Definitions and References for Examples**

| <b>Label</b>                                | <b>Definition</b>                                                                                                                                                                                                                                                          | <b>MA BPT Worksheet (WS) Reference</b> |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| Rebates for Allocation                      | The total amount of rebates required to allocate to (i) achieve the target plan intention for the Part D basic premium and (ii) update BPT for published RPPO benchmark values (that is, the unallocated rebates in Worksheet 6, L31 that is a result of (i) and/or (ii)). | N/A                                    |
| LIPSA                                       | The CMS-published low-income subsidy amount for fully eligible low-income subsidy individuals in each Part D region. This amount is published prior to the rebate reallocation period, but not prior to the initial June BPT submissions.                                  | N/A                                    |
| Change in MSB Revenue Requirement (Rev Req) | The amount of change in the total revenue requirement for the A/B mandatory supplemental benefits from pre to post rebate reallocation.                                                                                                                                    | N/A                                    |
| MSB Rev Req                                 | The total revenue requirement for the A/B mandatory supplemental benefits.                                                                                                                                                                                                 | WS4 R108                               |
| MSB Rebate Allocation                       | The total amount of rebates allocated to the A/B mandatory supplemental premium.                                                                                                                                                                                           | WS6 R13 + R14                          |
| MA Premium                                  | The A/B mandatory supplemental premium, because MA basic premium must be \$0 to participate in rebate reallocation.                                                                                                                                                        | WS6 R31                                |
| Basic Prem Prior Rebate                     | The Part D basic premium prior to allocation of MA rebates. This value is from the Part D BPT.                                                                                                                                                                             | WS6 R34                                |
| Basic Prem Rebate Allocation                | The rebates allocated to the Part D basic premium.                                                                                                                                                                                                                         | WS6 R36                                |
| Part D Basic Premium                        | The Part D basic premium after allocation of MA rebates.                                                                                                                                                                                                                   | WS6 R37                                |
| Supp Prem Prior Rebate                      | The Part D supplemental premium prior to allocation of MA rebates. This value is from the Part D BPT.                                                                                                                                                                      | WS6 R40                                |
| Supp Prem Rebate Allocation                 | The rebates allocated to the Part D supplemental premium.                                                                                                                                                                                                                  | WS6 R42                                |
| Part D Supplemental Premium                 | The Part D supplemental premium after allocation of MA rebates.                                                                                                                                                                                                            | WS6 R43                                |
| Total Plan Premium                          | The total estimated plan premium.                                                                                                                                                                                                                                          | WS6 R45                                |

**C. Non-RPPO Examples When Target is Initial Part D Basic Premium**

In the following examples, the bold and italicized numbers represent a change to an input cell in the BPT.

***Example 1: Rebate Reallocation is Not Permitted.***

| Label                              | Initial June Bid | After Release of Benchmark |
|------------------------------------|------------------|----------------------------|
| <b>Rebates for Allocation</b>      | N/A              | N/A                        |
| <b>Change in MSB Rev Req</b>       | N/A              | N/A                        |
| MSB Rev Req                        | \$141.20         | \$141.20                   |
| MSB Rebate Allocations             | \$135.40         | \$135.40                   |
| <b>MA Premium</b>                  | \$5.80           | \$5.80                     |
| Basic Prem Prior Rebate            | \$23.20          | \$12.20                    |
| Basic Prem Rebate Allocations      | \$0.00           | \$0.00                     |
| <b>Part D Basic Premium</b>        | \$23.20          | \$12.20                    |
| Supp Prem Prior Rebate             | \$63.70          | \$63.70                    |
| Supp Prem Rebate Allocations       | \$63.70          | \$63.70                    |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                     |
| <b>Total Plan Premium</b>          | \$29.00          | \$18.00                    |

In this example, rebate reallocation is not permitted if both (i) the initial June bid has \$0.00 basic premium rebate allocations; and (ii) after reflecting announced Part D benchmarks, the basic premium prior rebate is less than the initial June bid Part D basic premium. In the circumstances where the Part D basic premium is negative and not offset by the Part D supplemental premium, rebate reallocation is required.

**Example 2: Excessive Rebates Allocated to Part D Basic Premium, Reallocation is Mandatory, and MAO can Achieve Target.**

| Label                              | Initial June Bid | After Release of Benchmark | Option 1b      | Unacceptable Option* |
|------------------------------------|------------------|----------------------------|----------------|----------------------|
| <b>Rebates for Allocation</b>      | N/A              | \$7.60                     | \$7.60         | \$7.60               |
| <b>Change in MSB Rev Req</b>       | N/A              | N/A                        | \$7.60         | \$8.40               |
| MSB Rev Req                        | \$3.70           | \$3.70                     | <b>\$11.30</b> | <b>\$12.10</b>       |
| MSB Rebate Allocations             | \$3.70           | \$3.70                     | <b>\$11.30</b> | <b>\$12.10</b>       |
| <b>MA Premium</b>                  | \$0.00           | \$0.00                     | \$0.00         | \$0.00               |
| Basic Prem Prior Rebate            | \$33.00          | \$25.40                    | \$25.40        | \$25.40              |
| Basic Prem Rebate Allocations      | \$33.00          | \$33.00                    | <b>\$25.40</b> | <b>\$25.40</b>       |
| <b>Part D Basic Premium</b>        | \$0.00           | -\$7.60                    | \$0.00         | \$0.00               |
| Supp Prem Prior Rebate             | \$0.00           | \$0.00                     | \$0.00         | \$0.00               |
| Supp Prem Rebate Allocations       | \$0.00           | \$0.00                     | \$0.00         | \$0.00               |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                     | \$0.00         | \$0.00               |
| <b>Total Plan Premium</b>          | \$0.00           | -\$7.60                    | \$0.00         | \$0.00               |

In this example, the change in MSB revenue requirement must be between \$0.00 and \$7.60.

**Option 1:** If, after reflecting announced Part D benchmarks, the basic premium rebate allocations are greater than the basic premium prior rebate, rebate reallocation is required. The MAO must reallocate the excessive allocation of \$7.60 by either—

**1a (Option not shown above):** In this example, reallocating the excessive allocation of \$7.60 entirely to the Part B premium (in the circumstances where there is a MA or Part D supplemental premium pre-rebate reallocation, the MAO may choose to make no changes to MSB revenue requirement and decrease the MA or Part D supplemental premiums); or

**1b (Option shown above):** Increasing MSB revenue requirement by less than or equal to \$7.60, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot increase more than the value of the rebates for allocation.

**Example 3: Excessive Rebates Allocated to Part D Basic Premium, Reallocation is Mandatory, and MAO cannot Achieve Target.**

| Label                                | Initial June Bid | After Release of Benchmark | Option 1a      | Option 1b       | Unacceptable Option* |
|--------------------------------------|------------------|----------------------------|----------------|-----------------|----------------------|
| <b>Rebate Dollars for Allocation</b> | N/A              | N/A                        | \$5.60         | \$5.60          | \$5.60               |
| <b>Change in MSB Rev Req</b>         | N/A              | N/A                        | \$0.00         | \$5.60          | \$6.60               |
| MSB Rev Req                          | \$109.17         | \$109.17                   | \$109.17       | <b>\$114.77</b> | <b>\$115.77</b>      |
| MSB Rebate Allocations               | \$94.17          | \$94.17                    | <b>\$99.77</b> | <b>\$99.77</b>  | <b>\$100.77</b>      |
| <b>MA Premium</b>                    | \$15.00          | \$15.00                    | \$9.40         | \$15.00         | \$15.00              |
| Basic Prem Prior Rebate              | \$1.90           | -\$3.70                    | -\$3.70        | -\$3.70         | -\$3.70              |
| Basic Prem Rebate Allocations        | \$1.90           | \$1.90                     | <b>\$0.00</b>  | <b>\$0.00</b>   | <b>\$0.00</b>        |
| <b>Part D Basic Premium</b>          | \$0.00           | -\$5.60                    | -\$3.70        | -\$3.70         | -\$3.70              |
| Supp Prem Prior Rebate               | \$19.30          | \$19.30                    | \$19.30        | \$19.30         | \$19.30              |
| Supp Prem Rebate Allocations         | \$19.30          | \$19.30                    | <b>\$15.60</b> | <b>\$15.60</b>  | <b>\$15.60</b>       |
| <b>Part D Supplemental Premium</b>   | \$0.00           | \$0.00                     | \$3.70         | \$3.70          | \$3.70               |
| <b>Total Plan Premium</b>            | \$15.00          | \$9.40                     | \$9.40         | \$15.00         | \$15.00              |

In this example, the change in MSB revenue requirement must be between \$0.00 and \$5.60.

**Options 1:** If, after reflecting announced Part D benchmarks, the Part D basic premium plus the Part D supplemental premium is less than \$0.00, rebate reallocation is required. The MAO must reallocate the excessive allocation of \$5.60 by either—

**1a:** Making no changes to MSB revenue requirement and decreasing the MA premium (or increasing the rebates allocated to the Part B premium) by increasing rebate allocations to MA or Part B premiums; or

**1b:** Increasing MSB revenue requirement by less than or equal to \$5.60, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot increase more than the value of the rebate dollars for allocation.

**Example 4: Excessive Rebates Allocated to Part D Basic Premium, Reallocation is Optional, and MAO can Achieve Target.**

| Label                              | Initial June Bid | After Release of Benchmark (Option 1) | Option 2a       | Option 2b       | Unacceptable Option* |
|------------------------------------|------------------|---------------------------------------|-----------------|-----------------|----------------------|
| <b>Rebates for Allocation</b>      | N/A              | N/A                                   | \$7.60          | \$7.60          | \$7.60               |
| <b>Change in MSB Rev Req</b>       | N/A              | N/A                                   | \$0.00          | \$7.60          | \$11.20              |
| MSB Rev Req                        | \$144.70         | \$144.70                              | \$144.70        | <b>\$152.30</b> | <b>\$155.90</b>      |
| MSB Rebate Allocations             | \$113.00         | \$113.00                              | <b>\$120.60</b> | <b>\$120.60</b> | <b>\$124.20</b>      |
| <b>MA Premium</b>                  | \$31.70          | \$31.70                               | \$24.10         | \$31.70         | \$31.70              |
| Basic Prem Prior Rebate            | \$64.30          | \$56.70                               | \$56.70         | \$56.70         | \$56.70              |
| Basic Prem Rebate Allocations      | \$8.00           | \$8.00                                | <b>\$0.40</b>   | <b>\$0.40</b>   | <b>\$0.40</b>        |
| <b>Part D Basic Premium</b>        | \$56.30          | \$48.70                               | \$56.30         | \$56.30         | \$56.30              |
| Supp Prem Prior Rebate             | \$23.90          | \$23.90                               | \$23.90         | \$23.90         | \$69.60              |
| Supp Prem Rebate Allocations       | \$23.90          | \$23.90                               | \$23.90         | \$23.90         | \$69.60              |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                                | \$0.00          | \$0.00          | \$0.00               |
| <b>Total Plan Premium</b>          | \$88.00          | \$80.40                               | \$80.40         | \$88.00         | \$88.00              |

In this example, the change in MSB revenue requirement must be between \$0.00 and \$7.60.

**Option 1:** The MAO is not required to reallocate rebates and may choose to leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$48.70. Resubmission is not necessary.

**Options 2:** The MAO may choose to return to target Part D basic premium of \$56.30. The MAO must reallocate the excessive allocation of \$7.60 by—

**2a:** Making no changes to MSB revenue requirement and decreasing the MA or Part D supplemental premiums (or increasing the rebates allocated to the Part B premium) by increasing rebate allocations to MA, Part D supplemental, or Part B premiums; or

**2b:** Increasing MSB revenue requirement by less than or equal to \$7.60, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot increase more than the value of the rebates for allocation.

**Example 5: Excessive Rebates Allocated to Part D Basic Premium, Reallocation is Optional, and MAO cannot Achieve Target.**

| Label                              | Initial June Bid | After Release of Benchmark (Option 1) | Option 2a       | Option 2b       | Unacceptable Option* |
|------------------------------------|------------------|---------------------------------------|-----------------|-----------------|----------------------|
| <b>Rebates for Allocation</b>      | N/A              | N/A                                   | \$5.00          | \$5.00          | \$5.00               |
| <b>Change in MSB Rev Req</b>       | N/A              | N/A                                   | \$0.00          | \$5.00          | \$14.00              |
| MSB Rev Req                        | \$141.39         | \$141.39                              | \$141.39        | <b>\$146.39</b> | <b>\$155.39</b>      |
| MSB Rebate Allocations             | \$130.78         | \$130.78                              | <b>\$135.78</b> | <b>\$135.78</b> | <b>\$135.78</b>      |
| <b>MA Premium</b>                  | \$10.60          | \$10.60                               | \$5.60          | \$10.60         | \$19.60              |
| Basic Prem Prior Rebate            | \$36.40          | \$22.40                               | \$22.40         | \$22.40         | \$22.40              |
| Basic Prem Rebate Allocations      | \$5.00           | \$5.00                                | <b>\$0.00</b>   | <b>\$0.00</b>   | <b>\$0.00</b>        |
| <b>Part D Basic Premium</b>        | \$31.40          | \$17.40                               | \$22.40         | \$22.40         | \$22.40              |
| Supp Prem Prior Rebate             | \$26.40          | \$26.40                               | \$26.40         | \$26.40         | \$26.40              |
| Supp Prem Rebate Allocations       | \$26.40          | \$26.40                               | \$26.40         | \$26.40         | \$26.40              |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                                | \$0.00          | \$0.00          | \$0.00               |
| <b>Total Plan Premium</b>          | \$42.00          | \$28.00                               | \$28.00         | \$33.00         | \$42.00              |

In this example, the change in MSB revenue requirement must be between \$0.00 and \$5.00.

**Option 1:** The MAO is not required to reallocate rebates and may choose to leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$28.00. Resubmission is not necessary.

**Options 2:** The MAO may choose to partially return to target Part D basic premium. The MAO must reallocate the excessive allocation of \$5.00 by—

**2a:** Making no changes to MSB revenue requirement and decreasing the MA or Part D supplemental premiums (or increasing the rebates allocated to the Part B premium) by increasing rebate allocations to MA, Part D supplemental, or Part B premiums; or

**2b:** Increasing MSB revenue requirement by less than or equal to \$5.00, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot increase more than the value of the rebate dollars for allocation.

**Example 6: Insufficient Rebates Allocated to Part D Basic Premium, Reallocation is Optional, and MAO can Achieve Target.**

| Label                              | Initial June Bid | After Release of Benchmark (Option 1) | Option 2a      | Option 2b      | Unacceptable Option* |
|------------------------------------|------------------|---------------------------------------|----------------|----------------|----------------------|
| <b>Rebates for Allocation</b>      | N/A              | -\$1.00                               | -\$1.00        | -\$1.00        | -\$1.00              |
| Change in MSB Rev Req              | N/A              | N/A                                   | \$0.00         | -\$1.00        | -\$1.50              |
| MSB Rev Req                        | \$58.80          | \$58.80                               | \$58.80        | <b>\$57.80</b> | <b>\$57.30</b>       |
| MSB Rebate Allocations             | \$58.80          | \$58.80                               | <b>\$57.80</b> | <b>\$57.80</b> | <b>\$57.30</b>       |
| <b>MA Premium</b>                  | \$0.00           | \$0.00                                | \$1.00         | \$0.00         | \$0.00               |
| Basic Prem Prior Rebate            | \$57.80          | \$58.80                               | \$58.80        | \$58.80        | \$58.80              |
| Basic Prem Rebate Allocations      | \$37.80          | \$37.80                               | <b>\$38.80</b> | <b>\$38.80</b> | <b>\$38.80</b>       |
| <b>Part D Basic Premium</b>        | \$20.00          | \$21.00                               | \$20.00        | \$20.00        | \$20.00              |
| Supp Prem Prior Rebate             | \$19.40          | \$19.40                               | \$19.40        | \$19.40        | \$19.40              |
| Supp Prem Rebate Allocations       | \$19.40          | \$19.40                               | \$19.40        | \$19.40        | \$19.40              |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                                | \$0.00         | \$0.00         | \$0.00               |
| <b>Total Plan Premium</b>          | \$20.00          | \$21.00                               | \$21.00        | \$20.00        | \$20.00              |

In this example, the change in MSB revenue requirement must be between -\$1.00 and \$0.00.

**Option 1:** The MAO is not required to reallocate rebates and may choose to leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$21.00. Resubmission is not necessary.

**Option 2:** The MAO may choose to return to target Part D basic premium of \$20.00. The MAO must obtain rebates for the insufficient allocation of \$1 by—

**2a:** Making no changes to MSB revenue requirement and increasing the MA or Part D Supplemental premiums (or decreasing the rebates allocated to the Part B premium) by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**2b:** Decreasing MSB revenue requirement by no more than \$1.00, such that there is a partial or full return to the MA premium in initial June bid by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot decrease by more than the absolute value of the rebates for allocation.

**D. Non-RPPO Examples When Target is the Low-Income Premium Subsidy Amount (LIPSA)**

In the following examples, the bold and italicized numbers represent a change to an input cell in the BPT.

***Example 7: Excessive Rebates Allocated to Part D Basic Premium, Reallocation is Optional, and MAO can Achieve LIPSA.***

| Label                              | Initial June Bid   | After Release of Benchmark (Option 1) | Option 2b              | Option 3b              | Unacceptable Option*   |
|------------------------------------|--------------------|---------------------------------------|------------------------|------------------------|------------------------|
| <b>LIPSA</b>                       | \$43.40 (estimate) | \$41.40                               | \$41.40                | \$41.40                | \$41.40                |
| <b>Rebates for Allocation</b>      | N/A                | \$7.20                                | \$7.20                 | \$6.80                 | \$7.20                 |
| <b>Change in MSB Rev Req</b>       | N/A                | N/A                                   | \$7.20                 | \$6.80                 | \$8.40                 |
| MSB Rev Req                        | \$155.70           | \$155.70                              | <b><i>\$162.90</i></b> | <b><i>\$162.50</i></b> | <b><i>\$164.10</i></b> |
| MSB Rebate Allocations             | \$155.70           | \$155.70                              | <b><i>\$162.90</i></b> | <b><i>\$162.50</i></b> | <b><i>\$164.10</i></b> |
| <b>MA Premium</b>                  | \$0.00             | \$0.00                                | \$0.00                 | \$0.00                 | \$0.00                 |
| Basic Prem Prior Rebate            | \$73.00            | \$63.80                               | \$63.80                | \$63.80                | \$63.80                |
| Basic Prem Rebate Allocations      | \$29.60            | \$29.60                               | <b><i>\$22.40</i></b>  | <b><i>\$22.80</i></b>  | <b><i>\$22.40</i></b>  |
| <b>Part D Basic Premium</b>        | \$43.40            | \$34.20                               | \$41.40                | \$41.00                | \$41.40                |
| Supp Prem Prior Rebate             | \$13.20            | \$13.20                               | \$13.20                | \$13.20                | \$13.20                |
| Supp Prem Rebate Allocations       | \$13.20            | \$13.20                               | \$13.20                | \$13.20                | \$13.20                |
| <b>Part D Supplemental Premium</b> | \$0.00             | \$0.00                                | \$0.00                 | \$0.00                 | \$0.00                 |
| <b>Total Plan Premium</b>          | \$43.40            | \$34.20                               | \$41.40                | \$41.00                | \$41.40                |

In this example, the change in MSB revenue requirement must be between \$0.00 and \$7.20.

**Option 1:** The MAO is not required to reallocate rebates and may choose to leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$34.20. Resubmission is not necessary. The MAO will forgo receiving \$7.20 PMPM of CMS subsidy for each low-income beneficiary.

**Option 2:** The MAO may choose to have Part D basic premium equal LIPSA benchmark. The MAO must reallocate the excessive allocation of \$7.20 by either—

**2a (Option not shown above):** In this example, reallocating the excessive allocation of \$7.20 entirely to the Part B premium (in the circumstances where there is a MA or Part D supplemental premium pre-rebate reallocation, the MAO may choose to make no changes to MSB revenue requirement and decrease the MA or Part D supplemental premiums); or

**2b (Option shown above):** Increasing MSB revenue requirement by less than or equal to \$7.20, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**Option 3:** The MAO may choose to have Part D basic premium equal LIPSA benchmark rounded down to the nearest dollar and forgo receiving \$0.40 PMPM of CMS subsidy for each low-income beneficiary. The MAO must reallocate the excessive allocation of \$6.80 by either–

**3a (Option not shown above):** In this example, reallocating the excessive allocation of \$6.80 entirely to the Part B premium (in the circumstances where there is a MA or Part D supplemental premium pre-rebate reallocation, the MAO may choose to make no changes to MSB revenue requirement and decrease the MA or Part D supplemental premiums); or

**3b (Option shown above):** Increasing MSB revenue requirement by less than or equal to \$6.80, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot increase more than the value of the rebates for allocation.

**Example 8: Excessive Rebates Allocated to Part D Basic Premium, Reallocation is Optional, and MAO cannot Achieve LIPSA.**

| Label                              | Initial June Bid   | After Release of Benchmark (Option 1) | Option 2b       | Unacceptable Option* |
|------------------------------------|--------------------|---------------------------------------|-----------------|----------------------|
| <b>LIPSA</b>                       | \$46.50 (estimate) | \$42.20                               | \$42.20         | \$42.20              |
| <b>Rebates for Allocation</b>      | N/A                | \$5.10                                | \$5.10          | \$5.10               |
| <b>Change in MSB Rev Req</b>       | N/A                | N/A                                   | \$5.10          | \$7.00               |
| MSB Rev Req                        | \$128.00           | \$128.00                              | <b>\$133.10</b> | <b>\$135.00</b>      |
| MSB Rebate Allocations             | \$128.00           | \$128.00                              | <b>\$133.10</b> | <b>\$135.00</b>      |
| <b>MA Premium</b>                  | \$0.00             | \$0.00                                | \$0.00          | \$0.00               |
| Basic Prem Prior Rebate            | \$51.60            | \$40.70                               | \$40.70         | \$40.70              |
| Basic Prem Rebate Allocations      | \$5.10             | \$5.10                                | <b>\$0.00</b>   | <b>\$0.00</b>        |
| <b>Part D Basic Premium</b>        | \$46.50            | \$35.60                               | \$40.70         | \$40.70              |
| Supp Prem Prior Rebate             | \$0.00             | \$0.00                                | \$0.00          | \$0.00               |
| Supp Prem Rebate Allocations       | \$0.00             | \$0.00                                | \$0.00          | \$0.00               |
| <b>Part D Supplemental Premium</b> | \$0.00             | \$0.00                                | \$0.00          | \$0.00               |
| <b>Total Plan Premium</b>          | \$46.50            | \$35.60                               | \$40.70         | \$40.70              |

In this example, the change in MSB revenue requirement must be between \$0.00 and \$5.10.

**Option 1:** The MAO is not required to reallocate rebates and may choose to leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$35.60.

Resubmission is not necessary. The MAO will forgo receiving \$5.10 PMPM of CMS subsidy for each low-income beneficiary.

**Option 2:** The MAO may choose to have the Part D basic premium partially return to LIPSA benchmark. The MAO cannot receive the full subsidy and will have a \$1.50 PMPM deficit of subsidy for each low-income beneficiary. The MAO must reallocate the excessive allocation of \$5.10 by either–

**2a (Option not shown above):** In this example, reallocating the excessive allocation of \$5.10 entirely to the Part B premium (in the circumstances where there is a MA or Part D supplemental premium pre-rebate reallocation, the MAO may choose to make no changes to MSB revenue requirement and decrease the MA or Part D supplemental premiums); or

**2b (Option shown above):** Increasing MSB revenue requirement by less than or equal to \$5.10, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot increase more than the value of the rebates for allocation.

**Example 9: Insufficient Rebates Allocated to Part D Basic Premium, Reallocation is Optional, and MAO can Achieve LIPSA.**

| Label                              | Initial June Bid   | After Release of Benchmark (Option 1) | Option 2a      | Option 2b      | Unacceptable Option* |
|------------------------------------|--------------------|---------------------------------------|----------------|----------------|----------------------|
| <b>LIPSA</b>                       | \$47.00 (estimate) | \$41.00                               | \$41.00        | \$41.00        | \$41.00              |
| <b>Rebates for Allocation</b>      | N/A                | -\$4.50                               | -\$4.50        | -\$4.50        | -\$4.50              |
| <b>Change in MSB Rev Req</b>       | N/A                | N/A                                   | \$0.00         | -\$4.50        | -\$4.70              |
| MSB Rev Req                        | \$85.10            | \$85.10                               | \$85.10        | <b>\$80.60</b> | <b>\$80.40</b>       |
| MSB Rebate Allocations             | \$85.10            | \$85.10                               | <b>\$80.60</b> | <b>\$80.60</b> | <b>\$80.40</b>       |
| <b>MA Premium</b>                  | \$0.00             | \$0.00                                | \$4.50         | \$0.00         | \$0.00               |
| Basic Prem Prior Rebate            | \$65.80            | \$64.30                               | \$64.30        | \$64.30        | \$64.30              |
| Basic Prem Rebate Allocations      | \$18.80            | \$18.80                               | <b>\$23.30</b> | <b>\$23.30</b> | <b>\$23.30</b>       |
| <b>Part D Basic Premium</b>        | \$47.00            | \$45.50                               | \$41.00        | \$41.00        | \$41.00              |
| Supp Prem Prior Rebate             | \$9.90             | \$9.90                                | \$9.90         | \$9.90         | \$9.90               |
| Supp Prem Rebate Allocations       | \$9.90             | \$9.90                                | \$9.90         | \$9.90         | \$9.90               |
| <b>Part D Supplemental Premium</b> | \$0.00             | \$0.00                                | \$0.00         | \$0.00         | \$0.00               |
| <b>Total Plan Premium</b>          | \$47.00            | \$45.50                               | \$45.50        | \$41.00        | \$41.00              |

In this example, the change in MSB revenue requirement must be between -\$4.50 and \$0.00.

**Option 1:** The MAO is not required to reallocate rebates and may choose to leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$45.50. Resubmission is not necessary. The low-income beneficiaries will pay the \$4.50 PMPM, which is the amount that the Part D basic premium is in excess of the LIPSA benchmark.

**Option 2:** The MAO may choose to have Part D basic premium equal LIPSA benchmark. The MAO must reallocate the insufficient allocation of \$4.50 by—

**2a:** Making no changes to MSB revenue requirement and increasing the MA or Part D Supplemental premiums (or decreasing the rebates allocated to the Part B premium) by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**2b:** Decreasing MSB revenue requirement by no more than \$4.50, such that there is a partial or full return to the MA premium in initial June bid by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot decrease by more than the absolute value of the rebates for allocation.

**E. Examples When Reallocating Rebates for RPPO**

In the following examples, the bold and italicized numbers represent a change to an input cell in the BPT.

***Example 10: Insufficient Rebates Allocated for RPPO Benchmark and Reallocation for Part D Basic Premium is Not Permitted.***

| Label                              | Initial June Bid | After Release of Benchmark | Option 1a      | Option 1b      | Unacceptable Option* |
|------------------------------------|------------------|----------------------------|----------------|----------------|----------------------|
| <b>Rebates for Allocation</b>      |                  |                            |                |                |                      |
| <b>RPPO</b>                        | N/A              | -\$6.70                    | -\$6.70        | -\$6.70        | -\$6.70              |
| <b>Part D</b>                      | N/A              | N/A                        | N/A            | N/A            | N/A                  |
| <b>Change in MSB Rev Req</b>       | N/A              | N/A                        | \$0.00         | -\$6.70        | -\$7.20              |
| MSB Rev Req                        | \$102.70         | \$102.70                   | \$102.70       | <b>\$96.00</b> | <b>\$95.50</b>       |
| MSB Rebate Allocations             | \$97.30          | \$97.30                    | <b>\$90.60</b> | <b>\$90.60</b> | <b>\$90.10</b>       |
| <b>MA Premium</b>                  | \$5.40           | \$5.40                     | \$12.10        | \$5.40         | \$5.40               |
| Basic Prem Prior Rebate            | \$32.60          | \$21.60                    | \$21.60        | \$21.60        | \$21.60              |
| Basic Prem Rebate Allocations      | \$0.00           | \$0.00                     | \$0.00         | \$0.00         | \$0.00               |
| <b>Part D Basic Premium</b>        | \$32.60          | \$21.60                    | \$21.60        | \$21.60        | \$21.60              |
| Supp Prem Prior Rebate             | \$37.10          | \$37.10                    | \$37.10        | \$37.10        | \$37.10              |
| Supp Prem Rebate Allocations       | \$37.10          | \$37.10                    | \$37.10        | \$37.10        | \$37.10              |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                     | \$0.00         | \$0.00         | \$0.00               |
| <b>Total Plan Premium</b>          | \$38.00          | \$27.00                    | \$33.70        | \$27.00        | \$27.00              |

In this example, the change in MSB revenue requirement must be between -\$6.70 and \$0.00.

Rebate reallocation for the Part D basic premium is not permitted if both (i) the initial June bid has \$0.00 basic premium rebate allocations; and (ii) after reflecting announced Part D benchmarks, the basic premium prior rebate is less than the initial June bid Part D basic premium.

**Option 1:** Rebate reallocation is required for the insufficient allocation of -\$6.70 after reflecting announced RPPO benchmark. The MAO must obtain rebates for the insufficient allocation of -\$6.70 by—

**1a:** Making no changes to MSB revenue requirement and increasing the MA or Part D Supplemental premiums (or decreasing the rebates allocated to the Part B premium) by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**1b:** Decreasing MSB revenue requirement by no more than \$6.70, such that there is a partial or full return to the MA premium in initial June bid by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot decrease by more than the absolute value of the rebates for allocation.

***Example 11: Excessive Rebates Allocated for RPPO Benchmark and Reallocation for Part D Basic Premium is Not Permitted.***

| Label                              | Initial June Bid | After Release of Benchmark | Option 1a      | Option 1b      | Unacceptable Option* |
|------------------------------------|------------------|----------------------------|----------------|----------------|----------------------|
| <b>Rebates for Allocation</b>      |                  |                            |                |                |                      |
| <b>RPPO</b>                        | N/A              | \$1.60                     | \$1.60         | \$1.60         | \$1.60               |
| <b>Part D</b>                      | N/A              | N/A                        | N/A            | N/A            | N/A                  |
| <b>Change in MSB Rev Req</b>       | N/A              | N/A                        | \$0.00         | \$1.60         | \$2.00               |
| MSB Rev Req                        | \$63.60          | \$63.60                    | \$63.60        | <b>\$65.20</b> | <b>\$65.60</b>       |
| MSB Rebate Allocations             | \$51.20          | \$51.20                    | <b>\$52.80</b> | <b>\$52.80</b> | <b>\$53.20</b>       |
| <b>MA Premium</b>                  | \$12.40          | \$12.40                    | \$10.80        | \$12.40        | \$12.40              |
| Basic Prem Prior Rebate            | \$67.50          | \$55.00                    | \$55.00        | \$55.00        | \$55.00              |
| Basic Prem Rebate Allocations      | \$0.00           | \$0.00                     | \$0.00         | \$0.00         | \$0.00               |
| <b>Part D Basic Premium</b>        | \$67.50          | \$55.00                    | \$55.00        | \$55.00        | \$55.00              |
| Supp Prem Prior Rebate             | \$24.30          | \$24.30                    | \$24.30        | \$24.30        | \$24.30              |
| Supp Prem Rebate Allocations       | \$24.30          | \$24.30                    | \$24.30        | \$24.30        | \$24.30              |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                     | \$0.00         | \$0.00         | \$0.00               |
| <b>Total Plan Premium</b>          | \$79.90          | \$67.40                    | \$65.80        | \$67.40        | \$67.40              |

In this example, the change in MSB revenue requirement must be between \$0.00 and \$1.60.

Rebate reallocation for the Part D basic premium is not permitted if both (i) the initial June bid has \$0.00 basic premium rebate allocations; and (ii) after reflecting announced Part D benchmarks, the basic premium prior rebate is less than the initial June bid Part D basic premium.

**Option 1:** Rebate reallocation is required for the excessive allocation of \$1.60 after reflecting announced RPPO benchmark. The MAO must reallocate the excessive allocation of \$1.60 by—

**1a:** Making no changes to MSB revenue requirement and decreasing the MA or Part D supplemental premiums (or increasing the rebates allocated to the Part B premium) by increasing rebate allocations to MA, Part D supplemental, or Part B premiums; or

**1b:** Increasing MSB revenue requirement by less than or equal to \$1.60, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** The MSB revenue requirement cannot increase more than the value of the rebates for allocation.

**Example 12: Excessive Rebates Allocated for Combined RPPO Benchmark and Part D Basic Premium, and Rebate Reallocation for Part D Basic Premium is Optional.**

| Label                              | Initial June Bid | After Release of Benchmark | Option 1b      | Option 2b      | Unacceptable Option(i)* | Unacceptable Option(ii)* |
|------------------------------------|------------------|----------------------------|----------------|----------------|-------------------------|--------------------------|
| <b>Rebates for Allocation</b>      |                  |                            |                |                |                         |                          |
| <b>RPPO</b>                        | N/A              | \$11.00                    | \$11.00        | \$11.00        | \$11.00                 | \$11.00                  |
| <b>Part D</b>                      | N/A              | -\$1.10                    | -\$1.10        | -\$1.10        | -\$1.10                 | -\$1.10                  |
| <b>Total</b>                       | N/A              | \$9.90                     | \$9.90         | \$9.90         | \$9.90                  | \$9.90                   |
| <b>Change in MSB Rev Req</b>       | N/A              | N/A                        | \$11.00        | \$9.90         | \$12.00                 | \$10.30                  |
| MSB Rev Req                        | \$48.70          | \$48.70                    | <b>\$59.70</b> | <b>\$58.60</b> | <b>\$60.70</b>          | <b>\$59.00</b>           |
| MSB Rebate Allocations             | \$47.30          | \$47.30                    | <b>\$58.30</b> | <b>\$57.20</b> | <b>\$59.30</b>          | <b>\$57.20</b>           |
| <b>MA Premium</b>                  | \$1.40           | \$1.40                     | \$1.40         | \$1.40         | \$1.40                  | \$1.80                   |
| Basic Prem Prior Rebate            | \$47.60          | \$48.70                    | \$48.70        | \$48.70        | \$48.70                 | \$48.70                  |
| Basic Prem Rebate Allocations      | \$0.00           | \$0.00                     | \$0.00         | <b>\$1.10</b>  | \$0.00                  | <b>\$1.10</b>            |
| <b>Part D Basic Premium</b>        | \$47.60          | \$48.70                    | \$48.70        | \$47.60        | \$48.70                 | \$47.60                  |
| Supp Prem Prior Rebate             | \$17.80          | \$17.80                    | \$17.80        | \$17.80        | \$17.80                 | \$17.80                  |
| Supp Prem Rebate Allocations       | \$17.80          | \$17.80                    | \$17.80        | \$17.80        | \$17.80                 | \$17.80                  |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                     | \$0.00         | \$0.00         | \$0.00                  | \$0.00                   |
| <b>Total Plan Premium</b>          | \$49.00          | \$50.10                    | \$50.10        | \$49.00        | \$50.10                 | \$49.40                  |

In this example, the change in MSB revenue requirement must be between \$0.00 and \$11.00.

Rebate reallocation for the Part D basic premium is optional.

**Option 1:** Rebate reallocation is required for the excessive allocation of \$11.00 after reflecting announced RPPO benchmark. The MAO is not required to reallocate rebates for the Part D basic premium and may choose to leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$48.70. The MAO must reallocate the excessive allocation of \$11.00 by—

**1a (Option not shown above):** In this example, making no changes to MSB revenue requirement and reallocating the excessive allocation of \$11.00 to the MA and Part B

premium (in the circumstances where there is a bigger MA or a Part D supplemental premium pre-rebate reallocation, the MAO may choose to make no changes to MSB revenue requirement and decrease the MA or Part D supplemental premiums); or

**1b (Option shown above):** Increasing MSB revenue requirement by less than or equal to \$11.00, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**Option 2:** Rebate reallocation is required for the excessive allocation of \$11.00 after reflecting announced RPPO benchmark. The MAO may choose to return to target Part D basic premium of \$47.60. The MAO must reallocate the total excessive allocation of \$9.90 by—

**2a (Option not shown above):** In this example, making no changes to MSB revenue requirement and reallocating the excessive allocation of \$9.90 to the MA and Part B premium (in the circumstances where there is a bigger MA or a Part D supplemental premium pre-rebate reallocation, the MAO may choose to make no changes to MSB revenue requirement and decrease the MA or Part D supplemental premiums); or

**2b (Option shown above):** Increasing MSB revenue requirement by less than or equal to \$9.90, such that there is a partial or full return to the MA premium in initial June bid by increasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** In this example, (i) if the MAO chooses to not return to target Part D basic premium, the change in MSB revenue requirement must be between \$0.00 and \$11.00; and (ii) if the MAO chooses to return to target Part D basic premium, the change in MSB revenue requirement must be between \$0.00 and \$9.90.

**Example 13: Insufficient Rebates Allocated for Combined RPPO Benchmark and Part D Basic Premium, and Rebate Reallocation for Part D Basic Premium is Optional.**

| Label             | Initial June Bid | After Release of Benchmark | Option 1a     | Option 1b      | Option 2a     | Option 2b      | Unacceptable Option(i)* | Unacceptable Option(ii)* |
|-------------------|------------------|----------------------------|---------------|----------------|---------------|----------------|-------------------------|--------------------------|
| <b>Allocation</b> |                  |                            |               |                |               |                |                         |                          |
| <b>RPPO</b>       | N/A              | -\$12.50                   | -\$12.50      | -\$12.50       | -\$12.50      | -\$12.50       | -\$12.50                | -\$12.50                 |
| <b>Part D</b>     | N/A              | -\$1.00                    | -\$1.00       | -\$1.00        | -\$1.00       | -\$1.00        | -\$1.00                 | -\$1.00                  |
| <b>Total</b>      | N/A              | -\$13.50                   | -\$13.50      | -\$13.50       | -\$13.50      | -\$13.50       | -\$13.50                | -\$13.50                 |
| <b>Δ MSB Rev</b>  | N/A              | N/A                        | \$0.00        | -\$12.50       | \$0.00        | -\$13.50       | -\$13.50                | -\$15.00                 |
| MSB Rev           | \$107.80         | \$107.80                   | \$107.80      | <b>\$95.30</b> | \$107.80      | <b>\$94.30</b> | <b>\$94.30</b>          | <b>\$92.80</b>           |
| Allocations       | \$14.20          | \$14.20                    | <b>\$1.70</b> | <b>\$1.70</b>  | <b>\$0.70</b> | <b>\$0.70</b>  | <b>\$1.70</b>           | <b>\$0.70</b>            |
| <b>MA Prem</b>    | \$93.60          | \$93.60                    | \$106.10      | \$93.60        | \$107.10      | \$93.60        | \$92.60                 | \$92.10                  |
| Basic Prem        | \$67.40          | \$68.40                    | \$68.40       | \$68.40        | \$68.40       | \$68.40        | \$68.40                 | \$68.40                  |
| Allocations       | \$0.00           | \$0.00                     | \$0.00        | \$0.00         | <b>\$1.00</b> | <b>\$1.00</b>  | \$0.00                  | <b>\$1.00</b>            |
| <b>PD B-Prem</b>  | \$67.40          | \$68.40                    | \$68.40       | \$68.40        | \$67.40       | \$67.40        | \$68.40                 | \$67.40                  |
| Supp Prem         | \$25.90          | \$25.90                    | \$25.90       | \$25.90        | \$25.90       | \$25.90        | \$25.90                 | \$25.90                  |
| Allocations       | \$25.90          | \$25.90                    | \$25.90       | \$25.90        | \$25.90       | \$25.90        | \$25.90                 | \$25.90                  |
| <b>PD S-Prem</b>  | \$0.00           | \$0.00                     | \$0.00        | \$0.00         | \$0.00        | \$0.00         | \$0.00                  | \$0.00                   |
| <b>Total Prem</b> | \$161.00         | \$162.00                   | \$174.50      | \$162.00       | \$174.50      | \$161.00       | \$161.00                | \$159.50                 |

In this example, the change in MSB revenue requirement must be between -\$13.50 and \$0.00.

Rebate reallocation is required for the insufficient allocation of \$12.50 after reflecting announced RPPO benchmark.

Rebate reallocation for the Part D basic premium is optional.

**Option 1:** The MAO is not required to reallocate rebates for the Part D basic premium and may choose to leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$68.40. The MAO must obtain rebates for the insufficient allocation of \$12.50 by—

**1a:** Making no changes to MSB revenue requirement and increasing the MA or Part D Supplemental premiums (or decreasing the rebates allocated to the Part B premium) by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**1b:** Decreasing MSB revenue requirement by no more than \$12.50, such that there is a partial or full return to the MA premium in initial June bid by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**Option 2:** The MAO may choose to return to target Part D basic premium of \$67.40. The MAO must obtain rebates for the insufficient allocation of \$13.50 by—

**2a:** Making no changes to MSB revenue requirement and increasing the MA or Part D Supplemental premiums (or decreasing the rebates allocated to the Part B premium) by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**2b:** Decreasing MSB revenue requirement by no more than \$13.50, such that there is a partial or full return to the MA premium in initial June bid by decreasing rebate allocations to MA, Part D supplemental, or Part B premiums.

**\*Unacceptable Option:** In this example, (i) if the MAO chooses to not return to target Part D basic premium, the change in MSB revenue requirement must be between  $-\$12.50$  and  $\$0.00$ ; and (ii) if the MAO chooses to return to target Part D basic premium, the change in MSB revenue requirement must be between  $-\$13.50$  and  $\$0.00$ .

### III. CHANGES ALLOWED TO MA PRICING ASSUMPTIONS

This section describes changes in MA pricing assumptions allowed by CMS because of A/B mandatory supplemental benefit changes made during rebate reallocation (that is, “flow-through” pricing). The modifications to pricing assumptions are separate from, and exclude, any adjustment to the gain/loss margin pertaining to premium rounding rules in Section IV.C (the “50 cents rounding rule”) of this appendix.

The BPT must reflect the value of A/B mandatory supplemental benefits increased/added or reduced/removed because of rebate reallocation. These changes may include the impact of such changes on other pricing assumptions—while remaining consistent with the pricing approach and methodologies utilized in the initial June bid submission. That is, incremental changes in the cost of A/B mandatory supplemental benefits and the MA regional benchmark must “flow-through” the original pricing structure supported in the initial June bid submission. Examples include, but are not limited to changes in—

- Projected allowed costs due to induced utilization related to changes in cost sharing.

The BPT automatically reflects (that is, calculates by formula) the following small changes to bid values:

- A small change due to the automatic proportional allocation of non-benefit expenses and the gain/loss margin in the BPT formulas.
- A small change in the ESRD subsidy due to the automatic impact of changes in mandatory supplemental benefits, non-benefit expenses and gain/loss margin.

### IV. PREMIUM ROUNDING RULES

This section describes system requirements for rounded premiums and the circumstances in which the MAO may round premiums to reach plan premium goals. The MAO may participate in premium rounding regardless of whether they participated in rebate reallocation.

#### A. Premium and Rebate Requirements

To comply with premium withhold system requirements, the BPTs automatically round—

- The following premiums to the nearest one decimal: MA (the sum of basic plus mandatory supplemental), Part D basic, and Part D supplemental. No pennies are allowed.
- Rebates allocated to reduce the Part B and Part D premiums to one decimal.
- Rebates allocated to reduce the A/B mandatory supplemental premium to two decimal places.

**B. Non-RPPO MA-Only Plans**

For non-RPPO 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 benchmark calculations. They will not be given an opportunity to round the premiums after the initial June bid submission. If the MAO 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.

**C. All MA-PD and RPPO MA-Only Plans**

All MA-PD plans and RPPO MA-Only plans that are permitted or required to participate in the rebate reallocation process may also participate in total plan premium rounding. This applies separately from, and after, all other bid adjustments. This is defined as participating in premium rounding rather than participating in rebate reallocation. During the rebate reallocation period—

1. MAOs 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.
  - 1.1 The total plan premium (line 9 of Worksheet 6, Section IIIC) is defined at 42 CFR §422.262(b) as the consolidated monthly premium consisting of the combination of the MA basic and A/B mandatory supplemental premiums and the Part D basic and supplemental premiums.
  - 1.2 MAOs that are trying to achieve a target plan intention of LIPSA may use the premium rounding rules without rounding to a whole dollar amount. The MAO must (i) be achieving a target plan intention of LIPSA, LIPSA rounded to nearest \$0.10, or a partial return to LIPSA when applicable; (ii) have the total plan premium (line 9 of Worksheet 6, Section IIIC) equal to the Part D basic premium; and (iii) only use the premium rounding rules to change the total plan premium by at most \$0.50.
2. Plans that do not reallocate rebates may still round their total plan premium.
3. The gain/loss margin for Part D benefits must not change.
4. To round the total plan premium, the MAO must—
  - 4.1 Not change the total plan premium (line 9 of Worksheet 6, Section IIIC) by more than \$0.50, and
  - 4.2 Not change the total MA rebates by more than \$0.50.

5. When the MAO chooses to change gain/loss margin for premium rounding, there will be excessive or insufficient unallocated rebates. The MAO may reduce or increase the A/B mandatory supplemental, Part D basic or Part D supplemental premiums with their excessive or insufficient unallocated rebates.

#### D. Label Definitions and References for Examples

| Label                                       | Definition                                                                                                                                                                                                                                                                            | MA BPT Worksheet (WS) Reference |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| Target Plan Intention                       | The plan intention for the target Part D basic premium, which consists of either (i) the basic Part D premium net of rebates, as submitted in the initial June bid submission (initial Part D basic premium) or (ii) the low-income premium subsidy amount (LIPSA).                   | WS6 R47                         |
| Rebates for Allocation                      | The total amount of rebates required to allocate to (i) achieve the target plan intention for the Part D basic premium and (ii) update BPT for published RPPO benchmark values (that is, the unallocated rebates in Worksheet 6, L31 that is a result of (i) and/or (ii)).            | N/A                             |
| LIPSA                                       | The CMS-published low-income subsidy amount for fully eligible low-income subsidy individuals in each Part D region. This amount is published prior to the rebate reallocation period, but not prior to the initial June BPT submissions.                                             | N/A                             |
| Gain/Loss Margin                            | The total gain/loss margin PMPM.                                                                                                                                                                                                                                                      | WS4 H107                        |
| Total MA Rebates                            | The total MA rebate amount that will be received from CMS. It is used to reduce enrollee out-of-pocket costs or to provide additional supplemental benefits.                                                                                                                          | WS5 E24                         |
| Change in Total MA Rebates                  | The amount of change in the total MA rebates from (i) post benchmark release before changes are made (or post rebate reallocation after changes are only made to return to target plan intention but not for premium rounding) to (ii) post rebate reallocation and premium rounding. | N/A                             |
| Change in MSB Revenue Requirement (Rev Req) | The amount of change in the total revenue requirement for the A/B mandatory supplemental benefits from pre and post rebate reallocation.                                                                                                                                              | N/A                             |
| MSB Rev Req                                 | The total revenue requirement for the A/B mandatory supplemental benefits.                                                                                                                                                                                                            | WS4 R108                        |
| MSB Rebate Allocations                      | The total amount of rebates allocated to the A/B mandatory supplemental premium.                                                                                                                                                                                                      | WS6 R13 + R14                   |

| <b>Label</b>                  | <b>Definition</b>                                                                                                   | <b>MA BPT Worksheet (WS) Reference</b> |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| MA Premium                    | The A/B mandatory supplemental premium, because MA basic premium must be \$0 to participate in rebate reallocation. | WS6 R31                                |
| Basic Prem Prior Rebate       | The Part D basic premium prior to allocation of MA rebates. This value is from the Part D BPT.                      | WS6 R34                                |
| Basic Prem Rebate Allocations | The rebates allocated to the Part D basic premium.                                                                  | WS6 R36                                |
| Part D Basic Premium          | The Part D basic premium after allocation of MA rebates.                                                            | WS6 R37                                |
| Supp Prem Prior Rebate        | The Part D supplemental premium prior to allocation of MA rebates. This value is from the Part D BPT.               | WS6 R40                                |
| Supp Prem Rebate Allocations  | The rebates allocated to the Part D supplemental premium.                                                           | WS6 R42                                |
| Part D Supplemental Premium   | The Part D supplemental premium after allocation of MA rebates.                                                     | WS6 R43                                |
| Total Plan Premium            | The total estimated plan premium.                                                                                   | WS6 R45                                |

### E. Examples of Premium Rounding

In the following examples, the bold and italicized numbers represent a change to an input cell in the BPT.

***Example 14: Premium Rounding Only and Not Achieving Part D Basic Premium Target.***

| Label                                               | Initial June Bid        | After Release of Benchmark | Premium Rounding            |
|-----------------------------------------------------|-------------------------|----------------------------|-----------------------------|
| <b>Target Plan Intention Rebates for Allocation</b> | Initial June Bid<br>N/A | Initial June Bid<br>N/A    | Initial June Bid<br>-\$0.20 |
| <b>Gain/Loss Margin</b>                             | \$71.00                 | \$71.00                    | <b><i>\$71.20</i></b>       |
| <b>Total MA Rebates</b>                             | \$187.40                | \$187.40                   | \$187.20                    |
| <b>Change in Total MA Rebates</b>                   | N/A                     | N/A                        | -\$0.20                     |
| MSB Rev Req                                         | \$189.60                | \$189.60                   | \$189.60                    |
| MSB Rebate Allocations                              | \$117.80                | \$117.80                   | <b><i>\$117.60</i></b>      |
| <b>MA Premium</b>                                   | \$71.80                 | \$71.80                    | \$72.00                     |
| Basic Prem Prior Rebate                             | \$38.20                 | \$34.00                    | \$34.00                     |
| Basic Prem Rebate Allocations                       | \$5.00                  | \$5.00                     | \$5.00                      |
| <b>Part D Basic Premium</b>                         | \$33.20                 | \$29.00                    | \$29.00                     |
| Supp Prem Prior Rebate                              | \$64.60                 | \$64.60                    | \$64.60                     |
| Supp Prem Rebate Allocations                        | \$64.60                 | \$64.60                    | \$64.60                     |
| <b>Part D Supplemental Premium</b>                  | \$0.00                  | \$0.00                     | \$0.00                      |
| <b>Total Plan Premium</b>                           | \$105.00                | \$100.80                   | \$101.00                    |

In this example, the gain/loss margin, total MA rebates and rebate allocations are the only changes permitted in the BPT. The total plan premium must equal \$101.00. Changes to the gain/loss margin are automatically allocated to the Medicare-covered and A/B mandatory supplemental benefits in the BPT. Therefore, when the gain/loss margin changes for premium rounding, there are minimal changes to the MSB revenue requirement. These minimal changes to the MSB revenue requirement for premium rounding are not considered when evaluating the limit for the MSB revenue requirement during rebate reallocation.

The MAO is not required to reallocate rebates and may choose to leave the Part D basic premium at the post-Part D benchmark announcement basic premium of \$29.00.

The MAO may choose to round the total plan premium to the nearest dollar, \$101.00. The MAO must adjust gain/loss margin PMPM such that—

- (1) Change in total MA rebates is between -\$0.50 and \$0.50.

(2) The final total plan premium is rounded to a whole dollar amount and is within +/- \$0.50 of the total plan premium after benchmark release.

**Example 15a: Premium Rounding Only and Achieving Part D Basic Premium Target.**

| Label                              | Initial June Bid | After Release of Benchmark | Premium Rounding |
|------------------------------------|------------------|----------------------------|------------------|
| <b>Target Plan Intention</b>       | Initial June Bid | Initial June Bid           | Initial June Bid |
| <b>Rebates for Allocation</b>      | N/A              | N/A                        | \$0.20           |
| <b>Gain/Loss Margin</b>            | \$98.70          | \$98.70                    | <b>\$98.40</b>   |
| <b>Total MA Rebates</b>            | \$91.60          | \$91.60                    | \$91.80          |
| <b>Change in Total MA Rebates</b>  | N/A              | N/A                        | \$0.20           |
| MSB Rev Req                        | \$79.40          | \$79.40                    | \$79.40          |
| MSB Rebate Allocations             | \$62.80          | \$62.80                    | \$62.80          |
| <b>MA Premium</b>                  | \$16.60          | \$16.60                    | \$16.60          |
| Basic Prem Prior Rebate            | \$28.40          | \$28.60                    | \$28.60          |
| Basic Prem Rebate Allocations      | \$5.00           | \$5.00                     | <b>\$5.20</b>    |
| <b>Part D Basic Premium</b>        | \$23.40          | \$23.60                    | \$23.40          |
| Supp Prem Prior Rebate             | \$23.80          | \$23.80                    | \$23.80          |
| Supp Prem Rebate Allocations       | \$23.80          | \$23.80                    | \$23.80          |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                     | \$0.00           |
| <b>Total Plan Premium</b>          | \$40.00          | \$40.20                    | \$40.00          |

In this example, the gain/loss margin, total MA rebates and rebate allocations are the only changes permitted in the BPT. The total plan premium must equal \$40.00. Changes to the gain/loss margin are automatically allocated to the Medicare-covered and A/B mandatory supplemental benefits in the BPT. Therefore, when the gain/loss margin changes for premium rounding, there are minimal changes to the MSB revenue requirement. These minimal changes to the MSB revenue requirement for premium rounding are not considered when evaluating the limit for the MSB revenue requirement during rebate reallocation.

Because (i) achieving the target Part D basic premium results in the total plan premium rounded to a whole dollar amount; and (ii) the Part D basic premium after benchmark release is within +/- \$0.50 of the target Part D basic premium, the MAO may choose to use the premium rounding rules—rather than rebate reallocation rules—to achieve the target intention for Part D basic premium.

The MAO must adjust gain/loss margin PMPM such that—

- (1) Change in total MA rebates is between  $-\$0.50$  and  $\$0.50$ .
- (2) The final total plan premium is rounded to a whole dollar amount and within  $\pm \$0.50$  of the total plan premium after benchmark release.

**Example 15b: Premium Rounding Only and Achieving Part D Basic Premium Target.**

| Label                              | Initial June Bid   | After Release of Benchmark | Premium Rounding |
|------------------------------------|--------------------|----------------------------|------------------|
| <b>Target Plan Intention</b>       | LIPSA              | LIPSA                      | LIPSA            |
| <b>Rebates for Allocation</b>      | N/A                | N/A                        | \$0.40           |
| <b>LIPSA</b>                       | \$32.40 (estimate) | \$44.20                    | \$44.20          |
| <b>Gain/Loss Margin</b>            | \$86.80            | \$86.80                    | <b>\$86.10</b>   |
| <b>Total MA Rebates</b>            | \$131.50           | \$131.50                   | \$131.90         |
| <b>Change in Total MA Rebates</b>  | N/A                | N/A                        | \$0.40           |
| MSB Rev Req                        | \$131.50           | \$131.50                   | \$131.50         |
| MSB Rebate Allocations             | \$131.50           | \$131.50                   | \$131.50         |
| <b>MA Premium</b>                  | \$0.00             | \$0.00                     | \$0.00           |
| Basic Prem Prior Rebate            | \$50.70            | \$44.60                    | \$44.60          |
| Basic Prem Rebate Allocations      | \$0.00             | \$0.00                     | <b>\$0.40</b>    |
| <b>Part D Basic Premium</b>        | \$50.70            | \$44.60                    | \$44.20          |
| Supp Prem Prior Rebate             | \$0.00             | \$0.00                     | \$0.00           |
| Supp Prem Rebate Allocations       | \$0.00             | \$0.00                     | \$0.00           |
| <b>Part D Supplemental Premium</b> | \$0.00             | \$0.00                     | \$0.00           |
| <b>Total Plan Premium</b>          | \$50.70            | \$44.60                    | \$44.20          |

In this example, the gain/loss margin, total MA rebates and rebate allocations are the only changes permitted in the BPT. The total plan premium must equal \$44.20. Changes to the gain/loss margin are automatically allocated to the Medicare-covered and A/B mandatory supplemental benefits in the BPT. Therefore, when the gain/loss margin changes for premium rounding, there are minimal changes to the MSB revenue requirement. These minimal changes to the MSB revenue requirement for premium rounding are not considered when evaluating the limit for the MSB revenue requirement during rebate reallocation.

Because (i) the total plan premium is equal to the Part D basic premium and (ii) the Part D basic premium after benchmark release is within  $\pm \$0.50$  of the LIPSA benchmark, the MAO may choose to use the premium rounding rules—rather than rebate reallocation rules—to achieve the LIPSA.

The MAO must adjust gain/loss margin PMPM such that—

- (1) Change in total MA rebates is between –\$0.50 and \$0.50.
- (2) The final total plan premium is equal to the Part D basic premium and within +/- \$0.50 of the total plan premium after benchmark release.

***Example 16: Participating in Rebate Reallocation and Premium Rounding.***

| Label                              | Initial June Bid | After Release of Benchmark | Rebate Reallocation | Premium Rounding |
|------------------------------------|------------------|----------------------------|---------------------|------------------|
| <b>Target Plan Intention</b>       | Initial June Bid | Initial June Bid           | Initial June Bid    | Initial June Bid |
| <b>Rebates for Allocation</b>      | N/A              | N/A                        | \$4.00              | \$0.30           |
| <b>Gain/Loss Margin</b>            | \$17.20          | \$17.20                    | \$17.20             | <b>\$16.80</b>   |
| <b>Total MA Rebates</b>            | \$159.90         | \$159.90                   | \$159.90            | \$160.20         |
| <b>Change in Total MA Rebates</b>  | N/A              | N/A                        | \$0.00              | \$0.30           |
| MSB Rev Req                        | \$151.10         | \$151.10                   | <b>\$154.40</b>     | \$154.40         |
| MSB Rebate Allocations             | \$127.40         | \$127.40                   | <b>\$131.40</b>     | <b>\$131.70</b>  |
| <b>MA Premium</b>                  | \$23.70          | \$23.70                    | \$23.00             | \$22.70          |
| Basic Prem Prior Rebate            | \$50.30          | \$46.30                    | \$46.30             | \$46.30          |
| Basic Prem Rebate Allocations      | \$4.00           | \$4.00                     | <b>\$0.00</b>       | \$0.00           |
| <b>Part D Basic Premium</b>        | \$46.30          | \$42.30                    | \$46.30             | \$46.30          |
| Supp Prem Prior Rebate             | \$28.50          | \$28.50                    | \$28.50             | \$28.50          |
| Supp Prem Rebate Allocations       | \$28.50          | \$28.50                    | \$28.50             | \$28.50          |
| <b>Part D Supplemental Premium</b> | \$0.00           | \$0.00                     | \$0.00              | \$0.00           |
| <b>Total Plan Premium</b>          | \$70.00          | \$66.00                    | \$69.30             | \$69.00          |

After following the rebate reallocation guidelines and returning to the target Part D basic premium, the MAO may choose to round the total plan premium to a whole dollar amount.

In this example, (i) after rebate reallocation, the total plan premium is \$69.30; and (ii) for premium rounding, the total plan premium must equal \$69.00. After rebate reallocation and to complete premium rounding, the gain/loss margin, total MA rebates and rebate allocations are the only additional changes permitted in the BPT. Changes to the gain/loss margin are automatically allocated to the Medicare-covered and A/B mandatory supplemental benefits in the BPT. Therefore, when the gain/loss margin changes for premium rounding, there are minimal changes to the MSB revenue requirement. These minimal changes to the MSB revenue requirement for premium rounding are not considered when evaluating the limit for the MSB revenue requirement during rebate reallocation.

For premium rounding, the MAO must adjust gain/loss margin PMPM such that—

- (1) Change in total MA rebates is between  $-\$0.50$  and  $\$0.50$ .
- (2) The final total plan premium is rounded to a whole dollar amount and within  $\pm \$0.50$  of the total plan premium after rebate reallocation.

## APPENDIX F – SUGGESTED MAPPING OF MA PBP CATEGORIES TO BPT CATEGORIES

The MA BPT contains benefit categories that do not correlate line-by-line with the MA 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. The cost sharing reported on Worksheet 3 must clearly identify where PBP benefit service categories are priced within 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 and a PBP list of changes. In addition, the *Medicare Managed Care Manual* may be a helpful resource regarding benefit design.

| PBP line #               | PBP Category                                                                              | BPT line # | Corresponding BPT Category: Description/Note (Worksheet 3)        |
|--------------------------|-------------------------------------------------------------------------------------------|------------|-------------------------------------------------------------------|
| <b>Benefit Offerings</b> |                                                                                           |            |                                                                   |
| 1a                       | Inpatient Hospital – Acute                                                                | a1         | Inpatient Facility: Acute                                         |
| 1b                       | Inpatient Hospital Psychiatric                                                            | a2         | Inpatient Facility: Mental Health                                 |
| 2                        | Skilled Nursing Facility (SNF)                                                            | b          | Skilled Nursing Facility                                          |
| 3                        | Cardiac and Pulmonary Rehabilitation Services                                             | h5         | Outpatient Facility – Other: Other                                |
| 4a                       | Emergency Services                                                                        | f          | Outpatient Facility – Emergency                                   |
| 4b                       | Urgently Needed Services                                                                  | f          | Outpatient Facility – Emergency                                   |
| 4c                       | Worldwide Emergency/Urgent Coverage                                                       | f          | Outpatient Facility – Emergency                                   |
| 5a, 5b                   | Partial Hospitalization and Intensive Outpatient Services                                 | h3 or h5   | OP Facility – Other: Mental Health; or OP Facility – Other: Other |
| 6                        | Home Health Services                                                                      | c          | Home Health                                                       |
| 7a                       | Primary Care Physician Services                                                           | i1         | Professional: PCP                                                 |
| 7b                       | Chiropractic Services                                                                     | i2 or i6   | Professional: Specialist excl. MH; or Professional: Other         |
| 7c                       | Occupational Therapy Services                                                             | i4         | Professional: Therapy (PT/OT/ST)                                  |
| 7d                       | Physician Specialist Services Excluding Psychiatric Services ( <i>exclude Radiology</i> ) | i2 or i6   | Professional: Specialist excl. MH; or Professional: Other         |
| 7d                       | Physician Specialist Services Excluding Psychiatric ( <i>Radiology only</i> )             | i5         | Professional: Radiology                                           |
| 7e                       | Mental Health Specialty Services ( <i>Non-Physician</i> )                                 | i3         | Professional: Mental Health                                       |
| 7f                       | Podiatry Services                                                                         | i2 or i6   | Professional: Specialist excl. MH; or Professional: Other         |
| 7g                       | Other Health Care Professional Services                                                   | i2 or i6   | Professional: Specialist excl. MH; or Professional: Other         |
| 7h                       | Psychiatric Services                                                                      | i3         | Professional: Mental Health                                       |

| PBP line #               | PBP Category                                            | BPT line #      | Corresponding BPT Category: Description/Note (Worksheet 3)                                              |
|--------------------------|---------------------------------------------------------|-----------------|---------------------------------------------------------------------------------------------------------|
| <b>Benefit Offerings</b> |                                                         |                 |                                                                                                         |
| 7i                       | Physical Therapy and Speech-Language Pathology Services | i4              | Professional: Therapy (PT/OT/ST)                                                                        |
| 7j                       | Additional Telehealth Benefits                          | i1              | Professional: PCP                                                                                       |
| 7k                       | Opioid Treatment Program Services                       | i2              | Professional: Specialist excl. MH                                                                       |
| 8a                       | Outpatient Diagnostic Procedures/Tests/Lab Services     | h1              | OP Facility – Other: Lab                                                                                |
| 8b                       | Outpatient Diagnostic/Therapeutic Radiological Services | h2              | OP Facility – Other: Radiology                                                                          |
| 9a                       | Outpatient Hospital Services                            | h5 or g         | OP Facility – Surgery; or<br>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                       | Outpatient Blood Services                               | h5 or k         | OP Facility – Other: Other or Other Medicare Part B                                                     |
| 10a                      | Ambulance Services                                      | d               | Ambulance                                                                                               |
| 10b                      | Transportation Services                                 | l               | Transportation (Non-Covered)                                                                            |
| 11a                      | Durable Medical Equipment (DME)                         | e1              | DME/Prosthetics/Diabetes: DME                                                                           |
| 11b                      | Prosthetics/Medical Supplies                            | e2              | DME/Prosthetics/Diabetes: Prosthetics/Diabetes                                                          |
| 11c                      | Diabetic Supplies and Services                          | e2              | DME/Prosthetics/ Diabetes: Prosthetics/Diabetes                                                         |
| 12                       | Dialysis Services                                       | h4              | OP Facility – Other: Renal Dialysis                                                                     |
| 13a                      | Acupuncture Treatments ( <i>non-Medicare covered</i> )  | q               | Other Non-Covered                                                                                       |
| 13b                      | Over-the-Counter (OTC) Items                            | q               | Other Non-Covered                                                                                       |
| 13c                      | Meal Benefit                                            | q               | Other Non-Covered                                                                                       |
| 13d                      | Other 1                                                 | q               | Other Non-Covered                                                                                       |
| 13e                      | Other 2                                                 | q               | Other Non-Covered                                                                                       |
| 13f                      | Other 3                                                 | q               | Other Non-Covered                                                                                       |
| 13g                      | Dual Eligible SNPs with Highly Integrated Services      | q               | Other Non-Covered                                                                                       |
| 13h                      | Additional Services                                     | q               | Other Non-Covered                                                                                       |
| 14a                      | Medicare-covered Zero Dollar Preventive Services        | k, i1, i2 or i6 | Other Medicare Part B; Professional: PCP; Professional: Specialist excluding MH; or Professional: Other |
| 14b                      | Annual Physical Exam                                    | i1, i2 or i6    | Professional: PCP; Professional: Specialist excluding MH; or Professional: Other                        |
| 14c                      | Other Defined Supplemental Benefits                     | p               | Health & Education (Non-Covered)                                                                        |
| 14d                      | Kidney Disease Education Services                       | i1, i2 or i6    | Professional: PCP; Professional: Specialist excluding MH; or Professional: Other                        |
| 14e                      | Other Medicare-covered Preventive Services              | i1, i2 or i6    | Professional: PCP; Professional: Specialist excluding MH; or Professional: Other                        |

| PBP line #                  | PBP Category                                                                                         | BPT line #   | Corresponding BPT Category: Description/Note (Worksheet 3) |
|-----------------------------|------------------------------------------------------------------------------------------------------|--------------|------------------------------------------------------------|
| <b>Benefit Offerings</b>    |                                                                                                      |              |                                                            |
| 15                          | Medicare Part B Rx Drugs ( <i>includes Part D home infusion drugs included in bundled services</i> ) | j            | Part B Rx                                                  |
| 16a                         | Medicare Dental Services                                                                             | i2, i6       | Professional: Specialist excl. MH; or Professional: Other  |
| 16b                         | Diagnostic & Preventive Dental                                                                       | m            | Dental (Non-Covered)                                       |
| 16c                         | Comprehensive Dental                                                                                 | m            | Dental (Non-Covered)                                       |
| 17a                         | Eye Exams                                                                                            | n1           | Vision (Non-Covered): Professional                         |
| 17b                         | Eyewear                                                                                              | n2           | Vision (Non-Covered): Hardware                             |
| 18a                         | Hearing Exams                                                                                        | o1           | Hearing (Non-Covered): Professional                        |
| 18b                         | Prescription Hearing Aids                                                                            | o2           | Hearing (Non-Covered): Hardware                            |
| 18c                         | OTC Hearing Aids                                                                                     | o2           | Hearing (Non-Covered): Hardware                            |
|                             |                                                                                                      |              |                                                            |
|                             |                                                                                                      |              |                                                            |
|                             |                                                                                                      |              |                                                            |
| <b>Visitor Travel</b>       |                                                                                                      |              |                                                            |
| V/T                         | Visitor/Travel                                                                                       | <sup>1</sup> | Actuary's discretion                                       |
| <b>MA Uniformity, SSBCI</b> |                                                                                                      |              |                                                            |
| 19a                         | Reduced Cost Sharing for MA Uniformity/Special Supplemental Benefits for the Chronically Ill (SSBCI) | <sup>1</sup> | Actuary's discretion                                       |
| 19b                         | Additional Benefits for Uniformity/SSBCI                                                             | <sup>1</sup> | Actuary's discretion                                       |
| <b>Cost Share Groups</b>    |                                                                                                      |              |                                                            |
| Com. Ben.                   | Combined Supplemental Benefits                                                                       | <sup>1</sup> | Actuary's discretion                                       |
| RICS                        | Reduction in Cost Sharing                                                                            | <sup>1</sup> | Actuary's discretion                                       |

## APPENDIX G – DE# SUMMARY

### MEDICAID ELIGIBILITY DATA

The Medicaid status codes in the beneficiary-level file provided by CMS indicate the Medicaid eligibility status of the beneficiary as reported by the respective state Medicaid agency. These codes are shown in the table below. For descriptions of the dual-eligible Medicaid programs, and of the types of Medicaid benefits to which these beneficiaries are entitled, see [https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/Medicare\\_Beneficiaries\\_Dual\\_Eligibles\\_At\\_a\\_Glance.pdf](https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/Medicare_Beneficiaries_Dual_Eligibles_At_a_Glance.pdf). For plans operating in the territories and not eligible for the Medicaid programs, determine eligibility based on the definitions in the Pricing Considerations section of these instructions.

Table 1

| <b>Medicaid Status Code</b> | <b>Medicaid State-Reported Code (Dual-Eligible Medicaid Program)</b>                                                                   |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 01                          | QMB (Qualified Medicare Beneficiary) only                                                                                              |
| 02                          | QMB Plus full Medicaid benefits                                                                                                        |
| 03                          | SLMB (Special Low-Income Medicare Beneficiary) only                                                                                    |
| 04                          | SLMB Plus full Medicaid benefits                                                                                                       |
| 05                          | QDWI (Qualified Disabled and Working Individual)                                                                                       |
| 06                          | QI (Qualified Individual)                                                                                                              |
| 08                          | Full-benefit dual-eligible beneficiaries who do not have QMB or SLMB status                                                            |
| 09                          | Other dual-eligible beneficiaries without full Medicaid benefits—for example, those in Pharmacy Plus and 1115 drug-only demonstrations |
| 10                          | Other full dual (on Puerto Rico monthly file)                                                                                          |
| 99                          | Unknown, including Medicaid-eligible beneficiaries reported by plans and territories                                                   |
| Blank                       | Non-Medicaid                                                                                                                           |

### Classifying Dual-Eligible Data

The HPMS plan-level data also include a Medicaid pricing 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 associated with Medicaid pricing indicator "B" are in the DE# population.

Table 2

| <b>Medicaid Pricing Indicator</b> | <b>Dual Eligible</b> | <b>Category of Dual Eligible Medicaid Program</b> | <b>Medicaid Status Code</b> | <b>Medicare Cost-Sharing Liability</b> | <b>DE# Status</b> |
|-----------------------------------|----------------------|---------------------------------------------------|-----------------------------|----------------------------------------|-------------------|
| A                                 | Dual                 | QMB and QMB Plus                                  | 01, 02                      | None                                   | DE#               |

| Medicaid Pricing Indicator | Dual Eligible | Category of Dual Eligible Medicaid Program | Medicaid Status Code           | Medicare Cost-Sharing Liability                   | DE# Status |
|----------------------------|---------------|--------------------------------------------|--------------------------------|---------------------------------------------------|------------|
| B                          | Dual          | Other Medicaid                             | 03, 04, 05, 06, 08, 09, 10, 99 | Reduced (as determined by the certifying actuary) | DE#        |
| B                          | Dual          | Other Medicaid                             | 03, 04, 05, 06, 08, 09, 10, 99 | Full (as determined by the certifying actuary)    | Non-DE#    |
| C                          | Non-Dual      | Non-Medicaid                               | Blank                          | Full                                              | Non-DE#    |

The table below outlines the requirements for classifying dual-eligible beneficiaries that are not QMB or QMB Plus (that is, Medicaid Pricing Indicator B: Other Medicaid) as DE# or non-DE#. The percentages in the table below represent the number of total dual-eligible beneficiaries relative to total members per the HPMS plan-level data.

Table 3

| Medicaid Pricing Indicator / Medicaid Status Code | Condition                                     | DE# Determination for Base Period Data                     |
|---------------------------------------------------|-----------------------------------------------|------------------------------------------------------------|
| A: 01, 02                                         | None                                          | DE#                                                        |
| B: 03, 04, 05, 06, 08, 09, 10, 99                 | <10% total dual-eligible beneficiaries        | May consider as non-DE# or determine actual classification |
| B: 03, 04, 05, 06, 08, 09, 10, 99                 | 10% to 100% total dual-eligible beneficiaries | Must determine actual classification                       |
| C: Blank                                          | None                                          | Non-DE#                                                    |

### BPT Values

The table below outlines the determination of certain BPT values when the certifying actuary chooses to set the projected DE#, non-DE#, and total allowed costs all equal on Worksheet 2.

Table 4

| BPT Area | Input Item                                                  | <10% DE#                                      | >90% DE#                              | 10% to 90% DE# |
|----------|-------------------------------------------------------------|-----------------------------------------------|---------------------------------------|----------------|
| WS3      | Utilization and PMPM values                                 | Enter non-DE# or total values                 | Enter non-DE# or total values         | N/A            |
| WS4 IIB  | State Medicaid required beneficiary cost sharing (column k) | Enter zero or appropriate values <sup>1</sup> | Enter appropriate values <sup>1</sup> | N/A            |
| WS5 II   | Non-DE# risk factor                                         | Enter total values                            | Enter total values                    | N/A            |

<sup>1</sup> Plus plan cost sharing for non-covered, non-Medicaid benefits.

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 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 of the total projected member months.

Table 5

| <b>BPT Area</b> | <b>Input Item</b>                                           | <b>Determination of BPT Values</b>                         |
|-----------------|-------------------------------------------------------------|------------------------------------------------------------|
| WS3             | Utilization and PMPM values                                 | Enter non-DE# values                                       |
| WS4 IIB         | State Medicaid required beneficiary cost sharing (column k) | Determine appropriate values (including zero) <sup>2</sup> |
| WS5 II          | Non-DE# risk factor                                         | Determine distinct non-DE# and DE# values                  |

The table below outlines the determination of BPT values in which the requirements are the same for all bids regardless of the percentage of DE# members.

Table 6

| <b>BPT Area</b> | <b>Input Item</b>                   | <b>Determination of BPT Values</b>                                 |
|-----------------|-------------------------------------|--------------------------------------------------------------------|
| WS3             | Cost-sharing values and description | Reflect PBP package                                                |
| WS4 IIB         | Plan cost sharing (column f)        | Default to non-DE# ratio of plan cost sharing or override formulas |
| WS5 II          | Non-DE# member months               | Determine distinct non-DE# and DE# values                          |

## **APPENDIX H – MEDICAL SAVINGS ACCOUNT BPT**

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This appendix provides guidance for completing the MSA BPT for MSA plans offered to Medicare beneficiaries. This appendix highlights only the differences between the MSA BPT and the MA BPT.

The MSA BPT 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 – MSA Enrollee Deposit and Plan Payment PMPM
- Worksheet 5 – MSA 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**

MSA is the only valid plan type.

##### **Line 8 – Deductible Amount**

Enter the deductible amount that each beneficiary will pay for Medicare-covered benefits. The maximum deductible for CY2027 for MSA plans can be found in the Announcement of Calendar Year 2027 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies.

##### **Line 9 – Enrollee Type**

This cell is pre-populated with “A/B.”

#### **SECTIONS II, III AND IV**

Base period data in Sections II, III and IV 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 – MSA 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 (PLAN’S RISK FACTOR AND EXCLUDE SERVICES COVERED WITHIN THE DEDUCTIBLE)**

#### **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 total projected member months to the highest claim interval expected by members and enter the allocation as a percentage.

For example, if projected member months for members expected to incur annual claims of \$11,500 represent 20 percent of total projected member months, and projected member months for members expected to incur annual claims of \$4,400 represent 10 percent of total projected member months, then enter 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.

### **SECTION III – DEVELOPMENT OF SUMMARY INFORMATION (PLAN’S RISK FACTOR)**

#### **Line a – Medicare-Covered Plan Medical Expenses PMPM**

This cell displays the sum of column g of Section II.

**Line b – Non-Benefit Expenses**

Enter the non-benefit expense information.

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

**Line c – Gain/Loss Margin**

Input the projected PMPM for the gain/loss margin for Medicare-covered services provided. See the “Gain/Loss Margin” pricing consideration for more information regarding gain/loss margin.

Do not leave a field blank to indicate a zero amount. If zero is the intended value, enter zero (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.

**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 – MSA OPTIONAL SUPPLEMENTAL BENEFITS (CORRESPONDING TO MA WORKSHEET 7)**

Follow the instructions for MA Worksheet 7 for the appropriate inputs.

## APPENDIX I – TRENDING RISK SCORES

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This appendix includes the following considerations for developing trends for coding and population change trends to project CY2027 risk scores:

- Include the most recent annual consecutive calendar risk scores that are available.
- Use raw risk scores that do not include frailty (if applicable), are unnormalized, and are not adjusted for MA coding patterns.
- Reflect the same amount of run-out for diagnosis data for each year's risk scores.
- Use final risk scores from each year or apply a completion factor to the last set of scores to approximate a final score.
- Use the same cohort for each year (for example, the July cohort).
- Use the same model to estimate all payment year scores. If possible, use the risk adjustment model for the upcoming payment year or apply a conversion factor to each payment year's risk scores to convert to a single risk model.
  - The model conversion factor should be bid-specific. It can be generated from the risk scores that CMS sends to MAOs to support bidding; however, MAOs should also consider whether other years in their trends have a different conversion factor (for example, when the population mix differs).
  - The conversion factor can be derived by calculating risk scores from a year under two different models. The factor can be a ratio of the scores under each model.
- MAOs should note that when converting risk scores from one model to another, a conversion between denominator years is, more than likely, occurring also. The risk scores in the conversion factor should be raw if the factor will be applied to an old model raw risk score, which is then projected to the payment year.
- Note: If MAOs compare scores within a single cohort, and the risk adjustment models do not have the same denominator year, the raw risk scores should be normalized to the same year. Otherwise, some portion of the ratio between the model risk scores will be attributed to the more recent denominator, rather than a difference in predicted risk.
- Divide cohorts into meaningful subgroups using the same considerations used to determine allowed costs and project enrollment in each subgroup to the payment year.
  - Weight subgroup risk scores by enrollment in each subgroup per year to determine annual risk scores for trending.
- Compare year over year risk scores to obtain a trend factor. Unless the MAO is anticipating changes in coding efforts or population characteristics, more than two years of risk scores will help minimize the effect of random changes in coding patterns and enrolled population. If deviations from previous trend are expected in the payment year, provide justification for such changes in the supporting documentation.
  - If starting with base year risk scores that are blended, MAOs are to assess whether there are bid-specific risk score trends unique to each model and adjust their overall trend accordingly.
  - Use this trend factor to project from base period risk scores to payment (contract) year raw risk scores.

## APPENDIX J – DATA AGGREGATION EXAMPLES

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This appendix includes examples for aggregating base period experience on Worksheet 1 of the MA BPT.

### Example 1: Formal Crosswalk

An MAO offers non-segmented plans 001, 002 and 003 in CY2025 and CY2026 and offers non-segmented plans 002 and 003 in CY2027. Plan 001 is consolidated and the membership is formally crosswalked into plan 003 for CY2027 in accordance with the limited exceptions described in CMS annual renewal and non-renewal guidance. Base period experience must be reported on Worksheet 1 of the CY2027 BPTs as follows:

- For plan 002, report aggregate base period experience for plan 002 (Rule 1 and Rule 3).
- For plan 003, report base period experience for plans 001 and 003 (Rule 1 and Rule 3).

### Example 2: Formal Crosswalk and Enrollment Shift

An MAO offers non-segmented plans 001, 002, and 003 in CY2025 and CY2026 and offers non-segmented plan 003 and new non-segmented plan 004 in CY2027. Plan 001 is consolidated and the membership is formally crosswalked to plan 003 for CY2027 as submitted in HPMS. Plan 002 is terminated for CY2027 and the certifying actuary expects the membership in plan 002 to enroll evenly between plan 003 and plan 004; however, there is no formal crosswalk or approved crosswalk exception in place. Base period experience must be reported on Worksheet 1 of the CY2027 BPTs as follows:

- For plan 003, report base period experience for plans 001 and 003 (Rule 1 and Rule 3).
- For plan 004, do not report base period experience (Rule 2). Data aggregation is not allowed.

### Example 3: PFFS Non-Network/Net-work County Reclassification

An MAO offers PFFS non-network plan Hxxxx-001 and PFFS full network plan Hyyyy-001 in both CY2025, CY2026 and CY2027. However, for CY2026, county A in Hxxxx-001 is reclassified from non-network to full network and is moved from the service area of Hxxxx-001 to the service area of Hyyyy-001. The proportion of Hxxxx-001 members in county A that are moved to Hyyyy-001 via MARx enrollment transactions under an approved crosswalk exception is greater than the MA level of significance determined by the certifying actuary.

Also, for CY2027, county B in Hyyyy-001 is reclassified from full network to non-network and is moved from the service area of Hyyyy-001 to the service area of Hxxxx-001. In this case, the proportion of Hyyyy-001 members in county B that are moved to Hxxxx-001 via MARx enrollment transactions under an approved crosswalk exception is less than the MA level of significance. Base period experience must be reported on Worksheet 1 of the CY2027 BPTs as follows:

- For Hxxxx-001, report base period experience for Hxxxx-001 (Rule 2 and Rule 3). Data aggregation is not allowed.

- For Hyyyy-001, report aggregate base period experience for plans Hxxxx-001 and Hyyyy-001 (Rule 1 and Rule 3).

#### Example 4: Crosswalks in Successive Years

In CY2025, an MAO offers non-segmented plan 001 with 100 members and non-segmented plan 002. For CY2026, 50 members stayed in plan 001 and 50 members were crosswalked to plan 002 via MARx enrollment transactions. For CY2027, 25 members stay in plan 001, and 25 members are crosswalked to plan 002 via MARx enrollment transactions. The certifying actuary sets the MA level of significance at 60 percent.

Members in plan 001 are crosswalked as shown in the table below.

|                 | CY2025                | CY2026               | CY2027                | Plan 001 Members<br>Remaining in Plan 002 |
|-----------------|-----------------------|----------------------|-----------------------|-------------------------------------------|
| County A        | 25 in plan 001        | 25 in plan 001       | 25 in plan 001        | N/A                                       |
| County B        | 25 in plan 001        | 25 in plan 001       | 25 → plan 002         | 25                                        |
| <u>County C</u> | <u>50 in plan 001</u> | <u>50 → plan 002</u> | <u>50 in plan 002</u> | <u>50</u>                                 |
| Total           | 100                   |                      |                       | 75                                        |

The proportion of plan 001 members in plan 002 for CY2027, resulting from both the CY2026 and CY2027 crosswalks is 75/100 or 75 percent. Since such percentage is above the 60 percent threshold established by the certifying actuary, base period experience must be reported on Worksheet 1 of the CY2027 BPTs as follows:

- For plan 001, report base period experience for plan 001. (Rule 3)
- For plan 002, report base period experience for plan 001 and plan 002. (Rule 1, Rule 3, and Rule 4)

#### Example 5: Service Area Reduction

An MAO offers non-segmented plans 001 and 002 in CY2025 and plan 002 in CY2027. Plan 001 is consolidated and the membership is formally crosswalked to plan 002 for CY2026. For CY2027, the service area for plan 002 is reduced to remove most of the counties that plan 001 formerly covered, and an insignificant proportion of the members who were formerly in plan 001 remain. The certifying actuary sets the MA level of significance at 40 percent.

Members in plan 001 are crosswalked as shown in the table below.

|                | CY2025                 | CY2026         | CY2027                 |
|----------------|------------------------|----------------|------------------------|
| Counties A...C | 200 in plan 001        | 200 → plan 002 | → 0 in plan 002        |
| County D       | <u>100</u> in plan 001 | 100 → plan 002 | <u>100</u> in plan 002 |
| Total          | 300                    |                | 100                    |

The proportion of plan 001 members remaining in plan 002 after taking into account the CY2026 crosswalks from plan 001 to plan 002 and the CY2027 service area reduction for plan 002 is 100/300 or 33 percent. Since such percentage is below the 40-percent threshold established by the certifying actuary, base period experience must be reported on Worksheet 1 of the CY2027 BPTs as follows:

- For plan 002, report base period experience for plan 002 (Rule 2 and Rule 4). Data aggregation is not allowed.

#### **Example 6: Service Area Expansion and Service Area Reduction**

Plan 001 covers counties A through Y in CY2025 and undergoes an exception-based crosswalk in CY2026 via MARx enrollment transactions, whereby counties B through Y are crosswalked to plan 002 and county A is not.

Plan 002 undergoes a service area reduction in CY2027 whereby counties B through X are terminated. Plan 002 also undergoes a service area expansion with new county Z—an expansion that does not involve an exception based crosswalk because the MAO does not currently offer a plan in county Z. Therefore, only counties Y and Z are in the service area of plan 002 for CY2027.

The certifying actuary sets the significance threshold at 25 percent.

Members in plan 001 and plan 002 are crosswalked as shown in the table below.

|                | CY2025                 | CY2026          | CY2027          | Plan 001 Members<br>Remaining in Plan 002 |
|----------------|------------------------|-----------------|-----------------|-------------------------------------------|
| County A       | 200 in plan 001        | 200 in plan 001 | 200 in plan 001 | N/A                                       |
| Counties B...X | 500 in plan 001        | 500 → plan 002  | → 0 in plan 002 | 0                                         |
| County Y       | <u>300</u> in plan 001 | 300 → plan 002  | 300 in plan 002 | <u>300</u>                                |
| Total          | 1000                   |                 |                 | 300                                       |

The proportion of plan 001 members in the plan 002 bid for CY2026, resulting from the CY2026 and CY2027 crosswalks and the CY2027 service area reduction for plan 002 is 300/1,000 or 30 percent. Since such percentage is above the 25-percent threshold established by the certifying actuary, base period experience must be reported on Worksheet 1 of the CY2027 BPTs as follows:

- For plan 001, report base period experience for plan 001 (Rule 3). Data aggregation is not allowed.
- For plan 002, report base period experience for plan 001 and plan 002 (Rule 3 and Rule 4).

#### **Example 7: Plan Segmentation**

An MAO offers non-segmented plan Hxxxx-001 in both CY2025 and CY2026. For CY2027, the MAO creates plan Hxxxx-003 (via a crosswalk exception to map plan Hxxxx-001 to Hxxxx-003) and Hxxxx-003 is segmented into bids Hxxxx-003-001 and Hxxxx-003-002. Further, county A in Hxxxx-001 is moved to the service area of Hxxxx-003-001 and county B is moved to the service area of Hxxxx-003-002. The certifying actuary sets the MA level of significance at 35 percent.

Members in Hxxxx-001 are crosswalked at the plan level via HPMS and are moved to Hxxxx-003-001 and Hxxxx-003-002 via MARx enrollment transactions, as shown in the table below.

|          | <b>CY2025</b>          | <b>CY2026</b>   | <b>CY2027</b>      |
|----------|------------------------|-----------------|--------------------|
| County A | 60 in Hxxxx-001        | 60 in Hxxxx-001 | 60 → Hxxxx-003-001 |
| County B | <u>40</u> in Hxxxx-001 | 40 in Hxxxx-001 | 40 → Hxxxx-003-002 |
| Total    | 100                    |                 |                    |

The proportion of plan Hxxxx-001 members in the Hxxxx-003-001 bid for CY2027 resulting from the CY2027 crosswalk is 60/100 or 60 percent, and the proportion of plan Hxxxx-001 members in the Hxxxx-003-002 bid for CY2027 resulting from the CY2027 crosswalk is 40/100 or 40 percent. Since both percentages are above the 35-percent threshold established by the certifying actuary, base period experience must be reported on Worksheet 1 of the CY2027 BPTs as follows:

- For Hxxxx-003-001, report base period experience for Hxxxx-001. (Rule 1 and Rule 3).
- For Hxxxx-003-002, report base period experience for Hxxxx-001. (Rule 1 and Rule 3).

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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 30 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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