



OFFICE OF THE ACTUARY

To: Medicare Advantage & Prescription Drug Plan Sponsors and Certifying Actuaries

From: Richard F. Coyle, Jr., Acting Director, Parts C & D Actuarial Group

Date: August 8, 2014

Subject: Medicare Advantage (MA) Fee-For-Service Rate Book Calculations CY 2015

CMS has revised the methodology used to develop the county fee-for-service (FFS) costs for the calendar year (CY) 2015 Medicare Advantage (MA) rate book. For 2015, we have made several updates and refinements to the AGA calculation. First, the five-year rolling average used to calculate the AGAs will be based on claims data from 2008-2012. The revised methodology continues to adjust the historical FFS payment data (claims) used in the county calculation by fully phasing-in the wage index and Geographic Practice Cost Index re-pricing that we initiated with the CY 2014 calculations.

Also, in addition to re-pricing the inpatient, hospital outpatient, skilled nursing facility, home health and physician claims, adjustments were also made to account for changes to Medicare FFS payment pertaining to Uncompensated Care Payments and competitive bidding for durable medical equipment.

The approach for making the adjustments is discussed on pages 14-17 (AGA Methodology for 2015) of the [Advance Notice of Methodological Changes for Calendar Year \(CY\) 2015 for Medicare Advantage \(MA\) Capitation Rates](#) posted on CMS' web site. Further details of the adjustments are provided in Attachment III, Section C of the [Announcement of Calendar Year \(CY\) 2015 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter](#).

We are releasing a Microsoft Excel workbook which provides details of each county's 2015 FFS cost calculation under the revised methodology. The Excel workbook along with a companion glossary of terms and formulas are posted on the CMS web site as follows:

<http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/ffs2012.zip>

The data in the worksheet titled 'payment_data' in the Excel workbook include five years (2008-2012) of each county's historical claims data along with the specific claims adjustments made by type of service. These county claims data can be matched to the county specific 2008-2012 annual claims data in the worksheet titled 'ffs2015_worksheet.' It is this adjusted claims data which is subsequently used to calculate the AGA's as derived in the worksheets 'County Overview.'

For questions on this memo or the Excel workbooks, please contact Clifton Maze at either 410-786-7905 or Clifton.Maze@cms.hhs.gov.