

# ***OACT Intro***

***Paul Spitalnic***

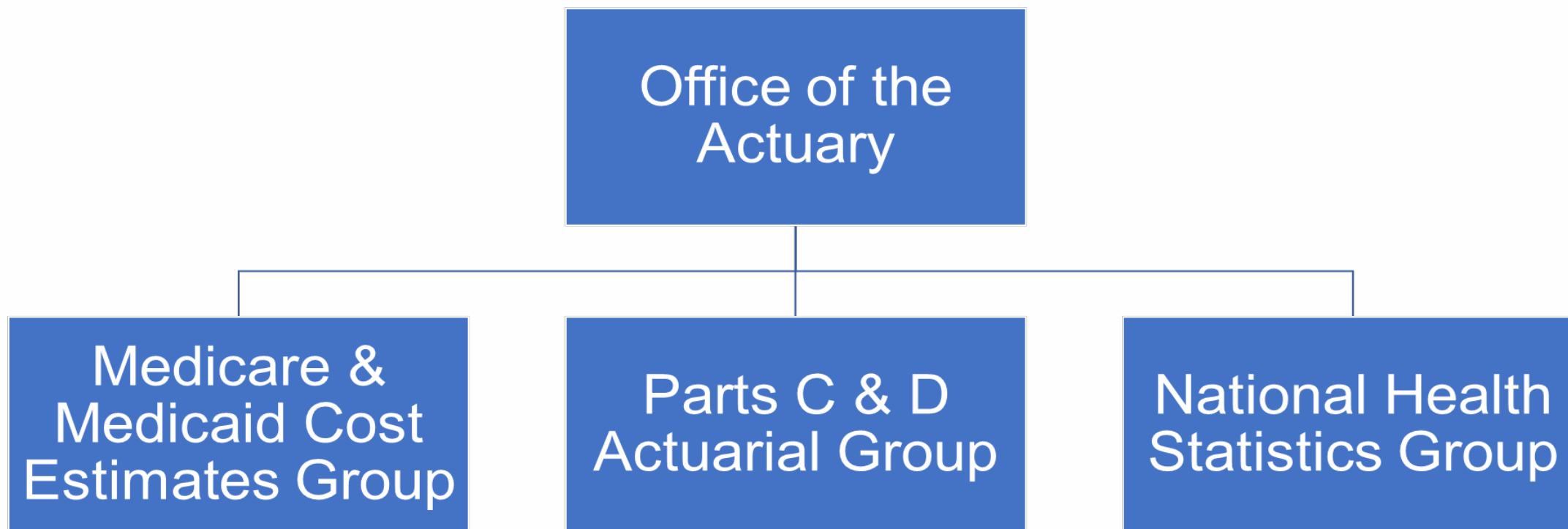
*Office of the Actuary, CMS*





# Overview of Structure

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# *Sample Work Products*

Current Law  
Financial Projections  
for Medicare &  
Medicaid

Estimates of  
Proposed Legislation

Rate Setting for  
Medicare & Medicaid  
(Part B Premiums,  
MA Rate Book, etc.)

CMMI Model and  
other Certifications

National Health  
Expenditures

Review of Bid  
Submissions by MA  
and Part D Plans



# *Current Law Financial Projections*

- Medicare Trustees Report
- President's Budget and Mid-Session Review
- Statement of Social Insurance that is included in CMS annual financial statement
- Annual Report on the Financial Outlook for Medicaid



# *Annual Trustees Report*

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## **Recent Headlines about Trustee Report Projections**

- Trustees report warns Medicare finances worsening (*AP*, June 06, 2018)
- Medicare's Trust Fund Is Set to Run Out in 8 Years (*NY Times*, June 05, 2018)
- Analysts: Medicare Insolvency Looms (*US News*, June 13, 2018)
- No, Medicare Won't Go Broke In 2026. Yes, It Will Cost A Lot More Money (*Forbes*, June 6, 2018)



# Annual Trustees Report (cont.)

2018 ANNUAL REPORT OF  
THE BOARDS OF TRUSTEES OF THE  
FEDERAL HOSPITAL INSURANCE AND  
FEDERAL SUPPLEMENTARY MEDICAL INSURANCE  
TRUST FUNDS

COMMUNICATION

From  
THE BOARDS OF TRUSTEES,  
FEDERAL HOSPITAL INSURANCE AND  
FEDERAL SUPPLEMENTARY MEDICAL INSURANCE  
TRUST FUNDS

Transmitting

THE 2018 ANNUAL REPORT OF  
THE BOARDS OF TRUSTEES OF THE  
FEDERAL HOSPITAL INSURANCE AND  
FEDERAL SUPPLEMENTARY MEDICAL INSURANCE  
TRUST FUNDS

- Contains
  - Actuarial evaluation of financial status of trust funds
  - Analysis and projections of Medicare program expenditures under current law
  - Analysis and projections under alternative assumptions and an illustrative alternative scenario



# *President's Budget and Mid-Session Review*

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## President's FY Budget

- Winter

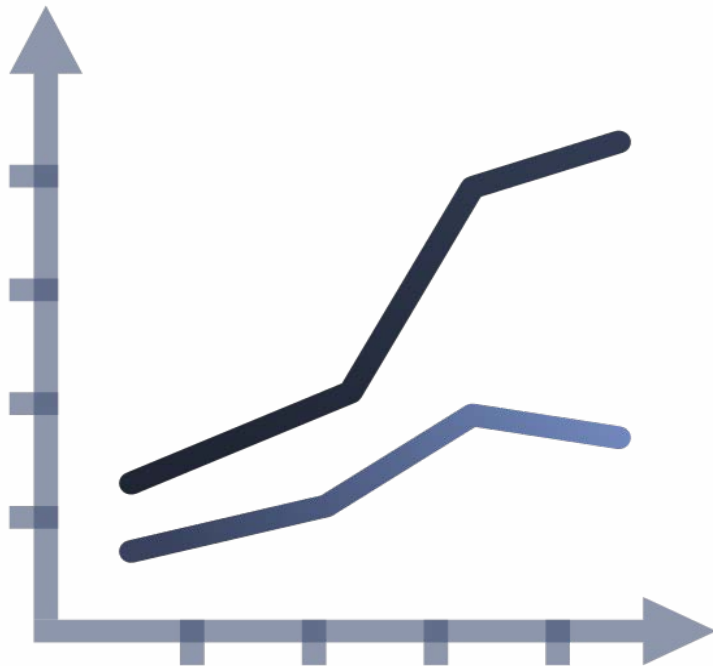
## Mid-Session Review of FY Budget

- Summer





# *Annual Actuarial Report on the Financial Outlook for Medicaid*



- Joint Federal-State Program
- One of the largest payers for health care in the U.S.
- Annual report presents analysis of past Medicaid trends and 10-year projections of Medicaid expenditures and enrollment





# *Estimates of Financial and Legislative Proposals*

- Medicare, Medicaid, and national health reform proposals
- Responsibilities to CMS, HHS, OMB, Congress and national commissions
  - For example:
    - Legislative proposals included in President's Budget
    - Estimated impacts of ACA, MACRA, and AHCA



# *Rate Setting for Medicare*

- Statutory “Program Amounts” for Medicare
  - Beneficiary premiums
  - Benefit parameters
  - Price indices for updating payment rates
  - Medicare Advantage ratebook



# Medicare Beneficiary Premiums



- Medicare Part D premiums continue to decline in 2019, CMS.gov/newsroom, July 31, 2018
- Medicare Part B premiums devouring many retirees' Social Security increase, survey shows, CNBC, May 29, 2018
- Annual Part A & B Premium and Deductible release occurs between mid-September and early November
- Part D Premiums released around the end of July each year



# MA Ratebook/Benchmark

## Ratebook

- County-level amount published by CMS once per year in April
  - Represents the cost of providing care to a beneficiary with a risk score of 1.0
  - Separate ratebook for ESRD and non-ESRD
  - Generally consistent with assumptions included in Trustees Report

## Benchmark

- Benchmark is specific to each plan
  - Ratebook amount per county weighted by the plan's projected enrollment



# *CMMI Model and other Certifications*

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- Requirements to expand CMMI demonstration
  - Secretary determines that quality is improved
  - CMS Chief Actuary certifies cost reduction
- Models Certified
  - Pioneer ACO model
  - Diabetes Prevention Program



# *CMMI Model and other Certifications* (cont.)

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- Other certifications include
  - EHB
  - Rates of Uninsured



# National Health Expenditures: NHE Accounts

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- **National Health Expenditures**
  - **Historical** spending measures annual health spending in the U.S by:
    - Type of good or service delivered (hospital care, physician, retail Rx, etc.)
    - Source of funding for services (private health ins., Medicare, Medicaid, etc.)
    - Sponsor (businesses, households, governments)
- **Projections** are based on historical spending and are:
  - Estimates of spending for health care in the U.S. over the next decade presented by
    - Type of good or service delivered
    - Source of funding





# National Health Expenditures: NHE Accounts (cont.)

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- **Age and Gender Estimates**

- Personal health care (PHC) spending by age and sex by:
  - Type of good or service
  - Source of funding

- **State Health Expenditures**

- Estimates of PHC expenditures by State of Provider by:
  - Type of good or service
  - Source of funding
- PHC expenditures by State of Residence based on adjusted State of Provider estimates

# *Review of MA and Part D Bids*

- **Determine reasonableness of submitted bid**
  - Evaluate the reasonability of the assumptions and methods used in projections
  - Prepared in accordance to Actuarial Standards of Practice
    - Appropriate use of data
    - Reasonable care in developing assumptions
    - Documentation requirements



# Key Asks of MA and Part D Actuaries

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- Working understanding of CMS guidance
  - Bid instructions
  - Call Letter
- Have bids peer reviewed before submission
- Submit clear and complete supporting documentation
- Be timely and responsive to desk review questions

Rx  
**FALL CONFERENCE  
AND WEBCAST**  
September 6, 2018  
9:30 am – 4:30 pm EDT  
CMS Grand Auditorium

# Questions?

