November 2020 Actuarial User Group Call

Thursday, November 12, 2020
11:00AM - 12:00PM ET

To participate in live Q&A, use this link and "Connect to Audio" using the "Call Me" option:
https://letsmeet.webex.com/letsmeet/k2/j.php?MTID=t36f054f4d4423a0b5a91ec6fb0b434ab

To participate in list-only mode, use this call number and access code:
Dial-In Number: (844) 396-8222 (toll free)
Access Code: 172 185 1970

Please connect ten minutes prior to the call to allow the call to begin on time.

- Welcome
  - Reminder that an agenda for this call has been posted to the CMS webpage at:

    www.cms.gov > Medicare > Medicare Advantage Rates & Statistics (under the Health Plans header) > Bid Forms & Instructions > Guidance

- CY2021 Bid Review: Lessons Learned feedback from Industry
  - We appreciate all of the feedback we received during the industry comment period. We have shared pertinent comments with other areas within CMS, and are taking the comments into consideration when developing the CY2022 BPTs and Bid Instructions.
  - In order to help us respond in a timely manner to feedback that involves other areas of CMS, we remind you to please copy the appropriate resource mailboxes in addition to any emails sent to the actuarial-bids mailbox. These email addresses can always be found in the introductory note within the UGC Q&A file and a few are noted here.
    - For part C policy-related questions (including OOPC/TBC policy): https://mabenefitsmailbox.lmi.org/
    - For Part D policy-related questions: partdpolicy@cms.hhs.gov
    - For Part D benefit-related questions (including OOPC/TBC policy): partdbenefits@cms.hhs.gov
    - For technical questions regarding the OOPC model: OOPC@cms.hhs.gov
    - CMS has decided to change the names of the risk adjustment mailboxes to better align with the broader range of risk adjustment topics that are addressed through the current mailboxes.

      The new mailbox name for encounterdata@cms.hhs.gov is riskadjustmentoperations@cms.hhs.gov. The new mailbox name for riskadjustment@cms.hhs.gov is riskadjustmentpolicy@cms.hhs.gov.

- CY2022 Bid Pricing Tools (BPTs)
    - Reminder: List of draft BPT changes are included in the posted agenda and a Macro-free mock-up of the MA BPT and PD BPT are posted at: www.cms.gov > Medicare > Medicare Advantage Rates & Statistics (under the Health Plans header) > Bid Forms & Instructions > Guidance
    - MA Bid Pricing Tool Changes
        - Removed product pairing cells from MA WS4 (old lines z4 and z5)
        - New z4 and z5 input cells added to MA WS4 in rows 104 and 105
            - z4 input for Related-Party Benefit Expense PMPM
            - z5 input for Related-Party Non-Benefit Expense PMPM
        - New z6 input cell added to MA WS4 cell R99 for total of A/B Mandatory Supplemental Benefits, assuming the same benefits as in the preceding contract year. This input must be completed if the gain/loss margin is greater than 12% of revenue.
    - Part D Bid Pricing Tool Changes
        - Removed product pairing cells from PD WS3 (old lines 10 and 11)
        - New input cells (lines 10 and 11) added to PD WS3 in rows 50 and 51
            - Line 10 input for Related-Party Benefit Expense PMPM
            - Line 11 input for Related-Party Non-Benefit Expense PMPM
    - More detail regarding the new input cells is provided below in the Bid Instructions section and Appendices to this agenda.
    - Please submit any comments regarding the draft bid pricing tool changes by 11:59 PM Pacific Standard Time on Friday, December 4, 2020 to: actuarial-bids@cms.hhs.gov
    - OACT plans to release BPTs for Industry Beta testing in February.

- CY2022 Bid Instructions
    - BPT Completion Guidance in light of COVID-19
        - There are no changes to the guidance for completing the CY2022 BPTs due to COVID-19.
        - The base period and credibility guidance continue to apply.
        - CMS does not intend to prescribe a particular approach for projecting CY2022 costs and refers certifying actuaries to ASOP #23—Data Quality.
        - When completing the CY2022 BPTs, contract year 2020 experience must be reported on Worksheet 1 of the BPTs without adjustment.
        - It would be acceptable to use alternate bid-specific experience, such as 2019 experience, to determine the CY2022 Projected Experience Rate for MA and the Projected Allowed PMPM for Part D. In this case, the projection assumptions on Worksheet 1 of the MA BPT and Worksheet 2 of the Part D BPT would need to be adjusted to produce the same projected results as the alternate method. We would expect to see an adjustment factor from the actual utilization in 2020 to the projected utilization in 2022 to be shown in the Utilization Adjustments to Contract Period –

Other Factor column of Worksheet 1 of the MA BPT and in the Components of Utilization Change – Other Change column of Worksheet 2 of the Part D BPT. Further, the experience credibility entered on Worksheet 2 of the MA and Part D BPTs should reflect the exposure of the alternate experience. It would not be appropriated to enfold the alternate projection into the manual rate and use 0% credibility on the BPT. CMS will not allow actuaries to use 0% credibility without the requirement to submit credibility justification. Supporting documentation must address how the 2022 costs were projected from the alternate starting point.

- We anticipate that projection decisions will be made separately for MA and Part D, and we do not require that MA and Part D use the same projection method.

◦ Credibility

- We will not be revising, or adding to, any of the CMS credibility guidelines for CY2022. The credibility guidelines will remain as they were for CY2021.

◦ Cost Sharing

- We will clarify that all PBP benefits must be reflected on MA 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, should not be included on Worksheet 3.

◦ Gain Loss Margin

- Bid-Level Requirements
  - Benefit Value – There are no changes planned for the pricing considerations for benefit value in relation to the margin level; however, a new input will be added to the MA BPT as line z6 to MA WS4 cell R99 to collect data for the review of benefit value in relation to the margin level. Additionally, the supporting documentation requirements will be revised. See Appendix 1 for details.
  - Bids with Negative Margin – CMS will eliminate the pricing considerations for Bids with Negative Margin. Accordingly, CMS has removed product pairing cells from all BPTs. Bid-specific business plans to achieve profitability are no longer required. The supporting documentation listed under items 8.6 and 8.7 of Appendix B in the CY 2021 bid pricing instructions will be removed.
  - Anti-competitive Practices – There are no changes planned to the pricing considerations for anti-competitive practices; however, a new supporting documentation requirement will be added. See Appendix 1 for details.
- Aggregate Margin
  - There are no changes planned for the aggregate margin pricing considerations for CY2022.
  - The supporting documentation requirements for the corporate margin will be clarified. Additional clarification will be added to item 8.1.1 of Appendix B, concerning the demonstration of how the corporate margin requirement is set. See Appendix 1 for details.

        - During the review of CY2021 BPTs, we discovered that supporting documentation was missing or inadequate for the risk-capital-surplus basis.
        - For CY2022 the review of this documentation will be enhanced.
    - The requirement for the MAO to provide a demonstration of how a negative margin at the selected level of aggregation does not jeopardize the financial solvency of the organization will be due at the time of bid submission. See Appendix 1 for details.
    - For bids that use the non-Medicare corporate margin basis, CMS will continue to evaluate exception requests based on the circumstances. We encourage plan sponsors, as necessary, to use the exception process and reach out to CMS in advance of the bid submission deadline to discuss the particulars of their situation. In such discussions our intent would be to provide, ahead of the bid submission, the parameters around which we would be in a position to accept an exception request in the course of the bid review of the submitted bids
    - The following example is intended to identify some of the considerations CMS uses to evaluate an exception request. Assume there is an exception request for an aggregate bid margin above the non-Medicare margin. In this case, CMS would be concerned with approving the exception if member premiums are increasing and/or benefit levels are decreasing, compared to the preceding year.
    - Additional factors such as MLR may apply in our review of exception requests and our review of risk-capital-surplus based margins. For example, contracts with low MLR may be of concern.
- Low Income Premium Subsidy Amount (LIPSA) Estimate
    - We will clarify how CMS calculates the LIPSA for a plan that spans multiple regions with the expectation that plan sponsors would be using a similar methodology in developing their LIPSA estimate.
- Part B Rx
    - We will clarify that 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 NBE.
- Related Party
    - To provide us with clearer information, regarding the magnitude of payments made to related parties, two new input fields z4—input for Related-Party Benefit Expenses PMPM and z5—input for Related-Party Non-Benefit Expense PMPM will be added to Worksheet 4 of the MA BPT. See Appendix 2 for details.
- VBID-C
    - We will clarify that VBID-C is to reflect participation in any Medicare Advantage VBID model intervention that is not the hospice program.
- Supporting Documentation

        - Support for three years of non-benefit expenses (39.1) will be changed to support for the difference between the projected and actual ratios of non-benefit expenses to total medical expenses for the three requested years CY2018, CY2019, and CY2020.
        - Support for Total Allowed PMPM (39.2) will be changed to support for the ratio of the originally projected Total Allowed PMPM to the actual Total Allowed PMPM.
    - Part D
        - A detailed breakout of "Claims subject to the deductible" listed in Line 10 and Line 20 of Worksheet 6, will be added to Documentation Upon Request from CMS Reviewers. This documentation should include the details underlying all values in Lines 10 and 20, and be set up in a similar way to the breakouts for "Claims Not Subject to the Deductible" in Rows 1-8 and 11-18.
    - Please submit comments regarding these bid instruction topics by 11:59 PM Pacific Standard Time on Friday, December 18, 2020 to: actuarial-bids@cms.hhs.gov
- Comment Solicitation
    - Related Party for CY2023
        - For CY2023 OACT is seeking comment regarding proposed changes to the related-party guidance. See Appendix 3 for details.
- Other Bidding Topics/Announcements
    - Bid Improvement Initiative Program
    - The Cumulative User Group Call Q&A File has been updated with questions and answers from CY2007 to CY2021 and can be found at: www.cms.gov > Medicare > Medicare Advantage Rates & Statistics (under the Health Plans header) > Actuarial Bid Questions
    - Discussion of 2022 Advance Notice USPCC Estimates. See Appendix 4.
    - The Office of the Actuary has revised our study of the possible impacts of the CY 2021 ESRD enrollment expansion, including an analysis of the illustrative impact on the 2021 MA bids. The analysis is based on the ESRD base period experience for 2019 reported on MA bid pricing tool (BPT) Worksheet 1, section V. See Appendix 5 for details.
- Live Q&A
- Conclusion

- A new input will be added as line z6 to MA BPT Worksheet 4 cell R99 with the following instruction:

  Line z6 – Total assuming CY 2021 M/S Benefits

  Enter the net PMPM value of total A/B mandatory supplemental benefits, assuming the same M/S benefits as in the preceding contract year. This input must be completed if the gain/loss margin is greater than 12% of revenue.

  Line z6 is comparable to the value on line u, column r. Both of these values must assume the same projected population. The values on line z6 and line u, column r may be different, if there is a change in benefits. For bids that did not exist in CY2021 and for bids that have identical benefits to CY2021, line z6 should be equal to line u, column r.

- The supporting documentation requirements for benefit value will be renumbered as follows:

  8.7. Justification of benefit value in relation to the gain/loss margin, if the gain/loss margin is greater than 12% of revenue. The required elements include—

  8.7.1. For new bids, a justification for why additional benefits were not provided and why premiums, including Part B, MA, and Part D, were not reduced.

  8.7.2. For renewals, a list of changes to mandatory supplemental benefits made for CY2022. Describe how these changes affect benefit value in relation to the gain/loss margin.

  8.7.3. For renewals, a list of changes to premiums after rebates from CY2021 to CY2022, including Part B, MA, and Part D. Describe how these changes affect benefit value in relation to the gain/loss margin.

- A new supporting documentation requirement regarding anti-competitive practices will be added. The documentation will be upon request by CMS reviewers as follows:

  Upon Request by CMS Reviewers
  34. Support for how the pricing of the bid is not anti-competitive.

- The pricing considerations, BPT inputs for product pairing, and supporting documentation requirements (items 8.6 and 8.7) for Bids with Negative Margin will be deleted.

- The supporting documentation requirements for the corporate margin will be clarified as follows:

  8.1.1. A demonstration of how the corporate margin requirement is set, including an explanation for any changes from the prior year. The demonstration should—

  a. Show the calculation of the corporate margin or provide details for how the corporate margin was calculated.

  b. As applicable, provide a description, quantification, and returns for each line of business that makes up the corporate requirement.

  c. Describe how the following factors contribute to the corporate margin requirement, as applicable: The surplus required by the state so that the plan sponsor may be licensed in their state(s) of operation, the NAIC risk based capital requirement, and the return on investment or return on equity required to accept the risk of the corporate requirement.

- The supporting documentation requirements for solvency will be renumbered as follows:

  8.6. Support for how the aggregate MA bids do not jeopardize financial solvency.

Appendix 2

Proposed Changes to the CY2022 Bid Instructions Pertaining to Related Party

For CY2022 we are adding two new data inputs in the MA and Part D BPT, with the objective of using this data to understand the extent that plan sponsors rely upon related parties to provide services reported in the allowed costs and non-benefit expense. Plan sponsors would provide separate inputs representing the best estimate of the total allowed PMPM costs for all related parties plus amounts paid to any entity with the same TIN as the plan sponsor, and total non-benefit expenses for all related-party arrangements. The addition of these two inputs would not change CMS' current related-party guidance, meaning that plan sponsors will continue to use Method 1 through 4 to report and support related-party arrangements for CY2022. Below are changes for the MA Instructions, corresponding changes will be made for the Part D Instructions.

MA BPT Instructions Worksheet 4

Lines z4 through z5 – Related Party Expenses

These fields pertain to an MA bid with related parties. See the "Related-Party Arrangements (Medical and Non-Benefit)" pricing consideration for more information regarding related-party requirements.

Line z4 – Related-Party Benefit Expense PMPM

Enter the best estimate of the plan sponsor's total allowed PMPM cost for all related-party medical services and for services provided by entities with the same TIN reported in the bid, with no adjustment for reporting related-party data using Method 1 or Method 4. This entry must reflect the expected allowed costs for all related parties consistent with actual contracts, capitation and risk arrangements, claims, EOBs, and financial reporting.

Line z5 – 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, with no adjustment for reporting related-party data using Method 1. This entry must reflect the expected non-benefit expenses for all related parties, consistent with actual contracts and financial reporting.

MA BPT Instructions Appendix B

13.1.5. For each related party declared in the bid provide:

a. The total PMPM cost for each related party in the bid entered in z4 or z5, prior to adjustments for Method 1 or Method 4 on a per bid member per month basis.

b. Numerical development of the PMPMs in 13.1.5a. Note that support must be consistent with contracts, actual experience, and financial statements.

Appendix 3

Proposed Changes to the CY2023 Bid Instructions Pertaining to Related Party

OACT is considering a number of changes to related-party guidance beginning in CY2023, and there will be two new data fields in the CY2022 bid pricing tools to collect data that provide more information on the related-party landscape to support this effort.

OACT is considering a single, uniform approach for all plan sponsors to report related-party data in the Medicare Advantage and Part D bids beginning for CY2023. Plan sponsors would continue to disclose all related parties. Related-party Methods 1 through 4 would no longer be available, and related-party data would be reported and supported in the bid without adjustment, and consistent with related-party contractual terms and financial statements. Plan sponsors would report the total allowed PMPM costs of all related-party arrangements and amounts paid to any entity with the same TIN as the plan sponsor in the MA and/or Part D bid pricing tools (BPTs) for total related-party data reported in the allowed cost, and separately for total related-party data reported in the non-benefit expenses. Supporting documents would be required for the two inputs. Supporting documents for Methods 1 through 4 would no longer be required.

It is our expectation that this proposed guidance would result in an overall reduction in workload for plan sponsors, and the requirement for all plan sponsors to report on related-party arrangements using the same method, using data that is consistent with related-party contractual terms and financial statements would provide a more consistent approach for related-party arrangements in the MA and PD bids.

OACT is also considering a future requirement for plan sponsors to provide a best estimate of the related-party margin for all related-party data reported in the MA and Part D bids. We solicit your feedback on the availability of accurate information on related-party margin and reasonable methods to estimate it, when it is not available.

Please provide feedback to OACT by email to actuarial-bids@cms.hhs.gov by 11:59 PM Pacific Standard Time on Friday, December 18, 2020 on the proposed guidance changes for CY2023 and on the availability of related-party margin or methods to estimate it.

Appendix 4

Additional Details on the COVID-19 Assumptions Used in Developing the USPCC Estimates:

Non-ESRD Fee-For-Service USPCC, CY 2020

Compared to the corresponding projections in the 2021 Rate Announcement, the current estimate of the non-ESRD FFS CY 2020 USPCC is down 12.1 percent. Most of the reduction is due to care that is projected to be forgone or deferred to CY 2021 due to the effects of the COVID-19 pandemic.

Compared to the projections supporting the 2021 rate announcement, the 2022 Advance Notice USPCCs for CY 2020 have changed as follows: Inpatient: -13 percent; skilled nursing facility: -5 percent; home health: -13 percent; physician fee schedule: -15 percent; outpatient hospital: -16 percent; and physician administered drugs: -2 percent.

The 2020 USPCC does not include explicit assumptions for COVID-19 vaccine and testing. However, COVID-19 testing that was incurred and paid through June 30, 2020 is represented in the experience for the first two quarters of 2020.

Non-ESRD Fee-For-Service USPCC, CY 2021

The current estimate of the CY 2021 FFS non-ESRD USPCC is up 2.2 percent relative to the corresponding projection supporting the 2021 Rate Announcement. Most of this change is due to projected increase in spending for care deferred from CY 2020 due to the COVID-19 pandemic.

Compared to the projections supporting the 2021 rate announcement, the 2022 Advance Notice USPCCs for CY 2021 have changed as follows: Inpatient: -4 percent; skilled nursing facility: +5 percent; home health: 0 percent; physician fee schedule: +9 percent; outpatient hospital: +7 percent; and physician administered drugs: -1 percent.

In addition, the current assumptions for a COVID-19 vaccine in CY 2021 are that 32 percent of FFS beneficiaries will receive a COVID-19 vaccine, there will be an average of 1.9 does per utilizer, and the average Medicare program cost per dose will be $30. The per-dose cost is based on estimated administration cost of $25 and vaccine cost of $5. The vaccine cost was developed under assumption that most of the approved vaccines would be funded through Operation Warp Speed.

The CY 2021 USPCC projection does not include an explicit assumption for COVID-19 testing. However, the 2020 USPCC includes COVID-19 testing paid during the first half of 2020 and the projections grow off of this base, so some COVID-19 testing spending is implicitly included in the CY 2021 FFS USPCC.

Non-ESRD Fee-For-Service USPCC, CY 2022

The current estimate of the CY 2022 FFS non-ESRD USPCC is up 0.3 percent relative to the corresponding projections in the 2021 Rate Announcement. The 2022 USPCC was largely projected from CY 2019 incurred spending, trended to 2022 with pre-COVID utilization assumptions, with updates for recent legislation and final regulations, and revised economic factors, such as market baskets and the consumer price index (CPI)

A key driver of this increase is the inclusion of costs for a COVID-19 vaccine in the current projection. The current assumptions for a COVID-19 vaccine in CY 2022 are that 52 percent of FFS beneficiaries will receive a COVID-19 vaccine, there will be an average of 2.0 does per utilizer, and the average

Medicare program cost per dose will be $88. There is no explicit assumption for COVID-19 testing in the CY 2022 USPCC.

The COVID-19 vaccine utilization assumption is based the proportion of Medicare FFS beneficiaries who annually receive a flu vaccine. The assumption for 2 doses per beneficiary is based on information available from COVID-19 vaccine trials. In addition, the $88 per vaccine cost for 2022 includes about $28 for administration and $60 for the vaccine cost. The administration cost assumption was based on information provided by CMS program staff. The $60 vaccine cost is based on our assessment of statements from pharmaceutical companies, historical price patterns for vaccines, and statements from investment/market analysts.

Appendix 5

Study of the Possible Impacts of the CY 2021 ESRD Enrollment Expansion

The Office of the Actuary has revised our study of the possible impacts of the CY 2021 ESRD enrollment expansion, including an analysis of the illustrative impact on the 2021 MA bids. The analysis is based on the ESRD base period experience for 2019 reported on MA bid pricing tool (BPT) Worksheet 1, section V. The key data and assumptions used in the projection of the MA ESRD experience bid analysis are:

- Calendar year 2019 ESRD experience, as reflected in 2021 MA BPT Worksheet 1, Section V was consolidated at the contract level on a per-member per-month (PMPM) basis. To avoid duplication of experience, plans were excluded that had identical bids in the base as represented by the "Bids in the Base" section of Worksheet 1, cells N14 – Q17. Contracts with less than 500 ESRD member months were pooled together. Experience for several contracts were excluded due to known problems with the reported data. The aggregate 2019 experience on a PMPM basis was used for contracts that existed in 2021, but not 2019
- The contract level PMPM values were trended from 2019 to 2021 as follows:
  - CMS Revenue PMPM were trended using the 2019 and 2021 dialysis ESRD ratebook growth rates of -0.48 percent and 4.04 percent, respectively, resulting in a two-year revenue trend, 2019-2021, of 3.54 percent.
  - Net Medical Expenses PMPM were trended using the current estimate of ESRD dialysis USPCCs in the 2021 rate announcement resulting in a 2019-2021 medical trend of 5.38 percent.
  - The 2019-2021 trend for Premium Revenue was set at 0.00 percent.
- The non-benefit expense (NBE) for the ESRD population was set conservatively at $350 PMPM for each plan.
- In aggregate, there are 1,172,00 projected ESRD member months in the 2020 MA BPTs and 2,102,000 in the 2021 BPTs, representing an increase of 930,000 projected ESRD member months from 2020 to 2021. Our baseline model reflects a 4.32 percent increase in ESRD enrollment from 2020-2021 excluding the effects of the ESRD open enrollment provision. Based on this growth assumption, we assumed that 51,000 of the projected increase in ESRD member months will be due to nonspecific enrollment growth, and the balance of the increase, 879,000, is due to the ESRD open enrollment provision. The aggregate enrollment attributed to the ESRD open enrollment was apportioned to the contract level based on each contract's share of 2020-2021 increase in ESRD open enrollment in excess of 4.32 percent. The contract-level ESRD enrollment values were apportioned to the plan level based on the relative increase in the bid level enrollment from 2020 to 2021.
- Contract level 2021 Margin PMPM for the ESRD population = Projected ESRD (CMS Revenue + Premium Revenue – Net Medical Expenses – NBE).
- The aggregate projected 2021 ESRD values, PMPM, are Revenue: $7,119.03, Net Medical: 6,961.57, NBE: $350.00, and a resulting gain / (loss) margin: -$192.54.
- The projected 2021 ESRD experience was combined (based on member month projections) with the 2021 MA bid projections to assess the impact of the ESRD expansion for plan. On average, the inclusion of the ESRD experience is projected to impact the plan margin by -$0.78 PMPM or about -0.08 percent of the aggregate plan Total Revenue Requirement, as reported on MA BPT WS4, H108.
- This analysis was limited to the effect of expanded ESRD enrollment on 2021 MA bids. The study did not account for other program changes to be implemented in 2021 such as the carveout of kidney acquisition costs from the ratebooks and the updates to mandatory and voluntary out-of-pocket limits.