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MEMORANDUM

DATE: April 30, 2010

TO: All Medicare Advantage Organizations

FROM: Danielle R. Moon, J.D., M.P.A.
Director
Medicare Drug & Health Plan Contract Administration Group

RE: Out-of-Pocket Cost (OOPC) Estimates to Determine Meaningful Difference in Medicare Advantage Plans

CMS expects Medicare Advantage Organizations to submit bids that are meaningfully different for CY 2011 as stated in the recent HPMS Memorandum (April 16, 2010, Benefits Policy and Operations Guidance Regarding Bid Submissions; Duplicative and Low Enrollment Plans; Cost Sharing Standards; General Benefits Policy Issues; and Plan Benefits Package (PBP) Reminders for CY 2011). Employer and dual eligible SNPs are excluded from this analysis for CY 2011.

The 2010 CMS OOPC calculations are available via HPMS. To access these data in HPMS, from the left navigation bar select: "Quality and Performance", then "Part C Performance Metrics" and then select "Part C Out-of-Pocket Costs".

MAOs offering more than one plan of the same type in a given service area should ensure that beneficiaries can easily identify the differences between the plans and determine which plan provides the highest value at the lowest cost based on their needs. For CY 2011, CMS will use plan-specific OOPC estimates to identify meaningful differences among similar plan types. OOPC estimates are based on a nationally representative cohort of more than 13,000 Medicare beneficiaries represented in the 2004 and 2005 Medicare Current Beneficiary Survey data and are used to provide estimated plan cost information to beneficiaries on Medicare Options Compare. Estimated out-of-pocket costs for each plan benefit package are calculated on the basis of utilization patterns for that cohort. The calculation includes Parts A, B, and D services and mandatory supplemental benefits, but not optional supplemental

benefits. For purposes of evaluating meaningful differences among MA plans, CMS will exclude premiums from the OOPC calculation. Current enrollment and risk scores will not affect the OOPC calculation. A summary of the OOPC estimates is available at:

<http://www.medicare.gov/MPPF/Include/DataSection/OOPC/OOPCCalculations.asp?language=English>.

CMS will evaluate meaningful differences among plans offered in the same county by a parent organization as follows:

1. Non-SNP plan offerings will be separated into five plan-type groups on a county basis: (1) HMO (2) HMOPOS; (3) Local PPO; (4) Regional PPO; and (5) PFFS. SNP plans will be separated into groups representing the various allowed SNP plan types.
2. Plans within each plan-type group will be further divided into MA-Only and MA-PD sub-groups for evaluation. That is, the presence or absence of a Part D benefit is considered a meaningful difference.
3. The combined Part C and Part D (if applicable) OOPC estimate will be calculated for each plan within the plan-type groups and sorted from high to low. There must be a total OOPC difference of at least \$20.00 per member per month between each plan to be considered meaningfully different.

CMS expects MAOs to submit CY 2011 plan bids that meet the meaningful difference requirements but will not prescribe how the MAOs should redesign benefits packages to achieve the differences. Plan bids that do not meet these requirements will not be approved by CMS. MAOs are to follow CY 2011 renewal/non-renewal guidance to determine if their plans may be consolidated with other plans.

For technical guidance on Medicare Advantage OOPC calculations please contact the HPMS help desk (hpms@cms.hhs.gov). To submit benefit policy or PBP questions before the June 7th deadline please go to <https://MABenefitsMailbox.lmi.org>.