



Actuarial Bid Training Introduction to Bid Review, Audit, and Bid Improvement Initiative

CMS Office of the Actuary
April 2024

Welcome to the Actuarial Bid Training titled “Introduction to Bid Review, Bid Audit, and Bid Improvement Initiative.” This training is for new and current users of CMS’ bid pricing tool for the Medicare Advantage and Part D programs. The goal is to provide a basic understanding of the bid pricing review, the bid audit, and the bid improvement initiative processes conducted by the CMS Office of the Actuary (OACT). This session is most useful to users who are familiar with the information presented in “BPT101” which describes the structure and content of the BPTs, and “Introduction to Bidding” which provides an overview of the competitive bidding process.



In this session...Bid Pricing Review, Audit, and Bid Improvement Initiative

- What is the bid pricing review?
- What is a bid audit?
- What is the “Bid Improvement Initiative”?
- What do these reviews do?
- When do these reviews start?
- When do they end?

Actuarial Bid Training

2

In this session, we will answer these questions:

What is the bid pricing review?

What is a bid audit?

What is the “Bid Improvement Initiative”?

What do these reviews do?

When do these reviews start?

When do they end?



Bid Pricing Review

- 1st Monday in June: Bids due
- Friday after bid submission: Initial actuarial certification due
- Mid June: Office of the Actuary (OACT) distributes review materials to contracted reviewers
- Through late July: Dialogue on bid issues between reviewers, plan sponsors, and OACT occurs

Actuarial Bid Training

3

The bid pricing review is performed under a very aggressive timeline. As defined by statute, bids are due on the first Monday in June, and the initial actuarial certification is due the following Friday. CMS' Office of the Actuary, or OACT performs analysis of the bid data and distributes review materials to support the work done by contracted actuarial reviewers by mid June, and the initial correspondence from the reviewers to the plan sponsors occurs shortly after. Most of the exchanges of information on bid issues between reviewers and plan sponsors and occur from mid June through late July.



Pricing Review (cont.)

- Late July / early August: Benchmarks released
- Early August: Rebate reallocation period
- Early August: Final actuarial certification
- Mid August: OACT completes the pricing review

Actuarial Bid Training

4

The national average monthly bid amount is released in late July or early August and the rebate reallocation period immediately follows. The final bid certification is due immediately after rebate reallocation in early August, and completion of the bid pricing review occurs in mid-August.



Initial Bid Submission

- The bid must reflect the “best and final” proposal.
- Bid resubmissions must be consistent with the assumptions originally submitted.
- Assumptions in the bid are considered final.
- OACT recognizes that not all arrangements and contracts are finalized.
- The bid must reflect the best expectation of plan costs as of the initial bid submission.

Actuarial Bid Training

5

The bid submitted by the first Monday in June must reflect the “best and final” proposal for the plan. Although OACT recognizes that not all arrangements and contracts may be finalized at the time of bid submission in June, the bid pricing review is not an opportunity to revise assumptions after the initial bid submission. Bid resubmissions throughout the bid pricing review period must be consistent with the assumptions originally submitted with the initial bid.



Supporting Documentation

- Plan sponsors are required to upload substantiation to support the development of the bid.
- Most substantiation must be uploaded with the initial bid submission.
- Plan sponsors must be ready to provide additional support upon request throughout the bid pricing review.

Plan sponsors are required to upload substantiation, also referred to as supporting documentation, to support the development of the initial bid submission. The bid reviewer will evaluate the documentation and data. Completing the bid pricing review may require the plan sponsor to provide additional documentation that was not required with the initial bid submission, so plan sponsors must prepare to quickly respond upon request.



Supporting Documentation (cont.)

- Supporting documentation requirements are detailed in Appendix B of the bid instructions.
- Plan sponsors will be required to address incomplete or missing documentation before the review can be completed.
- Changes in the bid during resubmission must be accounted for in documentation.

Plan sponsors will be required to address incomplete or missing supporting documentation before the bid pricing review can be completed. See Appendix B of the instructions for details on the supporting documentation requirements. Keep in mind that supporting documentation must be updated to align with any resubmissions that may occur.



Bid Pricing Review

Objective? Determine that bids are “reasonable.”

- OACT’s review begins with a statistical analysis of bid data:
 - Identification of key bid elements
 - Determination of ranges
 - Flagging of elements outside these ranges
- Flagged elements serve as starting point and focus of the review.

Actuarial Bid Training

8

The objective of the bid pricing review is to determine that each bid is “reasonable” in consideration of plan-specific circumstances, the bid instructions, CMS guidance and the Actuarial Standards of Practice. The bid pricing review begins with a statistical analysis of the initial bids. OACT identifies important bid elements and determines ranges to flag outliers. These outliers are flagged by OACT to serve as consistent starting points of the bid pricing review.



Bid Pricing Review (cont.)

- A step by step approach is used to review each flagged element.
- Reviewers evaluate submitted material to determine if support exists for each flagged element.
- Reviewers contact the plan sponsor/actuary to resolve open issues.
- OACT is copied on these communications.

Contracted actuarial reviewers support OACT in the review of the bid and other submitted material to determine if support exists for each flagged item. OACT defines the step by step evaluation for reviewers to use to resolve each flagged outlier. Reviewers follow the same approach for every bid with a given outlier. Reviewers contact plan sponsors to directly resolve open issues. OACT is copied on all communications between the reviewers and the plan sponsors.



Bid Pricing Review (cont.)

- OACT meets regularly with each reviewer.
- OACT conducts group meetings with all reviewers.
- Plan sponsor/actuary must work through issues with the reviewers.
- OACT gets involved in sensitive or unresolved issues.

Actuarial Bid Training

10

To manage and support the bid pricing review, OACT staff are assigned to work with each contractor, OACT meets regularly with all staff for each contractor, and OACT conducts regular group meetings with all contractors. Throughout the bid desk review, plan sponsors must work through issues with the reviewers. OACT gets involved in sensitive and/or unresolved issues.



Bid Pricing Review (cont.)

- Reviewer makes a recommendation.
 - Preferred outcome is a recommendation to approve the pricing review for a bid.
- OACT reviews the recommendation.
- OACT makes the final determination for approval of the bid pricing review for every bid.

Near the end of the bid pricing review, the reviewer makes a recommendation to OACT. The preferred outcome is a recommendation to approve the pricing review for a bid. OACT reviews the recommendation. OACT makes the final determination for approval of the bid pricing for every bid.



Recommendation of Approval

- If OACT agrees with the recommendation of the reviewer to approve, OACT accepts the bid pricing.
- If OACT disagrees, OACT asks reviewer to continue working with the plan sponsor.

When the recommendation is approval, and OACT agrees, the bid pricing is approved. If OACT disagrees, OACT asks the reviewer to continue working with the plan sponsor to resolve the outstanding concern.



Recommendation of Denial

- If OACT agrees, direct discussions begin with the plan sponsor.
- If OACT disagrees with the recommendation of the reviewer, OACT works with reviewer to reach resolution.

If OACT disagrees with the recommendation of the reviewer to not approve the bid pricing, OACT will work with the reviewer and request that the reviewer continue discussions with the plan sponsor. If OACT agrees with the reviewer, OACT will enter direct discussions with the plan sponsor.



Direct Discussions

- Concerns with particular assumptions or methodology are identified.
- Direct discussions occur if OACT determines that a bid assumption lacks sufficient support.
- Plan sponsor may propose remedy that will be reviewed.
- OACT authorizes resubmission, if remedy addresses concerns identified.

Throughout the bid pricing review OACT or reviewers identify concerns with assumptions or methodology. Direct discussions with a plan sponsor occur if reviewers or OACT determine a bid assumption or methodology lacks sufficient support. The plan sponsor may propose a remedy during these discussions. OACT will authorize a bid resubmission, if the proposed remedy addresses the outstanding concerns.



Direct Discussions (cont.)

- The proposed remedy must:
 - Otherwise be consistent with the initial bid submission
 - Not rely upon material gathered after original bid submission
- These guidelines apply to bid changes resulting from discussions conducted on formulary and benefits by other CMS divisions.

Actuarial Bid Training

15

In direct discussions, plan sponsors cannot introduce work or material that was prepared after the initial bid submission. In most circumstances, a proposed remedy must be consistent with the initial bid submission, and cannot rely upon material gathered after original bid submission. OACT also applies these guidelines when reviewing bid changes that are required when formulary and benefits change as a result of review work by other CMS divisions.



Direct Discussions (cont.)

Plan sponsors can propose changes to margin:

- In response to CMS required benefit changes
- To account for the impact of mistakes or unsupported assumptions identified during bid pricing review

CMS may accept proposed changes in margin compared to the initial bid submission when the bid changes are a result of mistakes, unsupported assumptions or benefit changes during the bid pricing review. For example, margins may be reduced when benefit enhancements are introduced.



Direct Discussions (cont.)

CMS will only accept a change to margin if:

- Prior to release of the national average monthly bid amount.
- Margin is compliant with guidance.
- Resulting bid does not present solvency concerns.
- Resulting bid is not anti-competitive.

When the bid changes during bid pricing review, CMS will only accept a proposed change in margin, if made prior to the announcement of the national average monthly bid amount and rebate reallocation, if the margin follows the margin guidance, and if the resulting bid does not present financial solvency concerns. This concludes the section on bid pricing review.



Bid Approval

- The review of a bid submission involves multiple components at CMS.
- Multiple resubmissions may be necessary.
- The CMS review may not be complete when OACT makes a determination on pricing.

Actuarial Bid Training

18

There are many parts to CMS' review of bids and other material – such as pricing, benefits, formulary, service area, network adequacy, and financial solvency. Other components of CMS in addition to OACT are involved in bid approval. Consequently, acceptance of the bid pricing by OACT does not constitute approval of the bid by CMS. In addition, it is not always possible to coordinate resubmission of a bid to address issues identified by the various concurrent reviews in one resubmission. In fact, CMS may prefer that plan sponsors address each issue separately to provide a well-documented trail of the changes made to the bid. A bid is moved from bid pricing review into the process of entering into a contract with CMS when a bid passes all of the CMS reviews.



Bid Audit

- Bid audit is a detailed evaluation of the bid.
- Objective is to determine that a bid is actuarially sound, and is compliant with bid instructions, CMS guidance, Actuarial Standards of Practice.
- Information informs updates to the bid instructions and other guidance, and bid review procedures.

A bid audit is a more detailed evaluation of the bid compared to bid pricing review. The objective is an actuarial audit of the bid development to determine if the bid is actuarially sound and prepared in accordance with the bid instructions, CMS guidance, and the Actuarial Standards of Practice. A contracted actuary does this work. The resulting bid audit report provides the plan sponsor with constructive feedback to improve future bid submissions, and it informs OACT's future work on bid guidance and the bid pricing review.



Bid Audit (cont.)

- Start in September.
- Occur after the contract has been issued.
- Are directed at a limited number of bids each year.

Although thousands of bids are submitted each year, only a small number of bids and plan sponsors are selected for bid audit. A bid audit begins with notification to the plan sponsor shortly after the bid pricing review is completed and the bid sponsor has signed a contract with CMS.



Bid Audit (cont.)

Bid audit examines whether:

- Bid was developed using appropriate data and methodology.
- Bid was developed in accordance with CMS guidance.
- Actuarial Standards of Practice were followed.
- Supporting documentation is appropriate and complete.

The bid audit work examines whether the bid was developed using appropriate data and methodology, and in accordance with CMS guidance and Actuarial Standards of Practice. Bid audit also verifies that supporting documentation for assumptions and bid data are appropriate and complete. The best preparation for a bid audit begins with proper bid development and supporting documentation.



Bid Audit (cont.)

- Findings are communicated to plan sponsor via formal report.
- Validate the reasonableness of the bid development.
- Provide feedback to the plan sponsor and certifying actuary by identifying areas for improvement.
- Findings must be remedied in the submission of the following year's bids.
- Egregious errors or misrepresentations may lead to financial remedies or be referred for additional investigation.

Actuarial Bid Training

22

Bid audit findings are communicated to the plan sponsor via a formal report, which is generally issued by March of the following year. The bid audit report validates the reasonableness of the bid development and provides constructive feedback to the plan sponsor and certifying actuary by identifying specific areas for improvement. The plan sponsor must resolve every finding identified in the bid audit when preparing future bids. This is verified during the bid pricing review in the following contract year. Plan sponsors must understand that egregious errors or misrepresentations may lead to financial remedies. This concludes the section on bid audits.



Bid Improvement Initiative

- Following the bid pricing review, OACT conducts a quality review.
- Improve the accuracy and transparency of the bids.
- Assure efficient and effective bid pricing reviews.
- Fewer bid audit findings.

Following the bid pricing review, OACT conducts a quality review. The objective of the bid improvement initiative is more accurate and transparent bid submissions, which in turn result in more efficient and effective bid pricing reviews and fewer bid audit findings. Similar to bid audits, the process begins in September and it concludes in the first months of the following year.



Bid Improvement Initiative - Critical components

- Large Changes to the MA Bid Amount during review
- Large Changes to the Part D Bid Amount during review
- Large Changes to Part D Supplemental Premium during review

The bid improvement initiative begins with a review of data from critical elements of an efficient bid pricing review. Large changes to the MA bid, the Part D bid, or the Part D Supplemental Premium during review may indicate potential instances of inadequate peer review and insufficient supporting documentation. OACT then considers other more-subjective factors such as the number of, and reasons for changes to the bid amount during bid review, bid resubmissions, and the upload of supporting documentation during the bid review to identify situations where a plan sponsor may benefit from a more robust peer review process.



Bid Improvement Initiative – Outreach

- Email actionable data to the plan sponsor.
- Meet with a plan sponsor when necessary.
- A corrective action plan may be requested for the future bid submissions.

When a plan sponsor is selected, OACT will send a email communication to make the certifying actuary aware of the concerns identified by OACT. In some situations OACT will follow up on the email communication and request to meet with the certifying actuary to discuss the issues identified, to understand the underlying circumstance and reasons, and to reach agreement on how the plan sponsor intends to address the issues identified to assure these issues are not present in future bid submissions. This concludes the section on the bid improvement initiative.



In Conclusion

For more guidance, consult—

- Introduction to Bidding
- BPT 101
- BPT instructions, located at—

<https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/bid-forms-instructions>

This concludes the Actuarial Bid Training “Introduction to Bid Review, Audit, and Bid Improvement Initiative.” For further guidance please view the “Introduction to Bidding” and “BPT101” Bidder Training if you have not already done so. You will then be well prepared to read the Bid instructions, which can be found at the website listed on this slide.