

## **CY2014 Actuarial Bid Training, April 2013**

### **Presentation: Introduction**

Slides and Script prepared by CMS Office of the Actuary

#### **[SLIDE #1] [TITLE SLIDE]**

Welcome to the Contract Year 2014 Actuarial Bid Training. My name is Paul Spitalnic, and I am the Director of the Parts C and D Actuarial Group within CMS' Office of the Actuary. My staff and I have prepared these training materials in order to assist you in developing contract year 2014 bids for the Medicare Advantage and Prescription Drug programs. We hope you find the presentations to be a useful supplement to the bid instructions.

**[SLIDE #2 – CY2014 Highlights]**

Before presenting an overview of the training, I would like to provide some highlights for Contract Year 2014. As announced on April 1<sup>st</sup>, the growth percentages that determine the 2014 MA rates were calculated assuming that the SGR cuts currently scheduled to be implemented in 2014 will be overridden with a 0% update. This change significantly increases how the Medicare Advantage rates would have otherwise been set and eliminates many of the payment reductions expected from the Affordable Care Act or ACA. In 2014, for example, the ACA benchmark methodology will continue to be phased in, the rebate methodology will be fully phased in, the coding intensity adjustment will be increased, the health insurance provider fee and the Medical Loss Ratio or MLR provision will be applied. In addition, Part D coverage levels in the gap in 2014 will be different than in 2013.

The sequestration mechanism of the Budget Control Act creates the possibility that 2014 payment levels—as of the bid submission deadline—may not be known with certainty. Plans may consider the effects of that uncertainty in setting risk margins in their basic bid development.

There is an interaction between some key policies and the gain/loss margin requirements. For example, the Total Beneficiary Cost or TBC requirements and the MLR provision may conflict with some of the gain/loss requirements. The bid instructions describe the flexibility plan sponsors have available in setting gain/loss margin to the extent necessary to comply with other program requirements. This is also reviewed later in this training program.

**[SLIDE #3 – Training overview]**

The training program will again be split between two tracks. For those familiar with the actuarial bidding process, there are sessions available on points of emphasis for contract year 2014. To get the most out of the presentations, I suggest that you download the 2014 bid forms and instructions and become familiar with them prior to viewing the training materials. For those who haven't submitted bids in the past or would like to refresh on particular topics, I encourage you to review the introductory and intermediate training presentations before proceeding through the more targeted and detailed contract year 2014 sessions.

**[SLIDE #4 – Other Resources]**

This slide contains a listing of other key resources regarding the MA and Part D Programs. The Call Letter discusses the plan benefit package requirements. The Advance Notice of Methodological Changes and the Final Rate Announcement contain information on the MA payment rates and other payment policy issues. The Contract Year 2014 bid instructions are available with the bid tools on HPMS, and this written guidance is required reading for actuaries involved in bid development. As in the past, the Office of the Actuary is available for any questions you might have while preparing bids. The best way to contact us is through the weekly series of user group calls. We strongly encourage all actuaries who are preparing or certifying bids to participate. Questions that are sent to the OACT mailbox at least 48 hours in advance of the calls will be discussed and the responses will be documented on our website. Thank you for taking the time to participate in the 2014 bidders training. We look forward to working with you on another successful bidding season.