



Points of Emphasis for Medicare Advantage and Part D Bids in CY2014

CMS Office of the Actuary
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In this session...

- Contract Year (CY) 2014 Medicare Advantage (MA) and Part D
 - Bid Pricing Tools and Bid Instructions
 - Key changes since last year
 - Areas of emphasis
 - Compliance Initiatives
 - Goals
 - CY2013 results
 - CY2014 expectations and tips



Clarifications and updates

- Read the bid instructions
- Examples of clarifications and updates
 - Support for significant differences in actual to expected claims and non-benefit expenses for last 3 years
 - Updates to pricing considerations for Capitation Arrangements for Medical Services, Enrollment (out-of-area) and Base Period Experience (data aggregation)



Medicare Medical Loss Ratio (MLR) and BPT MLR

- Draft Medicare MLR rule posted 2/15/2013
- MA BPT MLR formula includes Part B only and optional supplemental benefits
- Part D BPT MLR formula includes federal reinsurance
- New input fields for insurer fees (subset of taxes & fees) in base period and CY
- Text box removed



Medicare MLR and BPT MLR

- BPT MLR versus proposed Medicare MLR
 - Contract-level combined MA/PD Medicare MLR versus bid-level MA and PD BPT MLRs
- Consider Medicare MLR in gain/loss margin development
 - Support apparent inconsistencies during bid review



Gain/Loss Margin

- Initial and final bids must comply with:
 - Gain/loss margin requirements, and
 - Other CMS requirements
- For conflicts between margin and other requirements, there is flexibility in the margin
 - Only to the extent necessary to satisfy other requirements such as TBC or Medicare MLR
 - With adequate supporting documentation
- Resubmissions may require margin changes in other bids to satisfy margin requirements



MA Aggregate Gain/Loss Margin D-SNP

- No change to range for comparing aggregate margins for GE+I/C plans and D-SNPs
- CMS may allow well-supported exceptions for CY2014



Medicaid Contracts

- For contracts between sponsor and state or territory for Medicaid services
 - Enter base period Medicaid revenue and cost in MA Worksheet I Section VI
 - Note same definitions of revenue and costs as for projection period
 - Worksheet 1 in total dollars
 - Worksheet 4 as PMPM values



Medicaid Contracts (cont.)

- BPT calculates adjusted gain/loss margin (WS1 and WS4) equal to:
 - Gain loss margin, plus
 - Medicaid revenue, less
 - Medicaid cost
- WS4 adjusted gain/loss margin is used to satisfy gain/loss margin requirements



Medical Related-Party Agreements

- Use of FFS in limited circumstances
- Sponsors may be permitted to use 100% FFS—
 - In the comparable rates comparison
 - As an acceptable proxy for net medical expenses (PMPM)
- See Related-Party Agreements presentation



Risk Score

- Part C and Part D risk models recalibrated for CY2014
- Normalization factors and other information contained in 2014 payment notice.
- MA BPT: Changed to allow user to override formulas for base period and projected DE# risk scores



Claims Credibility

- CMS claim credibility guideline
 - MA: 24,000 member months (MM) (no change)
 - Part D: Increased from 12,000 MM to 18,000 MM
- See Base Period, Data Aggregation and Credibility for MA and PD presentation for more information



MA Optional Supplemental Benefits

- Pricing consideration
 - CY2014 Call Letter
 - Contract-level gain/loss margin $\leq 15\%$
 - Contract-level gain/loss margin plus non-benefit expenses $\leq 30\%$ revenue
- New contract-level section in MA BPT Worksheet 7 for base period data



CY2014 Compliance Initiative

- Compliance Initiative continues
 - Goals
 - Accurate & transparent bids
 - Efficient & effective bid reviews
 - Compliance standards
 - Code of Conduct, ASOPs
 - Laws, Regulations
 - CMS Guidance: Bid Instructions, UGCs, HPMS Notices



CY2014 Compliance Initiative (cont.)

- Compliance standards apply during bid review and bid audit
- Peer review and documentation are paramount to compliance



CY2014 Compliance Initiative (cont.)

- Compliance actions could include
 - Phone calls
 - Notice of non-compliance
 - Warning letters
 - Corrective Action Plans (CAPs)
 - Marketing and enrollment limitations
 - Plan termination



CY2014 Compliance Initiative (cont.)

- CY2013 Results

- 20 cases warranted phone calls
- 2 cases forwarded to compliance groups
- Multiple errors and/or lack of peer review
- Inadequate supporting documentation
- Inadequate responses during bid review
- Lack of knowledge of bid requirements
- Disregard for prior year bid audit findings or observations



CY2014 Compliance Initiative (cont.)

- CY2013 Compliance Initiative Lessons Learned
 - Certifying Actuary is responsible for—
 - Timely responding to all inquiries, even when information is needed from others at the plan sponsor
 - Communicating with the reviewer regarding potential delays
 - Asking OACT for assistance to emphasize the urgency
 - Ensuring that supporting documentation is consistent with the BPT



CY2014 Compliance Initiative (cont.)

- Compliance issues are treated like bid audit findings and observations
 - CY2013 issues must be remedied in CY2014 bids
 - Supporting documentation must describe remedies
 - ALL issues must be addressed—whether the certifying actuary agreed or not



CY2014 Bid Tips and Recommendations

- Provide thorough documentation to avert questions by reviewers and increase efficiency of review
- Upload bid-specific information
 - Include all information about that bid
 - Explain why the assumption is appropriate
 - Address changes made during bid review



CY 2014 Bid Tips and Recommendations (cont.)

- Review all flagged data validations
- Check the accuracy of every upload
- Avoid carelessness (e.g., uploading incorrect files repeatedly)
- Check BPT and PBP consistency



Planning Information

- Contracted reviewers to send initial bid review correspondence by June 28
- OACT to conduct internal reviews
 - Red-circle validations and data checks
 - PD National Average Estimate
 - MA BPT to PBP Consistency
 - Optional Supplemental Benefits Pricing



Planning Information (cont.)

- Rebate reallocation
 - Gates will automatically reopen after resubmission for remainder of rebate reallocation period
 - Plan sponsors may submit multiple times until rebate reallocation deadline



Questions?

- See CY2014 MA and Part D Bid Instructions
 - “Bidding Resources” section of the Introduction contains links to:
 - Advance Notice and Draft Call Letter
 - Rate Announcement and Call Letter
 - OACT mailbox: actuarial-bids@cms.hhs.gov
 - OACT weekly actuarial user group calls
 - Technical Instructions