



Points of Emphasis for Medicare Advantage and Part D Bids in CY2015

CMS Office of the Actuary
April 2014



In This Session...

- Contract Year (CY) 2015 Medicare Advantage (MA) and Part D
 - Bid Pricing Tools and Bid Instructions
 - Key changes since last year
 - Areas of emphasis
 - Compliance Initiatives
 - Goals
 - CY2014 results
 - CY2015 expectations and tips



Clarifications and Updates

- Read the bid instructions
 - Parts of some pricing considerations moved
- Examples of MA clarifications and updates
 - Base Period Experience (data aggregation)
 - Example for network/non-network PFFS
 - Example for segmented bids
 - Enrollment
 - Enter “0” for zero projected members months



Bid Pricing Tool (BPT) Changes

- MA and Part D
 - Base period and contract year projection
 - BPT MLR formulas and text boxes removed
 - Separate non-benefit expense (NBE) line for insurer fees
- MA BPT
 - Ratebook structure updated to incorporate changes resulting from end of QBP demo
 - Optional supplemental service category detail lines removed



BPT Changes - MA

- MA BPT: Out-of-area (OOA) membership
 - Reflect impact of OOA membership in Worksheets 1 - 6
 - WK5, Section VI, County-Level Detail and Service Area Summary
 - Separate line for OOA membership and risk score
 - OOA included in summary calculations in row 36
 - WK5, Section II, Non-DE# and DE# columns
 - Reflect proportion of OOA in projected member months and risk scores inputs



BPT Changes – Part D

- Worksheet 1
 - Added SNP Type with 3 options:
“Institutional,” “Dual-Eligible,” “Chronic or Disabling Condition”
 - Removed “Basic” and “Supplemental” NBE inputs
 - Changed “Total NBE” components to inputs



Gain/Loss Margin – High

- Initial bid submission must provide
 - “Justification for bids with relatively large projected overall gain/loss margin, including an explanation of how the PBP offers benefit value in relation to the margin level.”
- Supporting documentation . . .



Gain/Loss Margin – High (cont.)

- Supporting documentation considerations:
 - Risk margin, low credibility, high claims variability
 - Demonstration that plan sponsor—
 - Is making incremental benefit and premium changes over time to reduce margin while maintaining stability
 - Is providing all possible benefits such as rebates applied to Part B premium buydown
 - For DE# enrollees, indicate if most supplemental benefits are provided by the State



Gain/Loss Margin – High (cont.)

- Pairing a high margin bid with another positive margin bid is not valid and cannot be used for high margin justification
- For a high margin bid in a valid product pairing, CMS will consider the reasonableness of benefit relativities for bids in the pairing



Gain/Loss Margin – D-SNPs

- MA aggregate D-SNP margin requirement
 - If there are no GE & I/C SNPs:
 - MA D-SNP margin within -5% to +1.5% sponsor's margin for non-Medicare health insurance lines of business



Gain/Loss Margin – Related Party

- Related-party actual cost approach
 - Bid reflects costs of related party
 - BPT adjusted gain/loss margin is used to satisfy all margin requirements



Related-Party Arrangements

- Definition of a related party has been updated and may capture more relationships
- Definition of market comparison has been expanded to include comparisons to arrangements between plan sponsor and unrelated parties
- Availability of methods has been revised for medical related-party arrangements
- Specifications made for handling of actual cost and market comparison for Part D pharmacy costs
- See “Related-Party Arrangements” presentation



Sequestration

- New pricing consideration clarifies handling of sequestration in the BPT
 - Sponsors may consider the effects of sequestration in setting gain/loss margin in the BPT
 - Margin requirements not modified for sequestration
 - To the extent sequestration is assumed to occur, MA net medical expenses must reflect expected impact of sequestration
 - MA coinsurance % may need adjustment to produce appropriate cost sharing PMPM



Global Capitation

- New section under “MA Capitated Arrangements for Medical Services” applies to global capitation and risk-sharing arrangements
- For Part D, reflect gains/losses in Part D BPT as direct and indirect remuneration (DIR)
- Reflect medical portion of “settlement” costs in all MA service categories included in the arrangement



Credibility

- CMS claims credibility guideline is not an acceptable basis for projected risk scores because—
 - It was developed as weights for blended projected allowed costs



Credibility - MA

- MSP adjustment reflects average payment reduction for expected bid population
 - Exception allowed only for certain 100% manually-rated bids
- Partially credible experience
 - Not acceptable to calculate a blended MSP adjustment using the claims credibility guideline
 - Manual rate and projected experience rate must reflect the average MSP assumption for the expected bid population



Compliance Initiative

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



Compliance Initiative (cont.)

- Scope:
 - Bid review and bid audit
- Critical components of efficient desk review:
 - Peer review
 - Documentation
- Evidence of inadequate peer review:
 - Errors
 - Resubmissions



Compliance Initiative (cont.)

- Scope of CMS action for non-compliance
 - Advisory e-mail
 - Phone call
 - Notice of non-compliance
 - Warning letter
 - Corrective Action Plan (CAP)
 - Marketing and enrollment limitations
 - Plan termination



Compliance Initiative (cont.)

- CY2014 results
 - Phone calls with nine certifying actuaries
 - Three cases referred to CMS compliance group
 - Advisory e-mail communications to 32 certifying actuaries
 - Review of results informative for all



Compliance Initiative (cont.)

- CY2014 issues resulting in action by OACT
 - Multiple errors and/or lack of peer review
 - Supporting documentation that is inadequate and/or difficult to follow
 - Lack of uploaded documentation accompanying bid resubmission
 - Continued non-compliance over several years to be considered



Compliance Initiative (cont.)

- Compliance issues are treated like bid audit findings and observations
 - All CY2014 issues must be remedied in CY2015 bids
 - Supporting documentation must describe how each issue was remedied
 - This applies even when there is disagreement



CY2015 Tips and Recommendations

- Include thorough documentation
 - Provide quantitative support and an accompanying narrative
 - Label files clearly
 - Use bid-specific information
 - Support all assumptions
 - Upload summary of changes upon resubmission
 - Upload complete documentation consistent with final bid



CY2015 Tips and Recommendations (cont.)

- BPT must be consistent with PBP
 - Use MA tool provided by OACT to assist
 - Check PBP to BPT mappings on MA WS3
 - Note insertion of PBP category 4c
 - Refer to MA bid instructions for proper classification of MOOP and deductibles
 - Note revised mapping for annual deductible
 - Include documentation justifying \$0 cost for benefits
 - Indicate specific benefits with \$0 cost by PBP



CY2015 Tips and Recommendations (cont.)

- Meet all gain/loss margin requirements
 - Use tool provided by OACT to assist
- Review all flagged data validations
- Check the accuracy of every upload
- Avoid carelessness (e.g., uploading incorrect files repeatedly)



Planning Information

- Initial bid review correspondence sent by June 27
- OACT internal reviews
 - Red-circle validations and data checks
 - MA BPT to PBP consistency
 - Optional Supplemental benefits pricing



Questions?

- See CY2015 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