

CY2015 Actuarial Bid Training, April 2014

Presentation: Introduction

Slides and Script prepared by CMS Office of the Actuary

[SLIDE #1] [TITLE SLIDE]

Welcome to the Contract Year 2015 Actuarial Bid Training. My name is Kirk Limmer, and I am the Deputy 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 2015 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] [CY2015 Highlights]

Before presenting an overview of the training, I would like discuss some highlights for Contract Year 2015. In 2015 there will be downward pressures on payment rates due to the end of the Quality Bonus Payment demonstration, the continued phase-in of the ACA benchmark methodology, and lower Fee-for-Service costs impacting the growth percentages.

Also impacting plan sponsors will be the continuing effects of the health insurance providers fee, Medical Loss Ratio provisions of the ACA, and sequestration. These issues must be considered by the certifying actuary.

On a positive note, as announced in the Advance Notice and Rate Announcement, the growth percentages that determine the 2015 MA payment rates were calculated assuming that the SGR cuts currently scheduled to be implemented in 2015 will be overridden with a 0% update. This significantly increases the Medicare Advantage rates relative to current law and mitigates many of the payment reductions discussed earlier. An additional item to have a positive impact for plan sponsors is the changes made to the calculation of the normalization factors used for determining the risk scores. The resulting normalization factors are much lower than in past years as they reflect the recent impacts of the baby boomers aging into Medicare eligibility.

As we've recommended in the past, it is important for plan sponsors to take a long-term planning view and make incremental changes to benefits and premiums annually in order to address the downward pressures on payment rates, to account for uncertainties, and meet all of the competing requirements of the bidding process.

[SLIDE #3] [Training overview]

The training program will again be split between two tracks. For those familiar with the actuarial bidding process, there is a session available on points of emphasis for contract year 2015. Due to significant updates to the sessions on related-party guidance and on non-benefit expense and gain/loss margin to reflect our current guidance, we recommend everyone view these presentations. To get the most out of the presentations, I suggest that you download the 2015 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 2015 sessions.

[SLIDE #4] [Other Resources]

This slide contains a listing of other key resources regarding the MA and Part D Programs. The Advance Notice of Methodological Changes and the Final Rate Announcement contain information on the MA payment rates and other payment policy issues. The Call Letter discusses the plan benefit package requirements. The Contract Year 2015 bid instructions are available with the bid tools on the Health Plan Management System, or 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 2015 bidders training. We look forward to working with you on another successful bidding season.