



Points of Emphasis for CY2016

CMS Office of the Actuary
April 2015



In This Session...

- Contract Year (CY) 2016 Medicare Advantage (MA) and Part D
 - Bid Pricing Tools and Bid Instructions
 - Key changes since last year
 - Areas of emphasis
 - Compliance Initiatives
 - Goals
 - CY2015 results
 - Expectations and tips for CY2016



Changes and Clarifications

- Read the bid instructions
 - List of key BPT changes
 - Explanation for significant differences between actual and expected risk scores for CY2012, CY2013 and CY2014
 - New definition section for MA



BPT Changes – MA

- Worksheet 4
 - New margin inputs
 - Removal of adjusted gain/loss margin
 - Worksheet 4, Section IIB, Plan Reimbursement now a user input



BPT Changes – Part D

- Worksheet 4
 - Inserted Column G in Section IV to display "Amounts in Gap"
 - Changed cells E34 and H34 to formulas



BPT Changes – Part D (cont.)

- Worksheet 5
 - Changed cells K37, M37 and K47 to formulas
 - Changed “Type of Gap Coverage” options in drop-down box in cell M33
 - Moved input for “Alternative Coverage ICL” to cell M34
 - Added input for “Alternative Coverage Deductible Amount” in cell I34



Gain/Loss Margin

- MA WK4, Section V, Adjusted GLM field removed
- MA margin is reported on Worksheet 4 Section IIC.
- Part D margin is reported on Worksheet 2 Section VII
- Use BPT margin to satisfy all gain/loss margin requirements



Gain/Loss Margin - Aggregate

- New fields (MA Worksheet 4, PD Worksheet 3) to collect corporate margin requirement and basis
 - Demonstration of aggregate margin relationships eliminated from supporting documentation
- Clarified definition of non-Medicare business



Gain/Loss Margin

- Negative bid margin
 - MA and Part D business plan templates
 - <http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Bid-Pricing-Tools-and-Instructions-Items/BidGuidance.html>
- MA-PD section moved from MA to Part D instructions



Rebate Reallocation

- MA Appendix E - MA Pricing
 - Required pricing changes:
 - for incremental benefit changes as a result of rebate reallocation
 - consistent with pricing structure in the initial June bid submission



Rebate Reallocation (cont.)

- “Flow-through” pricing for all assumptions
 - Induced utilization
 - Assumptions based on a percent of revenue
 - Global capitation and risk-sharing arrangements
 - Portion of DE# plan reimbursement for change in—
 - Additional benefits
 - Cost sharing for Medicare—covered services for DE# members with reduced cost sharing



Base Period Experience

- Data aggregation
 - Two-year approach for cross-walks in successive years
 - For MA, account for members dis-enrolled from a bid after being cross-walked or moved into such bid
 - New Appendix L for examples



Related-Party Arrangements

- Clarification of instructions for the actual cost method
- See the Related-Party Arrangements session



Credibility

- CMS provides credibility guidance as a resource to certifying actuaries, not as a requirement.
- Additional information is available at—
<http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Bid-Pricing-Tools-and-Instructions-Items/BidGuidance.html>.



Credibility (cont.)

- Available CMS Credibility Guidelines
 - MA Non-ESRD Allowed Costs
 - MA ESRD Allowed Costs
 - Part D Allowed Costs
 - MA Risk Scores based on the CMS Preferred Methodology
 - Part D Risk Scores based on the CMS Preferred Methodology



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.)

- Applies to bid review and bid audit
- Critical components of efficient desk review:
 - Peer review
 - Documentation
- Indicators of inadequate peer review:
 - Resubmissions
 - Excessive email traffic
 - Uploading required support after bid submission



Compliance Initiative (cont.)

- How are cases identified?
 - Objective, data driven selection process
 - Bid resubmissions
 - Document uploads after the initial bid submission
 - Email exchanges
- Cases then developed in manual review



Compliance Initiative (cont.)

- Bid resubmissions
 - Inadequate peer review
- Document uploads after the initial bid submission
 - Did not satisfy requirements of ASOP No. 41
- Email exchanges
 - Errors, omissions, inadequate support



Compliance Initiative (cont.)

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



Compliance Initiative (cont.)

- CY2015 results
 - Phone calls with actuaries for four sponsors
 - E-mail communications to 21 sponsors for bids in 36 contracts
 - No cases referred to CMS compliance group
 - Review of results informative for all



Compliance Initiative (cont.)

- CY2015 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 is a consideration



Compliance Initiative (cont.)

- Compliance issues are treated like bid audit findings and observations
 - All CY2015 issues must be remedied in CY2016 bids
 - Supporting documentation must describe how each issue was remedied
 - This applies even when there is disagreement



CY2016 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 with each resubmission
 - Upload complete documentation consistent with final bid before final actuarial certification



CY2016 Tips and Recommendations (cont.)

- BPT must be consistent with PBP
 - Use MA tool provided by OACT to assist
 - Failed tests
 - Read PBP to BPT “Notes” tab
 - Check PBP entries
 - Refer to MA bid instructions
 - Check supporting documentation
 - Acceptable: Project “zero” or “essentially zero” cost
 - Unacceptable: “minimal” projected cost
 - Insufficient: a description of available data absent a comment about the projected cost



CY2016 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 26
- OACT internal reviews
 - Red-circle validations and data checks
 - MA BPT to PBP consistency
 - Related-party arrangements
 - Optional Supplemental benefits pricing



Other Resources

- See CY2016 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