

Actuarial Bid Training

Base Period Experience, Data
Aggregation, and Credibility



CMS Office of the Actuary
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In this session . . .

- This session will cover:
 - reporting and projecting base period experience,
 - data aggregation, and
 - credibility.



Pricing Considerations

- By statute the bid must represent the revenue requirement of the expected population.
- Therefore, in most circumstances, Plan sponsors must use credible bid-specific experience in the development of projected allowed costs.



Reporting Base Period Experience

- Base period experience must be:
 - submitted on Worksheet 1 for a bid with experience two years prior to the contract year, regardless of enrollment,
 - reported without adjustment, and
 - quantified and substantiated in supporting documentation.



Projecting Base Period Experience

- Base period experience is projected:
 - worksheet 1 Section IV of the MA BPT, and
 - worksheet 2 Sections II and III of the Part D BPT.
- Adjustments may be made by using the projection factors.



Aggregating Base Period Experience

- Aggregating base period experience is required and is permissible only when:
 - two or more plans are consolidated and the members are formally cross-walked into an existing or new plan, or
 - a significant proportion of members are cross-walked into an existing or new plan through MARx enrollment transactions.



Aggregating Base Period Experience (cont.)

- “Significant proportion”
 - for Part D, any proportion is considered significant.
 - for MA, the proportion accounts for members dis-enrolled from a bid after being cross-walked or moved into such bid.



Aggregating Base Period Experience (cont.)

- When data are aggregated, each bid must be identified in Worksheet 1.
 - section II Line 5 of the MA BPT.
 - section II Line 6 of the Part D BPT.



Aggregating Base Period Experience (cont.)

- Experience must be reported in total at the bid level.
- Partial experience may not be reported on Worksheet 1.
 - adjustments for partial experience may be made in the projection factors.
- A bid ID may be reported on multiple bids.



Credibility

- CMS has established credibility guidelines for use in the preparation of allowed costs and risk scores in the MA and Part D bids
- The CMS guidelines are provided as a resource and not as a requirement.
- Supporting documentation is required with the initial bid submission.



Credibility (cont.)

- The development of the CMS guidelines for full credibility is explained on the “Medicare Advantage Rates & Statistics” page of the CMS website:

<http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Bid-Pricing-Tools-and-Instructions-Items/BidGuidance.html>.



Credibility (cont.)

- CMS claims credibility guidelines apply to allowed costs, not net costs.
- CMS risk score credibility guidelines apply to risk scores based on the CMS preferred methodology, not alternate approaches.



Claims Credibility

- CMS guidelines for full credibility are:
 - 24,000 member months for MA non-ESRD,
 - 4,000 member months for MA ESRD, and
 - 18,000 member months for Part D.



Risk Score Credibility

- CMS guidelines for full credibility are:
 - 300 beneficiaries for Part C risk scores on HPMS,
 - 125 beneficiaries for Part D risk scores on HPMS,
 - 3,600 member months for beneficiary-level risk scores distributed by CMS for Part C, and
 - 1,500 member months for beneficiary-level risk scores distributed by CMS for Part D.



Partial Credibility

- Partial credibility is calculated as the square root of the exposure, measured appropriately as member months or the number of beneficiaries, divided by the applicable guideline for full credibility:

$$\sqrt{\frac{\text{exposure in member months or} \\ \text{number of beneficiaries}}{\text{guideline for full credibility}}}$$



Partial Credibility (cont.)

- Overriding the CMS formula for partial credibility:
 - if calculated credibility is less than or equal to 20 percent, may override to 0 percent.
 - if calculated credibility is greater than or equal to 90 percent, may override to 100 percent.



Other Resources

- MA Bid Instructions
- Part D Bid Instructions
- BPT Technical Instructions
- OACT mailbox: actuarial-bids@cms.hhs.gov
- OACT weekly actuarial user group calls