

Actuarial Bid Training

Presentation: Bid Pricing Reviews and Bid Audits

Slides and Script prepared by CMS Office of the Actuary

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[Slide 1] Bid Pricing Reviews and Bid Audits

Welcome to the training session on bid pricing reviews and bid audits.

[Slide 2] In this session . . .

In this session, we will answer these questions:

What is the pricing review process?

When does the process start?

How are the reviews performed?

When does the process end?

What is a bid audit?

[Slide 3] Review Timeline

The bid desk review is performed under a very tight timeline. As defined by statute, the bids are due on the first Monday in June. The initial actuarial certification is due in mid-June. CMS' Office of the Actuary, or OACT, distributes review materials to its contracted reviewers by mid-June. Most of the exchanges of information on bid issues between plan sponsors and OACT's contracted reviewers occur through late July.

[Slide 4] Review Timeline (cont.)

The benchmarks are released in early August, the rebate re-allocation period immediately follows, and final bid certification and completion of the review occurs in mid-August.

[Slide 5] Bid Submission

The bid submitted by the first Monday in June must reflect the “best and final” proposal for the plan. Although OACT recognizes that not all arrangements and contracts may be final, the bid desk review is not an opportunity to revise assumptions after the initial bid submission. Bid resubmissions throughout the bid desk review period must be consistent with the assumptions originally submitted.

[Slide 6] Supporting Documentation

At the time of bid submission plan sponsors are required to upload substantiation to support the development of the bid. The bid desk review will evaluate all of the required documentation and data. Therefore, supporting documentation that is not required to be uploaded with the initial bid submission must be readily available upon request.

[Slide 7] Supporting Documentation (cont.)

Plan sponsors will be required to provide incomplete or missing documentation before the review process can be completed. See Appendix B of the instructions for details on the supporting documentation requirements. Keep in mind that supporting documentation must be updated to align with any resubmissions that may occur.

[Slide 8] Reviews

The objective of the bid review process is to determine the overall reasonableness of each bid in consideration of plan-specific circumstances, bid instructions, CMS guidance and Actuarial Standards of Practice. The pricing review process begins with a statistical analysis of the bids submitted in June. OACT identifies key bid elements and determines ranges to flag outliers. These outliers are flagged by OACT to serve as the starting point and focus of the reviews.

[Slide 9] Reviews (cont.)

OACT defines the protocol for reviewers to use in reviewing each flagged entry. Contracted actuarial reviewers support OACT in the review of the bid and other submitted material to determine if support exists for each flagged item, and contacts plan sponsors to directly resolve open issues. OACT is copied on all communications between the reviewers and the plan sponsors.

[Slide 10] Reviews (cont.)

In support of the review, OACT meets regularly with each reviewer, and conducts group discussions with all reviewers. Throughout the bid desk review, plan sponsors must work through issues with the reviewers. OACT gets involved in sensitive and/or unresolved issues.

[Slide 11] Reviews (cont.)

Near the end of the review process, the reviewer makes a recommendation to OACT. OACT reviews the recommendation and then makes all of the final determinations for approval of plan bid pricing.

[Slide 12] Recommendation of Approval

When the recommendation is approval, and OACT is in agreement, the bid pricing is approved. If OACT disagrees, OACT asks the reviewer to continue working with the plan sponsor.

[Slide 13] Recommendation of Denial

When the recommendation is denial, OACT will review and take one of two actions. If OACT disagrees, OACT will work with the reviewer and request that the reviewer continue discussions with the plan sponsor. If OACT agrees, OACT will enter into direct discussions with the plan sponsor.

[Slide 14] Direct Discussions

Throughout the bid desk review process, OACT or reviewers identify concerns with particular assumptions or methodology. Direct discussions occur if reviewers or OACT determine a bid assumption or methodology lacks sufficient support. The plan sponsor may propose a remedy. OACT then authorizes resubmission if the proposed remedy addresses the concerns identified.

[Slide 15] Direct Discussions (cont.)

During direct discussions, plan sponsors cannot introduce any additional work or material gathered after the original bid submission. In most circumstances, options will be limited to what can be demonstrated and supported to be consistent with the original supporting documentation uploaded with the original bid submission. OACT also applies these guidelines to review bid changes resulting from discussions conducted on formulary and benefits by other CMS divisions.

[Slide 16] Direct Discussions (cont.)

However, CMS may accept proposed reductions in the originally submitted plan margins as part of the discussion process. For example, margins may be reduced when benefit enhancements are introduced. CMS may accept changes to margins when changes in benefit or administrative expenses are required to correct mistakes, or unacceptable assumptions are uncovered during bid review.

[Slide 17] Direct Discussions (cont.)

CMS will only accept such changes to margin if made prior to the announcement of benchmarks, if the margin is in compliance with the margin guidance and if the resulting bid is determined not to be anti-competitive and does not present financial solvency concerns.

[Slide 18] Bid Approval

There are several aspects to CMS' review of bids and other material – such as pricing, benefits, formulary, service area, network adequacy, and financial solvency. Other components of CMS, in addition to OACT, are involved in bid approval. Consequently, OACT's acceptance of the bid pricing does not constitute approval of the bid. In addition, it may not be possible to coordinate resubmission of bids to address all of the issues identified by the various reviews in one resubmission. In fact, CMS may desire plan sponsors to address each issue separately to provide a well-documented trail of the changes made to the bid.

[Slide 19] Bid Audits

Audits are a more detailed evaluation of the bid than the bid desk review. This process begins in September after the contracts have been issued to the plan sponsors. Only a limited number of bids and plan sponsors are selected for audit each year.

[Slide 20] Bid Audits (cont.)

Audits will examine whether the bid was developed using appropriate data and methodology, and in accordance with CMS guidance, and Actuarial Standards of Practice. Audits also verify that documentation is appropriate and complete. The best preparation for an audit begins with proper bid development and documentation.

[Slide 21] Bid Audits (cont.)

Overall, the audits are intended to validate the reasonableness of the bid development and to provide feedback to the plan sponsor and certifying actuary by identifying areas for improvement. Further, the audits provide feedback to CMS that improves instructions for completing the bid pricing tools and other CMS guidance, and CMS' bid review procedures.

[Slide 22] Bid Audits (cont.)

Audit results are communicated to the plan sponsor via a formal report, which is generally issued in March of the following year. Plan sponsors must understand that egregious errors or misrepresentations may lead to financial remedies. Findings and observations must be remedied in the following year's bids.

This concludes the session on bid pricing reviews and bid audits.