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**MEMORANDUM**

**DATE:** March 26, 2012

**TO:** All Medicare Advantage Organizations and Part D Plan Sponsors

**FROM:** Cynthia G. Tudor, Ph.D., Director, Medicare Drug Benefit and C & D Data Group  
  
Danielle R. Moon, J.D., M.P.A., Director, Medicare Drug & Health Plan Contract Administration Group

**SUBJECT:** Out-of-Pocket Cost (OOPC) Model for CY 2013 Bid Submissions

For CY 2013, CMS is making the Out-of-Pocket Cost (OOPC) model available in SAS software via the CMS website on April 9, 2012 so that Medicare Advantage Organizations (MAOs) and Stand-alone Prescription Drug Plans (PDPs) will be able to calculate OOPC values for each of their plan offerings for the 2013 contract year (CY). PDPs and MAOs are encouraged to run their plan benefit structures through the SAS OOPC model to ensure that their plan offerings comply with the following regulatory requirements addressed in the CY 2013 Rate Announcement and Call Letter: Part C Meaningful Difference, Part C Total Beneficiary Cost, and Part D Meaningful Difference.

As described in the draft CY2013 Call Letter, CMS reviews MAO and PDP bids to ensure that plans in a given service area are meaningfully different from one another in terms of key benefits or plan characteristics such as cost sharing, benefits offered, or plan type. In addition, CMS reviews MAO bids to ensure that beneficiaries do not experience significant increases in cost sharing or decreases in benefits from one year to the next. CMS expects PDPs and MAOs to prepare CY 2013 plan bids that meet these requirements with their initial submissions, since there will be access to the necessary tools to calculate OOPC values for each plan prior to bid submission.

CMS will be providing a technical overview of the OOPC model during the Parts C&D User Group Call on Wednesday, March 28, 2012 from 3:30 to 5:00 pm. All technical plan bid personnel (e.g., actuaries, benefits staff) are highly encouraged to review the methodology document titled "CY 2012 OOPC Methodology" on the calculation of the OOPC that can be found at the OOPC Resource Page on the CMS web site (see address at end of document) prior to participating in this call. Please review the following important information so that your organization's staff responsible for developing and submitting CY 2013 bids are informed and prepared to meet CMS requirements. As a reminder, Part C OOPC values can be viewed in HPMS under: Quality and Performance > Part C Performance Metrics > Part C Out-of-Pocket Costs. Part D OOPC values can be viewed in HPMS under: Quality and Performance > Part D Performance Metrics and Reports > Part D Out-of-Pocket Costs.

All documentation and instructions associated with running the OOPC model will be posted on the CMS website on the following page:

[http://www.cms.gov/PrescriptionDrugCovGenIn/10\\_OOPCResources.asp#TopOfPage](http://www.cms.gov/PrescriptionDrugCovGenIn/10_OOPCResources.asp#TopOfPage) on April 9, 2012.

Technical Requirements for Operating Cost-Sharing OOPC Model:

Minimum system requirements:

- 3 GB RAM
- PC SAS – version 9.1 or higher
- Excel

Files needed by the Plan for input into the model:

- List of Contract/Plan/Segment numbers
- PBP data
- Drug formulary data

Detailed information on all the files provided in the model and the instructions on the sequence of executing these files will be provided in a User's Guide.

Methodology:

- Please thoroughly review the 2012 OOPC methodology in detail so you are familiar with how the OOPC is calculated. It is located on the OOPC Resource page: [http://www.cms.gov/PrescriptionDrugCovGenIn/10\\_OOPCResources.asp#TopOfPage](http://www.cms.gov/PrescriptionDrugCovGenIn/10_OOPCResources.asp#TopOfPage) .
- The 2013 OOPC methodology document will be available on April 9, 2012.

Questions:

- For Part C policy related questions about meaningful difference and Total Beneficiary Cost (TBC), please contact <https://mabenefitsmailbox.lmi.org/>
- For Part D policy related questions about meaningful difference, please submit an email to [partDbenefits@cms.hhs.gov](mailto:partDbenefits@cms.hhs.gov)
- For technical questions about the Bid Pricing Tool, please submit an email to [actuarial-bids@cms.hhs.gov](mailto:actuarial-bids@cms.hhs.gov)
- For technical questions about the OOPC model, please submit an email to [OOPC@cms.hhs.gov](mailto:OOPC@cms.hhs.gov)

Technical Resources:

| Item                                  | Location       | Expected Date                |
|---------------------------------------|----------------|------------------------------|
| CMS Part C and Part D User Group Call | Teleconference | March 28, 2012, 3:30-5:00 pm |
| CY 2013 Plan Benefit Package Software | HPMS           | April 9, 2012                |
| SAS Files                             | CMS website    | April 9, 2012                |
| Technical User Guide                  | CMS website    | April 9, 2012                |
| CY 2013 OOPC Methodology              | CMS website    | April 9, 2012                |