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MEMORANDUM

DATE: January 18, 2012

TO: All Medicare Advantage Organizations and Part D Plan Sponsors

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SUBJECT: CY 2012 Out-of-Pocket Cost (OOPC) Model Version 4 Released on HPMS

For the 2012 contract year (CY), a SAS® version of the Out-of-Pocket Cost model (OOPC) was made available to plans through the CMS website. This allowed Medicare Advantage Organizations (MAOs) and Stand-alone Prescription Drug Plans (PDPs) to calculate OOPC values for each of their plan offerings for CY2012.

Organizations can now access an updated CY2012 OOPC model (Version 4) on the OOPC resources page at:
(http://www.cms.gov/PrescriptionDrugCovGenIn/10_OOPCResources.asp#TopOfPage). 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 prior to bid submission each year: Part C Meaningful Difference, Part C Total Beneficiary Cost, and Part D Meaningful Difference.

The OOPC model used by CMS has two major components: (1) the Plan Benefit Package (PBP) and (2) utilization assumptions from the most recently available Medicare Current Beneficiary Survey (MCBS). For CY2012 bid review, CMS used an OOPC model based on the CY2012 PBP and utilization assumptions in the 2005/2006 MCBS. However, OOPC data now posted on the Medicare Plan Finder are based on the updated 2006/2007 MCBS utilization data. The updated 2006/2007 MCBS utilization data will also be used for the CY2013 bid review. Once the CY2013 PBP is released in early April 2012, CMS will release Version 1 of the CY2013 OOPC model that organizations should use to prepare their CY2013 bid submissions. In the meantime, organizations can use the CY2012, Version 4 OOPC model to familiarize themselves with changes in MCBS utilization assumptions that will be used in reviewing CY2013 bids.

The SAS® code used for the CY2012, Version 4 model is essentially the same as the Version 3 model with a few changes to the input and output files:

Input Changes:

- Version 4 of the CY2012 model includes updated utilization data from the 2006/2007 MCBS and matches the data currently published on the Medicare Plan Finder (earlier versions included 2005/2006 MCBS data).
- Inflation factors have been updated so that 2006 and 2007 MCBS utilization cost data reflect CY2012 levels (earlier versions used inflation factors that adjusted the 2005 and 2006 to reflect CY2011 levels).
- Medicare Part A deductibles and coinsurance values, as well as Part B premiums and deductibles have been updated (to the extent that a plan ties its cost sharing to any of these values, their OOPC estimates will be affected).

Output Changes:

- Display includes a calculated Plan Deductible category (not included in the earlier versions)
- Calculations include the estimated drug costs for plans that do not offer a Part D benefit.
- Display includes a date stamp field that will allow sponsors to more easily align their bid submissions with the output from the model.

Plans can view their CMS generated CY2012 (Version 4) OOPC values in HPMS. MAO OOPC values can be viewed in HPMS under: Quality and Performance > Part C Performance Metrics > Part C Out-of-Pocket Costs. PDP OOPC values can be viewed in HPMS under: Quality and Performance > Part D Performance Metrics and Reports > Part D Out-of-Pocket Costs.

Previous versions of the OOPC and Total Beneficiary Cost (TBC) data will continue to be accessible in HPMS.

For technical and policy related questions the following resources are available:

- For technical questions about the OOPC model, please submit an email to OOPC@cms.hhs.gov.
- 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.
- For technical questions about the Bid Pricing Tool (BPT), please submit an email to actuarial-bids@cms.hhs.gov.

Thank you for your continued support of the Medicare Advantage and Prescription Drug Programs.