



OFFICE OF THE ACTUARY

To: Medicare Advantage & Prescription Drug Plan Sponsors and Certifying Actuaries

From: Paul Spitalnic, Director, Parts C & D Actuarial Group

Date: June 26, 2013

Subject: Medicare Advantage (MA) Fee-For-Service Rate Book Calculations CY 2014

CMS has revised the methodology used to develop the county fee-for-service (FFS) costs for the 2014 Medicare Advantage (MA) rate book. To more accurately estimate each county's average geographic adjustment (AGA), the revised methodology adjusts the historical FFS payment data (claims) used in the county calculation. These claims adjustments are made to update the lagging historical claims so as to reflect the more recent FFS pricing rules, e.g., changes in prospective payment rules. We re-priced the inpatient, hospital outpatient, skilled nursing facility, and home health claims to reflect the most current wage indices, and we re-priced physician claims with the most current Geographic Practice Cost Index. For example, we used the FY 2013 wage index to re-price the 2007-2011 FFS inpatient claims.

The approach for making the adjustment is discussed on pages 14-15 (AGA Methodology for 2014) of the [Advance Notice of Methodological Changes for Calendar Year \(CY\) 2014 for Medicare Advantage \(MA\) Capitation Rates](#) posted on CMS' web site. Further details of the adjustment are provided in Attachment III, Section C of the [Announcement of Calendar Year \(CY\) 2014 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter](#).

We are releasing a Microsoft Excel workbook which provides details of each county's 2014 FFS cost calculation under the revised methodology. The Excel workbook along with a companion glossary of terms and formulas are posted on the CMS web site as follows:

<http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/ffs2011.zip>

The data in the worksheet titled 'payment_data' in the Excel workbook include five years (2007-2011) of each county's historical claims data along with the specific claims adjustments made by type of service. These data can be matched to corresponding 2007-2011 annual claims data in the worksheets titled 'ffs2014_worksheet_adj_clms' and 'ffs2014_worksheet_orig_clms.' This claims data is used to calculate separate, adjusted and non-adjusted, AGA's as derived in the worksheets 'County Overview_adj_clms' and 'County Overview_orig_clms.' Subsequently these two AGAs are weighted based on a 50-50 split to calculate the blended AGA which is then used to derive the final county fee-for-service (FFS) cost.

Correction to Prior Years FFS Excel Workbooks

The previously released FFS Excel workbooks,

- Medicare FFS County 2013 Web.xlsm (ffs2010.zip file)
- Medicare FFS County 2012 Web.xlsm (calculationdata2012.zip file)

were revised to correct the formula contained in Cell I10 of the *County Overview* worksheet. For instance, in Cell I10, the formula cell reference ("ffs2013_worksheet!DM"&K3) was fixed to choose from column *DI* instead of column *DM*, i.e., "ffs2013_worksheet!DM"&K3" becomes "ffs2013_worksheet!DI"&K3". This revision results in correcting the displayed FFS rates in cells I0, I2, I14 and I19 on the *County Overview* worksheet, but only in counties where the credibility approach was used (average enrollment less than 1000). These revisions have absolutely no effect on the originally published MA rates.

For questions on this memo or the Excel workbooks, please contact Clifton Maze at either 410-786-7905 or Clifton.Maze@cms.hhs.gov.