



**Centers for Medicare & Medicaid Services**

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**DATE:** November 12, 2015

**TO:** All Medicare-Medicaid Plans Participating in the Financial Alignment Initiative

**FROM:** Cheri Rice  
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Center for Medicare

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Director  
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**SUBJECT:** Medicare A/B Payment to Medicare-Medicaid Plans Participating in the Financial Alignment Initiative for Contract Year 2016

As follow up to the CMS Request for Information *Proposed Changes to the CMS-HCC Risk Adjustment Model for Payment Year 2017* released on October 28, 2015, and available at <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Risk-Adjustors.html> (under the “Downloads” section at the bottom of the page see the document *Proposed Changes to the CMS-HCC Risk Adjustment Model for Payment Year 2017*), this notice provides information to Medicare-Medicaid Plans (MMPs) regarding rate updates to the Medicare A/B payments to MMPs participating in the capitated financial alignment model during Contract Year (CY) 2016.

For CY 2016, payments to MMPs will continue to be based on the same CMS-HCC risk adjustment model as used in Medicare Advantage. However, Medicare A/B payment rates will be adjusted to better align MMP payments with FFS costs for full benefit dual eligible beneficiaries. Such updates will apply for all twelve months of CY 2016. Since CY 2016 rates have already been loaded, applying this policy may require some retroactive adjustments for the early months of CY 2016.

Adjustments will be made to CY 2016 Medicare A/B FFS rate component for non-ESRD beneficiaries and will be determined on a demonstration-specific basis. Specifically, the adjustment will consider the demonstration-specific proportion of revenue associated with each subgroup in the target population. For example, we will take into account the share of revenue for individuals over and under age 65, and for community versus institutional enrollees. The final adjustments will reflect any new information collected in response to the Request for Information mentioned above. CMS will provide additional information through updated CY 2016 rate letters.

The guidance in this memo applies to CY 2016 payment only; CMS will release separate guidance regarding CY 2017 payment for MMPs following the release of the CY 2017 Medicare Advantage and Part D Rate Announcement and Call Letter.

Please contact the Medicare-Medicaid Coordination Office at [mmcocapsmodel@cms.hhs.gov](mailto:mmcocapsmodel@cms.hhs.gov) if you have any questions.