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**DATE:** June 26, 2020

**TO:** All Medicare Advantage Organizations, Section 1876 Cost Plans and Part D Plan Sponsors

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**SUBJECT:** Release of Proposed Enhancements to the Bid Review Out-of-Pocket Cost Model and Request for Stakeholder Comments

As a part of our continuous process improvement efforts, CMS proposes technical enhancements to the Bid Review Out-of-Pocket Cost (OOPC) Model, and seeks stakeholder comments on the proposed model. Please note that we are enhancing the OOPC Model and any changes to the model, will apply to both the Bid Review and Baseline OOPC Models in future years. Stakeholder comments on the proposed OOPC model enhancements being released today will be used to finalize an updated OOPC Model for contract year (CY) 2022. The CY 2020 Baseline OOPC Model (previously referred to as Medicare Plan Finder (MPF)) released on January 24, 2020 and the CY 2021 Bid Review OOPC Model released on April 2020 for use by plan sponsors in preparation of their CY 2021 bids are unchanged.

As you may know, the Bid Review OOPC model allows Stand-alone Prescription Drug Plans (PDPs) and Medicare Advantage Organizations (MAOs) to calculate OOPC estimates for each of their plan offerings. As part of the Medicare Program Contract Year 2019 Policy and Technical Changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Programs NPRM, published November 28, 2017, CMS sought stakeholder input on how to best define the meaningful difference between basic and enhanced plans. Subsequently, as announced in the CY 2019 Call Letter, CMS is continuing to consider enhancements to the model as discussed below.

Current OOPC Model Limitations

The OOPC model enables CMS to simulate the utilization experience for a cohort of beneficiaries enrolled in the fee-for-service (FFS) program, to calculate an OOPC had they been enrolled in Medicare Advantage (MA). As such, Medicare Advantage-Prescription Drug (MA-PD) plan enrollees are currently excluded from the OOPC cohort selection. A limitation of this exclusion, however, is that the proportion of Medicare beneficiaries who receive their Part D benefit through

MA-PD plans has been increasing relative to those enrolled in Original Medicare and a stand-alone PDP. As a consequence, an OOPC cohort that is based solely on FFS enrollees is becoming less representative of the Medicare population. Furthermore, the current model relies on Medicare Current Beneficiary Survey (MCBS) data from four or five years earlier and may reflect outdated utilization patterns, which are then used to evaluate current year bids. Finally, survey data on prescription drug utilization do not always match actual Prescription Drug Events (PDE). Therefore, CMS must use a complex mapping logic to address these discrepancies, which may result in data inaccuracies. For all of these reasons, CMS has been exploring methods to enhance the OOPC model to help mitigate these limitations

#### Part D – Beneficiary Cohort Update

Commenters have noted that OOPC estimates do not always reflect the current prescription drug landscape, as new drugs may come on the market in the time between the collection of the MCBS survey data and bid submission. In response, CMS is considering a model cohort based on a random 0.1% sample of all Part D beneficiaries and their PDE data to calculate Part D OOPC estimates, rather than relying solely on the FFS cohort from the MCBS survey. This would provide for a much larger, representative cohort with more timely data, streamline the mapping of drug survey data to a plan sponsor’s formulary, and result in more accurate and up to date OOPC estimates.

#### Part C – Medicare Common Beneficiary Survey (MCBS) Update

CMS proposes to continue to use MCBS cohort to calculate Part C OOPCs. CMS believes that medical utilization patterns do not change as quickly as prescription drug utilization. While CMS explored the possibility of establishing the Part C cohort based on the Common Medicare Environment (CME) and FFS claims data, we recognized that this approach would not capture supplemental benefits, such as dental and vision. Since commenters frequently request the inclusion of additional supplemental benefits, we did not feel it is appropriate to move in this direction.

CMS proposes expanding the MCBS cohort to include beneficiaries with end-stage renal disease (ESRD). Changes in the 21<sup>st</sup> Century Cures Act (Pub. L. 114-255) now allow beneficiaries with ESRD to enroll in MA plans in 2021, when previously they were not. Additionally, the OOPC model traditionally excludes from the cohort MCBS participants whose health status is “missing”. In prior years, the inclusion of health status information was required in order for a participants’ information to be included in the Medicare Plan Finder (MPF) OOPC Model cohort. As noted in the February 4, 2020 memo entitled “Invitation to Provide Feedback on the Redesigned Medicare Plan Finder Tool”, CMS reminds stakeholders that the MPF OOPC model and the Bid Review OOPC model are no longer connected. CMS is proposing to include participants with a missing health status in the bid review OOPC cohort.

#### Next Steps

CMS invites all sponsors to test the proposed OOPC model enhancements. The proposed Part C and Part D models are included with this memo in the attached zip file. This attachment also includes

the Technical User Guides with instructions regarding how to execute the files and run the models.

Please provide feedback on the proposed models via an Internet-accessible online survey at the following link:

[Enhanced Version of the Part C and Part D OOPC Model RFC Survey](#)

This survey will be open from Friday, June 26, 2020 through Tuesday, August 25, 2020.

While participation is voluntary, CMS encourages all sponsors to take part in this testing opportunity.

Plan sponsors should be mindful that shifts in OOPC estimates are anticipated as a result of these proposed changes, but can be assured that if these modifications are ultimately adopted, the same updated model would be used to prepare both the OOPC baseline estimates for MAO organizations, as well as the OOPC bidding estimates for MAO and PDP organizations. CMS will take model changes into consideration when reviewing plan bids under section 1854(a)(5)(C)(ii) of the Act and 42 C.F.R. §§422.254 and 423.265(b)(2).

Please submit any questions via email at: [OOPC@cms.hhs.gov](mailto:OOPC@cms.hhs.gov).