

# 2010 Agent/Broker Compensation

Chevell L. Thomas  
Division of Policy Analysis and Planning



# Compensation Definition

- CMS-4138-IFC<sub>2</sub>
  - Compensation includes pecuniary or non-pecuniary remuneration of any kind relation to the sale or renewal of a policy
  - Examples:
    - ▶ commissions
    - ▶ bonuses
    - ▶ Gifts, prizes, and awards, and
    - ▶ finders fees

# Compensation Definition Exclusions

- Payment of fees to comply with:
  - State appointment laws
  - Training
  - Certification
  - Testing costs
- Reimbursement
  - For mileage to and from appointments with beneficiaries
  - For actual costs associated with beneficiary sales appointments
    - ▶ Venue rent
    - ▶ Snacks
    - ▶ Materials

## Compensation Payments to Agents/Brokers(422.2274 and 423.2274)

- Requirements apply to independent agents/brokers only
- Initial year plus 5 renewal years = 6-year compensation cycle
- Renewal amounts are 50% of initial compensation amounts
- In 2009, all enrollments (except ICEP/ICP) were paid as renewals. CMS issued reports identifying which enrollments qualified for initial year compensation and plans made adjustments
- Beginning in 2010, monthly MARx reports will include a compensation report



# MARx Compensation Report

- Monthly
- Identifies:
  - Beneficiary/Contract/Plan identifiers
  - Enrollment effective date
  - Existence of compensation cycle
  - Location of enrollment in compensation cycle (for example....)
  - Prior plan enrollment type, if any

# Compensation Report Layout

| Contract # | PBP # | HIC N | First Name | Middle Name | Last Name |  | Enrollment Effective Date | Cycle-year as of enrollment effective date | Report Generation Date | Cycle-year as of Report Generation Date | Prior Plan Type |  |
|------------|-------|-------|------------|-------------|-----------|--|---------------------------|--|------------------------|---|-----------------|--|
|            |       |       |            |             |           |  | 1/10                      | 1  | 12/09                  | -1                                      | None            |  |

- Use report to determine type of compensation that can be paid
  - Cycle-year as of Enrollment Effective Date, indicates year 1 through 6 of the 6-year compensation cycle. Year 1 is initial year and years 2 – 6 are renewal years.
  - Cycle-year as of report Generation Date, -1 indicates no compensation cycle as of report generation date, 0 indicates compensation cycle completed in prior year, 1-6 indicates year within 6-year cycle at time of report generation.
  - Prior plan type (e.g., None, MA/MAPD, Cost/Cost PD, PDP, or PACE)

# “Like” Plan Types

| Plan Type         | Pay Bill Option/<br>Demo Type   | Description   |
|-------------------|---|---|
| Cost &<br>Cost/PD | 01, 02, 03, 25  | HCPP, Cost 1, Cost 2, CCIP/FFS  |
| MA &<br>MAPD      | 12/G, 12/U, 121, 12/7, 12/S, 12/R, 12/O, 12/V, 12/N, 18, 19, 20, 21, 22, 23, 42, 44, 45, 46, 47, 48, 49 | MSA Demo, ESRD I Demo, SHMO I, SHMO II, WPP, MSHO, MDHO, ESRD II, Mass. Dual Eligible, PSO Licensed (CCP)—SNP, PSO Waivered (CCP)—SNP, PFFS, HMO (CCP)—SNP, RFB PFFS, PPO (CCP)—SNP, Regional MA, Employer Direct PFFS, MSA, RFB HMO, RFB HOMPOS, RFB LPPO, RFB PSO State License |
| PDP               | 40, 41, 43  | PDP, Employer Sponsored PDP, Fallback PDP   |

- Cost & Cost/PD, MA & MAPD, or PDP
- Plan changes from year to year between like plan types are paid at the renewal amount
  - Employer plans and PACE are exempt from compensation requirements

# Plan Responsibilities

- Use file to determine:
  - Whether compensation cycle exists
  - The location within 6-year compensation cycle
  - What type of compensation should be paid to the agent/broker (if an agent/broker is used)
- Pay agent/broker according to amount filed with CMS
- Maintain documentation of payment, compensation schedule, and any other compensation related documents (e.g., referrals paid) for audit purposes

