



## **MEDICARE PLAN PAYMENT GROUP**

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**DATE:** December 15, 2006

**TO:** Medicare Advantage Organizations Offering a Medical Savings Account (MSA) Plan in 2007

**FROM:** Tom Hutchinson /s/  
Director

**SUBJECT: Operational Guidance on 2007 Payments for Medical Savings Account (MSA) Plan Enrollees**

### **Overview**

The following payment guidance pertains to both Medical Savings Account plans under sections 1851(a)(2)(B) and 1859(b)(3) of the Social Security Act (the Act) and the MSA payment demonstration plans under section 402(a)(1)(A) of the Social Security Amendments of 1967, 42 U.S.C. 1395b-1(a)(1)(A) for coverage year 2007. CMS plans to fully integrate MSA plans into the MARx payment system for coverage year 2008. For coverage year 2007, CMS will implement the payment processes and procedures for Medicare Advantage organizations (MAOs) offering a MSA product as articulated in this letter. Specifically, this letter addresses:

- Capitation payments: Details on the 2007 manual payment process by which CMS will make capitation payments to MAOs offering MSA plans.
- Deposits: CMS's transmittal to MA organizations of the MSA amounts to be deposited into enrollees' accounts.

CMS will make the following two types of payments for MSA plan enrollees (Please see Attachment A for payment formulas):

- A monthly prospective capitation payment, which is the plan's bid for coverage of original Medicare benefits under a high-deductible health plan. These payments are adjusted by the enrollee's risk score.
- An annual lump-sum deposit through the MSA for the enrollee, which is the difference between the plan's bid and benchmark, and reflects the plan's projected average level of risk. The monthly value of the annualized MSA deposit is the same for each plan member.

### **Monthly Capitation Payments**

CMS makes advance monthly payments of the amounts determined under 42 CFR 422.304. CMS intends on following the same payment procedures that are applied to Medicare Advantage

plans, whereby payments to MSA plans will be made prospectively by the first of the month, if it is a business day, or the day before, if it is not. However, we ask you to recognize that because MSAs are not fully integrated into the MARx payment system that alternative timelines may become necessary (payment may be earlier than the usual cycle).

Following December 8, 2006, the CMS MARx system will be down for a period to implement a new version of the software. Therefore, only enrollments transmitted and accepted by MARx by December 8, 2006, will be paid during the January 2007 monthly plan payment cycle – with payment transmitted on January 2, 2007. January enrollments received after December 8, 2006 will be paid retrospectively.

### **Risk Adjustment**

Section 1853(a)(1)(B)(iii) of the Act defines CMS payments to MAOs offering MSA plans, including the requirement to adjust payments for the health status of members. As required under section 1853(a)(1)(B)(iii) of the Act and 42 CFR 422.304(c)(2), CMS' payments to MAOs for their MSA plan enrollees must be subject to risk adjustment, as described at 42 CFR 422.308(c). It is the responsibility of the MAO offering the MSA plan to establish processes for capturing and submitting to CMS data used for purposes of risk adjustment, as required at 42 CFR 422.310. An MAO might choose, for example, to capture diagnoses by adjudicating claims from providers. Alternatively, the plan could require members to submit proper claim forms in order to have their expenditures recorded as "countable expenses" against their deductible. The plan could also offer a panel of preferred providers for discounted rates, which the member could choose (or not) to use, and these providers would already be wired to send diagnostic data to the plan on patients. This guidance was previously issued in the document available online at the link below:

[http://www.cms.hhs.gov/MedicareAdvantageApps/Downloads/2007\\_MSA\\_Useful\\_Information.pdf](http://www.cms.hhs.gov/MedicareAdvantageApps/Downloads/2007_MSA_Useful_Information.pdf)

### **Deposit Payments**

Plans will receive the lump sum deposit payments with the monthly plan capitated payment corresponding to the member's enrollment. In other words, for an enrollee with a January 1, 2007 effective date, CMS would pay the annual deposit in a lump sum with the January plan capitated payment. This lump sum will be pro-rated for the number of months a beneficiary is enrolled. Member-level detail of deposit payments will be made available with a supplemental report described below.

### **2007 MSA Payment System**

For the 2007 coverage year CMS will be calculating payments using enrollment and beneficiary status data from the Medicare Beneficiary Database (MBD) and risk scores from the Risk Adjustment System (RAS). Beneficiary level calculations will be made outside the MARx system. However, MARx will still generate Monthly Membership Reports (MMRs) for MSA enrollees. These MARx-generated MMRs will have several fields zeroed out and some of the fields will be populated but will not be useable, such as the ESRD flag. CMS will generate an MSA supplemental report (see draft list of variables in the table below) providing additional relevant payment information not available in the MARx MMR. Plans can expect specific detail on this supplemental report and the MARx-generated MMRs in forthcoming guidance.

### **Draft MSA Supplemental Report List of Variables**

1. MCO Contract Number	11. Part A Entitlement	21. RA Factor Type Code
2. Run Date of the File	12. Part B Entitlement	22. Part A Plan Capitated Amount
3. Payment Date	13. Hospice	23. Part B Plan Capitated Amount
4. HIC Number	14. ESRD	24. Part A Deposit Amount
5. Surname	15. LTI Flag	25. Part B Deposit Amount
6. First Initial	16. Medicaid Indicator	26. Total Part A Payment
7. Sex	17. Default Indicator	27. Total Part B Payment
8. Date of Birth	18. Risk Adjuster Factor A	28. Total Payment Amount
9. Age Group	19. Risk Adjuster Factor B	29. Plan Benefit Package ID
10. State & County Code	20. ESRD MSP Flag	

### **Payment Adjustments**

Adjustments will be conducted retrospectively to account for changes in beneficiary information received by CMS. CMS intends to provide to MA organizations a beneficiary-level file showing adjustments. Payments will also be reconciled to reflect updated risk scores for plan enrollees over the course of the payment year and after the risk scores for CY 2007 have been finalized.

### **National Medicare Education Campaign (NMEC) Fee**

Per section 1857(e)(2) of the Act, MSA plan sponsors will be charged cost-sharing for enrollment related costs ( the NMEC fee) in the same manner as other Medicare Advantage plans as previously noted in “Plan Communication User’s Guide” and elsewhere. This 2007 assessment percentage of 0.059% will be applied to calculate the deduction from CMS’ contract-level capitation payment. MSA deposit amounts are unaffected.

### **Final Reconciled Payments and 2008 Conversion to MARx**

CMS will issue guidance on final reconciliation of 2007 MSA payments and the conversion to the MARx payment system later in the 2007 calendar year.

### **CMS MSA Payment Contacts**

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## Payment rules for both MSA and MSA Demonstration Plans

Payment Rule	Comments
<p><b>Monthly Capitation Payment for Non-ESRD, non-hospice enrollees</b></p> <p>(Part A standardized benchmark * enrollee's risk factor) minus Part A monthly deposit amount + (Part B standardized benchmark * enrollee's risk factor) minus Part B monthly deposit amount</p> <p>Where Aged/Disabled risk factor is one of following types:  -- Community  -- Long-term Institutionalized  --New enrollee</p>	<p>There are no segments for 2007 (though MSA plans can have segments).</p> <p>100% of payments are risk-adjusted.</p> <p>There are no mandatory supplemental benefits in MSA plans, and there are no Part C basic premiums in MSA plans.</p> <p>If the working aged status flag is turned on for an MSA plan enrollee, CMS will apply the .215 adjustment to the beneficiary-level payment amount.</p>
<p><b>Monthly Capitation Payment for ESRD enrollees:</b></p> <p>(Part A ESRD rate * enrollee's ESRD risk factor) minus Part A monthly deposit amount + (Part B ESRD rate * enrollee's ESRD risk factor) minus Part B monthly deposit amount</p> <p>Where ESRD risk factor is one of following types:  -- Dialysis,  -- Transplant (Month 1 or Month 2 &amp; 3),  -- Post-Transplant Community (Month 4-9 or Month 10+),  -- Post-Transplant Institutional (Month 4-9 or Month 10+),  -- New Enrollee Dialysis,  -- New Enrollee Post-Transplant (Month 4-9 or Month 10+).  -- Default factor is calculated if no factor available.</p>	<p>For ESRD beneficiaries with an MSP period, multiply the ESRD MSP factor and the beneficiary risk factor.</p> <p>ESRD State ratebook is used for Dialysis or Transplant status. Regular county ratebook is used for post-transplant status.</p> <p>If the MSP flag is turned on for an MSA plan enrollee in ESRD status, CMS will apply the .215 adjustment to the beneficiary-level payment amount.</p>
<p><b>Monthly Capitation Payment for Hospice payment</b>  Monthly capitation payment = \$0</p>	<p>Beneficiaries who have elected hospice are not allowed to enroll in an MSA plans. Members may elect hospice and remain in the plan.</p>
<p><b>Lump-sum Deposit Payment for all enrollee types:</b></p> <p>Part A monthly deposit * no. months enrollment + Part B monthly deposit * no. months enrollment</p>	<p>The annual lump sum deposit is pro-rated for the number of months a beneficiary is enrolled.</p>