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MEMORANDUM

DATE: March 18, 2011

TO: All Medicare Advantage Organizations and Part D Plan Sponsors

FROM: Cynthia G. Tudor, Ph.D., Director, Medicare Drug Benefit and C & D Data Group
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SUBJECT: Out-of-Pocket Cost (OOPC) Model for CY 2012 Bid Submissions

For CY 2012, CMS is making the Out-of-Pocket Cost model (OOPC) available in SAS software via the CMS website on April 8, 2011 so that Medicare Advantage Organizations (MAOs) and Stand-alone Prescription Drug Plans (PDPs) will be able to calculate OOPC values for each of their plan offerings for the 2012 contract year (CY). PDPs and MAOs are encouraged to run their plan benefit structures through the SAS OOPC model to ensure that their plan offerings comply with the following regulatory requirements addressed in the CY 2012 Rate Announcement and Call Letter: Part C Meaningful Difference, Part C Total Beneficiary Cost, and Part D Meaningful Difference.

As described in the draft CY2012 Call Letter, CMS reviews MAO and PDP bids to ensure that plans in a given service area are meaningfully different from one another in terms of key benefits or plan characteristics such as cost sharing, benefits offered, or plan type. In addition, CMS reviews MAO bids to ensure that beneficiaries do not experience significant increases in cost sharing or decreases in benefits from one year to the next. CMS expects PDPs and MAOs to prepare CY 2012 plan bids that meet these requirements with their initial submissions, since there will be access to the necessary tools to calculate OOPC values for each plan prior to bid submission.

CMS will be providing a technical overview of the OOPC model during the Parts C&D User Group Call on Wednesday, March 23, 2011 from 3:30 to 5:00 pm. All technical plan bid personnel (e.g., actuaries, benefits staff) are highly encouraged to review the methodology document on the calculation of the OOPC prior to participating in this call. In addition, a technical break-out session is planned for the Medicare Advantage and Prescription Drug Plan Spring Conference scheduled on April 12-13, 2011 in Hunt Valley, MD. Please review the following important information so that your organization's staff responsible for developing and submitting CY 2012 bids are informed and prepared to meet CMS requirements. As a reminder, plans can view their 2011 OOPCs in HPMS. Part C OOPCs can be viewed in HPMS under: Quality and Performance > Part C Performance Metrics > Part C Out-of-Pocket Costs. Part D OOPCs can be viewed in HPMS under: Quality and Performance > Part D Performance Metrics and Reports > Part D Out-of-Pocket Costs.

All documentation and instructions associated with running the OOPC model will be posted on the CMS website on the following page:
http://www.cms.gov/PrescriptionDrugCovGenIn/10_OOPCResources.asp#TopOfPage on or about April 8, 2011.

Technical Requirements for Operating Cost-Sharing OOPC Model:

Minimum system requirements:

- 3 GB RAM
- PC SAS – version 9.1 or higher
- Excel

Files needed by the Plan for input into the model:

- List of Contract/Plan/Segment numbers
- PBP data
- Drug formulary data

Detailed information on all the files provided in the model and the instructions on the sequence of executing these files will be provided in a User’s Guide.

Methodology:

- Please thoroughly review the 2011 OOPC methodology in detail so you are familiar with how the OOPC is calculated. It is located on the OOPC Resource page:
http://www.cms.gov/PrescriptionDrugCovGenIn/10_OOPCResources.asp#TopOfPage .
- The 2012 OOPC methodology document will be available on the same page when the OOPC model is released April 8, 2011.

Questions:

- For Part C policy related questions about meaningful difference and Total Beneficiary Cost (TC), please contact <https://mabenefitsmailbox.lmi.org/>
- For Part D policy related questions about meaningful difference, please submit an email to partDbenefits@cms.hhs.gov
- For technical questions about the Bid Pricing Tool, please submit an email to actuarial-bids@cms.hhs.gov
- For technical questions about the OOPC model, please submit an email to OOPC@cms.hhs.gov

Technical Resources:

Item	Location	Expected Date
CY 2011 Part D OOPC and MA OOPC Values for Total Beneficiary Cost	HPMS	March 18, 2011
CMS Part C and Part D User Group Call	Teleconference	March 23, 2011, 3:30-5:00 pm
CMS Spring Conference	Hunt Valley, MD	April 12-13, 2011
Technical User Guide	CMS website	April 8, 2011
SAS Files	CMS website	April 8, 2011
CY 2012 OOPC Methodology	CMS website	April 8, 2011
CY 2012 Plan Benefit Package Software	HPMS	April 8, 2011