

## *February 2023 Actuarial User Group Call*

Thursday February 23, 2023  
11:00AM – 12:00 PM ET

### **To be able to ask questions during the call, join online at—**

- <https://cms.zoomgov.com/s/1616107933?pwd=RHJBSGlRWlFlc1VYU1h1RFJUSHhOUT09>
- Meeting ID: 161 610 7933
- Passcode: 748350

### **To participate in listen-only mode, join by phone at—**

- Participant Dial-In Number: 1-669-254-5252 or 1-646-828-7666
- Meeting ID: 161 610 7933
- Passcode: 748350

### AGENDA

- Welcome
  - The following have been posted to the CMS webpage at: <https://www.cms.gov> > Medicare > Medicare Advantage Rates & Statistics (under the Health Plans header) > Actuarial Bid Questions
    - Call Agenda
    - UGC Q&A file
    - Draft flow chart illustrating the rebate reallocation rules
  - Additionally, draft industry tools (PBP to BPT and Gain/Loss tools) have been posted to the CMS webpage at: <https://www.cms.gov> > Medicare > Medicare Advantage Rates & Statistics (under the Health Plans header) > Bid Forms & Instructions > 2024
    - PBP to BPT tool has been updated to read in the PBP data from the JSON files instead of the Access databases
- Draft CY2024 BPTs and Bid Instructions were released on Tuesday, February 21, 2023
  - Announcement memo was released via HPMS on February 10, 2023; the memo contains the weblink to download the files
    - Any comments should be submitted—via the website— as soon as possible, but no later than 11:59 PM Pacific Standard Time on Monday, March 6, 2023
  - We appreciate all of the feedback we received from the Fall UGC. The comments were very helpful in developing the draft bid instructions

- Revisions to Bid Pricing Tools for CY2024
  - Reminder: The CY2024 BPT functionality does not support the use of Sensitivity Labels in Excel. Please plan accordingly if you will be using this feature.
  - No major changes to MA, MSA and ESRD-SNP BPTs
  - Changes to Part D BPT consistent with those announced on Fall UGC
    - Removed MTM indicator from General Information on WS1
    - Removed MTM payment from WS7
    - Changed Cell E54 on WS6A to allow users to override the formula with an input. This will be allowed for all plan types.
    - Added Sections III and IV to Worksheet 6. This contains input cells for insulin and vaccine projections (scripts, allowed cost, cost sharing). The original part of WS6 (Section II) will be filled out the same way, not mutually exclusive with sections III and IV.
    - Adjusted formulas on WS4 and WS5 where needed to remove Insulin and Vaccines from original AE tests then adjusted net cost of benefit cells to reach appropriate totals.
    - Reflected 0% coinsurance for standard cost sharing on WS4 (cell I42) and WS5 (cell M45) as there is now no cost sharing in the catastrophic for CY2024
    - Added a new Actuarial Equivalence test for insulins to Worksheet 4 (cell E62) and Worksheet 5 (cell G63)
  - Additional Changes to Part D BPT since Fall UGC
    - Removed SSM indicator from General Information on WS1
    - Corrected/Adjusted formulas on WS4 and WS5 based on industry feedback
    - Split Worksheet 6 Vaccine/Insulin Gap rows into LI and Non-LI populations
    - Created inputs for vaccine and insulin Non-LI Gap Discount Amount on WS6A for defined standard and alternative
    - Grayed out the catastrophic cost sharing for defined standard on WS6 (H45:52)
- CMS Credibility Guidelines

Two documents describing proposed updates to the CMS guidelines for full credibility are included with the Beta instructions and are also posted on the CMS webpage at: <https://www.cms.gov> > Medicare > Medicare Advantage Rates & Statistics (under the Health Plans header) > Guidance. The proposed guidance is not yet reflected in the Bid Instructions. Instead, you will see the phrase “To Be Determined”. The proposed guidelines are summarized in the following table:

*Table 1— Proposed Guidelines for Full Credibility*

Subject Experience	Proposed Guidelines for Full Credibility Beginning CY2024
MA Non-ESRD Allowed Costs	24,000 member months
PD Allowed Costs	60,000 member months
MA ESRD Allowed Costs	3,000 member months

- CY2024 Draft Bid Instructions
  - General Comments
    - The instructions may require updating for any changes in policy before finalization
    - The general drafting notes and the revisions discussed today are not a substitute for reading the bid instructions
  - Gain/Loss Margin
    - Consistent with the announcements on the November UGC, we have—
      - i. Restructured the aggregate Gain/Loss Margin pricing considerations to improve clarity for Part D
      - ii. Restructured the supporting documentation requirements for Appendix B, items #8.6 and #38 for both MA and Part D
      - iii. Removed the phrase “When some benefits offered by the MAO are funded by an outside source (such as a state Medicaid program), the gain/loss margin must be consistent between the Medicare benefits and benefits funded by other sources” from the Gain/Loss Margin pricing considerations for MA
      - iv. Added supporting documentation requirements to Appendix B, item #8.5 for MA and Part D. The addition states, “Quantify the projected aggregate loss and demonstrate numerically that this loss does not jeopardize financial solvency.” For example—
        - If a parent organization states in #8.5 that their Medicare Advantage membership represents a relatively small portion of their portfolio, and that the loss on Medicare Advantage is offset by revenue on these other lines of business in their portfolio, a numerical demonstration of this should be submitted.
        - If a parent organization states in #8.5 that they have a sufficient RBC ratio and that the loss on Medicare Advantage will not jeopardize this ratio, a numerical demonstration showing what affect the loss is projected to have on the RBC ratio should be submitted.

- Non-Benefit Expenses
  - Consistent with the announcements on the November UGC, we have updated the pricing consideration for Net Cost of Private Reinsurance for cases involving quota share reinsurance. For quota share reinsurance, the net cost of private reinsurance is to be entered as \$0.
    - i. The purpose of this change is to ensure the proper input of gain/loss margin when there is quota share reinsurance. Previous guidance stated that a portion of the gain/loss margin should be moved into the net cost of private reinsurance line item. Under the updated pricing consideration, gain/loss margin will no longer be moved.
    - ii. As an example of the change, if a bid has a 50% quota share reinsurance treaty and is priced to earn a 3% gross margin, then the pricing would be entered as \$0 in net cost of private reinsurance and 3% in gain/loss margin.
- Related Party
  - Consistent with the announcements on the November UGC, we have increased the threshold for requiring the support for Appendix B items #13.4 and #13.5 to when the ratio of the related-party expenses to the total allowed cost plus total non-benefit expenses is greater than 30 percent for MA and Part D.
  - Based on industry feedback, we clarified that the related party cells on PD Worksheet 3, lines 7 and 8 are to be completed based on the plan benefit. For defined standard plans, the related-party allowed cost PMPM should be based on the defined standard benefit. For alternative benefit plans, these costs should be based on the alternative benefit.
- Supporting Documentation
  - Consistent with the announcement on the November UGC, For MA, Appendix B, item #18.2 we clarified that support for the development of non-DE# and DE# projected allowed costs are needed.
- Part D Specific
  - Non-LI Brand Discount Amount PMPM (WS6A cell E54)
    - i. The formula in cell E54 of WS6A can now be overwritten by all plans.
    - ii. If the plan sponsor does override the cell E54 of WS6A, then a quantitative description of the development of the Non-LI Brand Discount Amount PMPM is required, per Appendix B 6.4.
    - iii. There are two new input cells, E56 and E57, on WS6A intended to capture the Non-LI Brand Discount for Insulin and Vaccines for the Defined Standard and Alternative Benefit.
  - New sections for Insulin and Vaccines (Worksheet 6)
    - i. Similar to Section II of WS6, but for only Insulin (Section III) and Vaccines (Section IV), plans will enter Number of Scripts, Allowed and Cost Sharing for both Defined Standard and Alternate Coverage, for Population not exceeding the ICL, Population exceeding the ICL,

Amounts allocated up to the ICL, Amounts in the Gap for the Non-LIS Population, and Amounts in the Gap for the LIS Population. Cost sharing for Vaccines, other than for Amounts in the Gap for the LIS Population, is not an input and is treated as \$0 for BPT formulas.

- ii. Note that Sections III and IV are not mutually exclusive from Section II, so Section II of WS6 is still to be completed similar to prior years, including Insulin and Vaccines.
  - iii. For Insulin (Section III) only, scripts must be normalized to a 30 day supply for both “Defined Standard Coverage” and “Actuarially Equivalent or Alternative Benefits”.
- Cost Sharing in Catastrophic
  - i. Formulas for coinsurance percentage for Amounts above Catastrophic in both WS5 and WS6 have been hard coded to 0%.
- Advance Notice was released on February 1<sup>st</sup>. Comments are due by 6:00 PM ET on Monday, March 6<sup>th</sup>
- OOPC/TBC
  - CY2023 Part C and Part D Baseline Out-of-Pocket Cost (OOPC) Models are available for plan sponsors to calculate their updated CY 2023 OOPC values.
  - These values will serve as the baseline for evaluating the TBC change between CY 2023 and CY 2024.
  - CY2024 Bid Review OOPC calculator tool is expected to be released in April
  - See HPMS announcement dated January 13<sup>th</sup> for more information
- An HPMS memo entitled “Draft Contract Year (CY) 2024 Part D Bidding Instructions” was released on January 30<sup>th</sup>. This document contains information on the Part D program, and provides helpful instructions and reminders as Part D sponsors prepare to submit bids for CY 2024.
- CY 2024 Medicare Parts C and D Annual Calendar was released on January 30<sup>th</sup>. The calendar provides important operational dates for all organizations such as the date bids are due to CMS, the date that organizations must inform CMS of their contract non-renewal, and dates for beneficiary mailings.
- Since 2014, CMS/OACT has annually published a narrative supporting the Medicare Advantage (MA) growth rates. The documents include numerical and narrative summaries of the restated MA growth rates for the past five years. We are interested in receiving feedback stakeholders on this information:
  - Have you found this information to be helpful in understanding the drivers of the changes in MA ratebook and/or in preparing MA bids?
  - Do you have any suggestions for changes in the content and/or format of this information?
  - Please submit your feedback to [actuarial-bids@cms.hhs.gov](mailto:actuarial-bids@cms.hhs.gov) by March 6, 2023

- Actuarial Certification
  - The overall process expected to be similar to last year
  - An announcement memo will be released via HPMS
  - The Actuarial Certification Module expected to be released May 12<sup>th</sup>
  - Initial actuarial certification is expected to be due to CMS on June 9<sup>th</sup>
- Upcoming Timeline
  - Bid Forms and Instructions expected to be released on Friday April 7<sup>th</sup>
  - Weekly Actuarial User Group Calls: Thursdays, April 13<sup>th</sup> through June 1<sup>st</sup>
  - Bid Submission deadline Monday June 5<sup>th</sup>
  - Initial actuarial certification expected to be due to CMS on June 9<sup>th</sup>
- Live Q&A
  - 
  - 
  -
- Conclusion