February 2024 Actuarial User Group Call

Thursday February 22, 2024
11:00AM – 12:00 PM ET

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

- https://cms.zoomgov.com/s/1605041252?pwd=bVlaNi9KSHhNeFZBM2RBS3Z5Umdrdz09
- Meeting ID: 160 504 1252
- Passcode: 876195

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

- Participant Dial-In Number: (833) 568-8864
- Meeting ID: 160 504 1252
- Passcode: 876195

- Welcome
  - The following have been posted to the CMS webpage at: https://www.cms.gov > Medicare > Payment > Medicare Advantage Rates & Statistics > Actuarial Bid Questions.
    - Call Agenda
    - UGC Q&A file
- Draft BPTs and Bid Instructions were released on Tuesday, February 20, 2024
  - Announcement memo was released via HPMS on February 9, 2024; the memo contains the weblink to download the files.
    - Comments should be submitted—via the website— as soon as possible, but not later than 11:59 PM Pacific Standard Time on Saturday, March 2, 2024.
  - We appreciate the feedback we received from the November UGC. The comments were helpful in developing the draft bid instructions.
- Revisions to Bid Pricing Tools for CY2025
  - No major changes to MA, MSA and ESRD-SNP BPTs.
  - Additional Proposed Changes to Part D BPT since the November UGC
    - Removed PMM indicator from General Information on WS1.
    - Repurposed "Manufacturer Discount" on WS1 Section III Line 9 for Gap Discount to remove gap discount from net plan paid. This will be temporary for two years.
    - Made Gross Federal Reinsurance an input cell on WS4 (Cell L21) and Worksheet 5 (Cell M52) and adjusted formulaic cell for Net Reinsurance on WS4 (Cell L20).
    - Adjusted formula for net cost of benefits on WS4 (Cell I50) to account for reinsurance change noted above.

        - Adjusted allocation formula for rebates attributable to reinsurance for alternative benefits on WS4 (Cell I54) and WS5 (Cell M55).
        - Converted cell J51, I53, and J53 on WS6 from formulaic to input cells.
        - Updated formula on Worksheet 7 cell F30.

- CY2025 Draft Bid Instructions
    - General Comments
        - The instructions may require updating for changes in policy before finalization.
        - The general drafting notes and the revisions discussed today are not a substitute for reading the bid instructions.
    - Credibility
        - Consistent with the announcement on the November UGC, we have not revised the CMS credibility guidelines for CY2025.
    - Gain/Loss Margin
        - Consistent with the announcement on the November UGC, we have not revised the instructions for gain/loss margin for CY2025.
    - Hospice
        - Consistent with the announcement on the November UGC, we have revised MA Worksheet 1 instructions for plans that participate in the VBID Hospice Benefit Component during the base period. Net Medical expenses reported for hospice enrollees are to reflect all claims incurred for enrollees until the end of the month of hospice disenrollment rather than until the disenrollment date.
    - Non-Benefit Expenses
        - Consistent with the announcements on the November UGC, we have not revised the instructions for non-benefit expenses for CY2025.
    - Related Party
        - Consistent with the announcements on the November UGC, we have clarified the pricing consideration for related-party arrangements. As a result of this clarification, a new supporting documentation item, item 13.6 for MA and item 13.11 for Part D, was added for when a plan sponsor has an arrangement for benefit services within their tax ID number and does not submit bid data that matches their financial statements.
    - Global Capitation and Risk-Sharing Arrangements
        - Consistent with the announcements on the November UGC and resulting from clarifications made about DIR #10, we have revised the bid instructions to remove references to allocating settlements from risk arrangements proportionally between MA and Part D.

- Service Area Expansions and Reductions
    - Consistent with the announcements on the November UGC, we have added a section to the pricing considerations and to Appendix B support item 2.1 giving guidance when there is a pending appeal to a service area change. This guidance states that if a decision on a service area change remains outstanding as of July 15th, then CMS will request a sample BPT omitting the pending change. The sample BPT will not to be uploaded to HPMS.
- Supporting Documentation
    - Consistent with the announcement on the November UGC, we have—
        i. Updated Appendix B item 2 to clarify that the product narrative must include a description of significant benefit changes.
        ii. Updated Appendix B item 11 to replace the term "benefit design analysis" with the term "Changes to benefit design".
        iii. Moved the sequestration pricing considerations section of the MA instructions to Appendix B item 22 - the requirement to demonstrate that plan cost sharing for Medicare-covered benefits entered in the PBP is not greater than FFS cost sharing when the actuarial equivalent cost sharing test fails a red circle validation.
        iv. Updated MA Appendix B items 10.1.4, 11.3.7, and 12.5.1 to require support for DME rebates in addition to rebates for Part B Rx.
        v. Added Appendix B item 13.6 for MA and item 13.11 for Part D to address support required when the plan sponsor has an arrangement for benefit services within their tax ID number and does not submit bid data that matches their financial statements.
- Appendix E – Rebate Reallocation Guidelines
    - Consistent with the announcement on the November UGC, we have—
        i. Clarified rebate reallocation permissibility during the rebate reallocation period from various plan types and Part D premium scenarios. This clarification includes additional examples and other information to determine permissibility.
        ii. Clarified the guidance for when an MAO chooses to change A/B mandatory supplemental benefits during rebate reallocation.
    - In response to industry feedback, we have revised the limit on gain/loss margin change to no more than $1.00. This is separate from any changes for premium rounding and compliance with TBC.
    - We have added guideline #12 to provide more information on what is required upon request for Appendix B #45.
    - We are continuing to research the possibility of releasing a Rebate Reallocation tool.

- Appendix F – Suggested Mapping of MA PBP Categories to BPT Categories
  - To remain consistent with the changes to the PBP the following two changes were made to the suggested mapping.
    i. Prior dental categories Preventive Dental (16a) and Comprehensive Dental (16b) are now called Diagnostic & Preventive Dental (16b) and Comprehensive Dental (16c). Both are still mapped to BPT line m. A new category "Medicare-covered Dental" has been added as item 16a and the suggested BPT mapping is to line i2 Professional: Specialist excluding MH or line i6 Professional: other.
    ii. The PBP line for Hearing Aids (18b) has been split into two new PBP categories—Prescription Hearing Aids (18b) and OTC Hearing Aids (18c). The suggested mapping for both is to BPT line o2 Hearing (Non-Covered): Hardware.
- Part D Specific
  - WS4 – Section V

    Line 6 – Gross Federal Reinsurance

    This is a new input cell and plans will now enter the projected average gross federal reinsurance PMPM for the risk score of the expected population.

  The following were all changed from formulaic to input cells:

  - WS5 – Section IV

    Line 15 – Federal Reinsurance

    When the benefit type is Basic Alternative or Enhanced Alternative, plans will now enter the projected gross federal reinsurance PMPM, for the risk score of the expected population.

  - WS6 – Section II

    Line 38 – Manufacturer Discount - column j

    Plans will enter the manufacturer discount for amounts allocated up to the catastrophic threshold, for the population with allowed costs greater than the catastrophic threshold.

    Line 39 – Number of Scripts – column i

    Plans will now enter the total number of scripts for allowed costs greater than the catastrophic threshold.

    Line 39 – Allowed Costs over Catastrophic Threshold – column j

    For plans with Actuarially Equivalent or Alternative Benefits, all costs greater than the catastrophic threshold should be reported in line 39.

- Lessons Learned from Bid Audit
  - Risk-Sharing Arrangements
    - We are studying the different approaches for how surpluses and deficits, resulting from risk-sharing arrangements with providers, are distributed within and among plans. This involves concerns identified during bid audit such as distributing amounts (i) across service categories within a bid, (ii) across multiple MA bids, (iii) across the MA and Part D portions of an MA-PD bid; and (iv) across MA bids and other lines of business. The issue may also affect the evaluation of Medicare FFS actuarial equivalent cost sharing.
    - We have found pricing models that do not contain a sufficient level of detail needed to appropriately model the potential range of outcomes of these arrangements. Specifically, we have identified pricing models where the projected risk-sharing settlement amounts are developed based on a single point estimate of the claims and do not consider the variance around the point estimate. For example, it may not be appropriate to project a settlement of $0 for risk-sharing arrangements which have only upside risk when there is a greater than 0% chance of a non-zero settlement payment. Please refer to ASOP No. 8, item 3.4.8, and ASOP No. 56.
    - For risk-sharing arrangements which span multiple MA bids, we have found pricing models which use different settlement allocation methodologies between the base period and projection period as well as pricing models which use different settlement allocation methodologies between the projection period and actual reporting. We are investigating under what circumstances, if any, that this would be appropriate.
  - DIR#10
    - OACT is investigating how DIR#10 for risk settlements is reported in the PD BPTs. As stated in the May 3, 2023 DIR guidance titled "Final Medicare Part D DIR Reporting Guidance for 2022", a Part D risk settlement amount reported to CMS for reconciliation in DIR#10 must equal "all gains or losses that are attributable to Part D drug costs that the Part D sponsor may receive or pay resulting from risk-sharing arrangements with entities other than CMS…".
      i. The phrase "gains or losses" refers to a bid sponsor's profit or loss. We do not think that DIR#10 is ever appropriate to be included in the projection in the PD BPT because the bid sponsor's profit or loss is only understood after actual experience has been incurred. The projection in the MA BPT should include the expected payments to the MA provider in accord with the contractual terms.
      ii. DIR#10 reported in the base period of the Part D BPT must be consistent with the reporting of actual experience to CMS for reconciliation for that plan.
    - We are considering making instruction changes for CY2026 which state that DIR#10 cannot be included in the projected bid rebate amounts.

- Monoclonal Antibodies - On the November Actuarial User Group Call, OACT discussed its evaluation of the costs for Medicare coverage of drugs under the National Coverage Determination for Monoclonal Antibodies Directed Against Amyloid for the Treatment of Alzheimer's Disease through a registry for a Coverage with Evidence Development study. In response to questions we've received after that call, we offer the following additional details about our estimate:
    - The period of our evaluation was from July 2023, when the full approval coverage pathway was triggered, through December 2024, the last month where Medicare Advantage rates did not have adjustments for this coverage pathway.
    - We found that the single service cost for these drugs did not meet the threshold for significance under regulation 422.109a)1).
    - We found the benefit cost over the evaluation period to be below the threshold for significance described in 422.109a)2). More specifically,
        - We estimated the benefit cost over the evaluation period to be approximately 1.2 billion dollars.
        - The threshold for significance over the evaluation period was determined to be approximately 1.5 billion dollars.

- CY2025 Advance Notice was released on Wednesday, January 31st.
    - To submit comments or questions electronically, go to https://www.regulations.gov, enter the docket number "CMS-2024-0006" in the "search" field, and follow the instructions for "submitting a comment." To receive consideration prior to the release of the Rate Announcement, CMS must receive comments on this Advance Notice by 6:00 PM Eastern Time on Friday, March 1, 2024.

- Draft CY 2025 Part D Redesign Program Instructions were released on Wednesday, January 31st.
    - Submit comments to PartDRedesignPI@cms.hhs.gov with the subject line "Draft CY 2025 Part D Redesign Program Instructions." In order to receive consideration prior to the release of the final CY 2025 Part D Redesign Program Instructions, CMS must receive comments on these Draft Program Instructions by 6:00 PM Eastern Time on Friday, March 1, 2024.

- An HPMS memo entitled "Contract Year (CY) Final Part D Bidding Instructions" was released on February 1st. 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 2025.

- OOPC/TBC
    - CY2024 Part C and Part D Baseline Out-of-Pocket Cost (OOPC) Models are available for plan sponsors to calculate their updated CY 2024 OOPC values. Please refer to the HPMS memo released on December 19, 2023.
    - These values will serve as the baseline for evaluating the TBC change between CY 2024 and CY 2025.
    - CY2025 Part C and Part D Bid Review OOPC models are expected to be released in April.

- CY2025 Medicare Parts C and D Annual Calendar was released on February 1st. 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.
- Actuarial Certification
    - The overall process is expected to be similar to last year.
    - An announcement memo will be released via HPMS.
    - The Actuarial Certification Module is expected to be released May 10th.
    - Initial actuarial certification is expected to be due to CMS on June 7th.
- Upcoming Timeline
    - Bid Forms and Instructions are expected to be released on Friday, April 5th.
    - Weekly Actuarial User Group Calls: Thursdays, April 11th through May 30th.
    - Bid Submission deadline Monday June 3rd.
    - Initial actuarial certification is expected to be due to CMS on June 7th.
- Live Q&A
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- Conclusion