

November 2022 Actuarial User Group Call

Thursday, November 17, 2022
11:00AM - 12:00PM ET



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

- <https://cms.zoomgov.com/j/1618424413?pwd=VDV5bFFpSjZvQ1o0NHhVcjlhU1RJQT09>
- Meeting ID: 161 842 4413
- Passcode: 642824

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: 161 842 4413
- Passcode: 642824

AGENDA

- Welcome
 - Reminder that an agenda for this call has been posted to the CMS webpage at:
www.cms.gov > Medicare > Medicare Advantage Rates & Statistics (under the Health Plans header) > Actuarial Bid Questions
 - We have also posted a mockup of the draft CY2024 Part D Bid Pricing tool and a flow chart illustrating the rebate reallocation rules. It may be helpful to have all of these files open during the call.
- CY2023 Bid Review: Lessons Learned
 - We appreciate all of the feedback we received during the industry comment period. We have shared pertinent comments with other areas within CMS, and are taking the comments into consideration when developing the CY2024 BPTs and Bid Instructions.
 - During the CY2023 bid review season multiple plan sponsors did not submit the necessary documentation for Appendix B, item 13. We request that all plan sponsors carefully review the supporting documentation requirements if you have a related party arrangement.
 - In order to help us respond in a timely manner to feedback that involves other areas of CMS, we remind you to please copy the appropriate resource mailboxes in addition to any emails sent to the actuarial-bids mailbox. These email addresses can always be found in the introductory note within the UGC Q&A file and a few are noted here.
 - For part C policy-related questions (including OOPC/TBC policy):
<https://mabenefitsmailbox.lmi.org/>
 - For part D policy-related questions (including OOPC/TBC policy):
partdbenefits@cms.hhs.gov

- For technical questions regarding the OOPC model: OOPC@cms.hhs.gov
- For risk adjustment topics: riskadjustmentoperations@cms.hhs.gov and riskadjustmentpolicy@cms.hhs.gov.
- CY2024 Bid Pricing Tools (BPTs)
 - Reminder: List of draft BPT changes are included in the posted agenda. A mockup of the Draft CY2024 Part D BPT has also been posted at the same link.
 - Reminder that the mock-up does not contain updated Part D benefit parameters for CY2024 and also does not contain working macros.
 - No major changes anticipated to the MA, MSA or ESRD-SNP BPTs for CY2024
 - Draft Part D Bid Pricing Tool Changes
 - 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. The following cells have adjusted formulas:
 - Worksheet 4 Cells: E33, E34, E43, E49, E50, G33, G34, G42, G43, G49, G50, I42
 - Worksheet 5 Cells: F36, F37, F46, F60, F61, G36, G37, G46, G60, G61, K36, K37, K46, K60, K61, M45, M51, M52, O60, O61
 - 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)
 - More detail regarding these changes is provided below in the Bid Instructions section.
 - The CY2024 BPT functionality does not support the use of Sensitivity Labels in Excel. Please plan accordingly if you will be using this feature.
 - Please submit any comments regarding the draft **bid pricing tool** changes by 11:59 PM Pacific Standard Time on **Thursday, December 1, 2022** to: actuarial-bids@cms.hhs.gov
 - OACT plans to release BPTs for Industry Beta testing in February.

- CY2024 Bid Instructions – Proposed Changes
 - Credibility
 - We are evaluating current data for consideration in updating the CMS claims credibility guidelines for CY2024. The last updates were for CY2019 (MA non-ESRD allowed costs and Part D allowed costs) and CY2016 (MA ESRD allowed costs). Proposed changes are expected to be posted in February 2023.
 - Gain/Loss Margin
 - For Part D, we have restructured the aggregate Gain/Loss Margin pricing considerations to improve clarity.
 - For both MA and Part D, we have restructured the supporting documentation requirements for Appendix B, items #8.6 and #38.
 - For MA, we have 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 and Part D, we have added supporting documentation requirements to Appendix B, item #8.5. 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.
 - See Appendix 1 of this agenda for more information.
 - Non-Benefit Expenses
 - We are proposing to change 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 would be entered as \$0.
 - 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 proposed pricing consideration, gain/loss margin would no longer be moved.
 - As an example of the proposed 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.
 - See Appendix 2 of this agenda for more information.

- Related Party
 - For MA and Part D, we are proposing to increase 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. Currently the items #13.4 and #13.5 are required when related-party expenses are greater than 10 percent.
- Supporting Documentation
 - 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
 - The formula in cell E54 of WS6A can now be overwritten by all plans.
 - New sections for Insulin and Vaccines (Worksheet 6)
 - 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 and Amounts in the Gap. Cost sharing for Vaccines is not an input and is treated as \$0 for BPT formulas.
 - 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.
 - 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
 - Formulas for coinsurance percentage for Amounts above Catastrophic in both WS5 and WS6 have been hard coded to 0%.
- Please submit comments regarding these proposed **bid instruction** topics by 11:59 PM Pacific Standard Time on **Friday, December 16, 2022** to: actuarial-bids@cms.hhs.gov
- Other Bidding Topics/Announcements
 - Rebate Reallocation Flow Chart
 - A flow chart which clarifies the rebate reallocation rules has been posted to www.cms.gov > Medicare > Medicare Advantage Rates & Statistics (under the Health Plans header) > Actuarial Bid Questions
 - We are working on restructuring Appendix E for CY2024 in order to clarify the existing guidance.

- Bid Improvement Initiative Program
 - OACT is seeing continuous improvement in the bids being submitted
 - Outreach is complete.
 - If you have heard from us, we ask that you take the feedback constructively to address our concerns in the next bid submission.
 - If you did not hear from us, please continue to evaluate your supporting documentation and peer review process and make improvements where possible.
- The Cumulative User Group Call Q&A File has been updated with questions and answers from CY2007 to CY2023 and can be found at: www.cms.gov > Medicare > Medicare Advantage Rates & Statistics (under the Health Plans header) > Actuarial Bid Questions
- Live Q&A
- Conclusion

Appendix 1

Proposed Changes to the CY2024 Bid Instructions for Gain/Loss Margin

II. Pricing Considerations

MEDICARE ADVANTAGE

No material changes are proposed.

PART D

Definitions

In the BPT and these Instructions, the term—

- “Aggregate Part D gain/loss margin” refers to the projected enrollment-weighted average BPT PMPM gain/loss margin applicable to either (i) Part D plans without corresponding MA plans or (ii) MA-PD plans.

Aggregate-Level Requirements

✓ **Year-to-Year Consistency**

Although actual gain/loss margin may vary from year to year, CMS expects certifying actuaries to price bids such that actual aggregate Part D gain/loss margin as a percentage of revenue over the long term is consistent with the gain/loss margin assumptions used for pricing. This requirement applies separately for (i) Part D plans without corresponding MA plans and (ii) MA-PD plans.

✓ **Requirements for Part D Plans Without Corresponding MA Plans**

This requirement applies only to Part D BPTs with the following Plan Type Codes: PDP, PACE, 1876 Cost, and 1833 Cost.

For Part D bids, the aggregate Part D gain/loss margin as a percentage of revenue must be calculated at the parent organization level and must be disclosed. If such margin is less than 0 percent or greater than 5.5 percent, then this condition must be fully explained and supported, and it must be approved by CMS for CY2024.

✓ **MA-PD Gain/Loss Margin Requirements**

This requirement applies only to Part D BPTs that have a corresponding MA BPT. There are two options for setting the Part D gain/loss margin of MA-PD bids. Only one option may be used per parent organization.

Option A: Set the Part D gain/loss margins at the bid level. Specifically, an MA-PD sponsor must—

- Set the Part D gain/loss margin for a plan as a percentage of revenue within 1.5 percent of the gain/loss margin for the MA component of the same MA-PD bid, and
- Apply this method consistently for all MA-PD bids submitted by the Medicare Advantage Organization.

Option B: Set the Part D gain/loss margins at the aggregate level. Specifically, an MA-PD sponsor must—

- Set the Part D gain/loss margins as a percentage of revenue equal for all plans, and
- Set the aggregate Part D gain/loss margin as a percentage of revenue within 1.5 percent of the aggregate MA gain/loss margin for all MA-PD bids. Do not include MA-only bids.

Exclusions

Non-insurance revenues pertaining to investments and fee-based activities designed to influence state or federal legislation such as the cost of lobbying activities cannot be reflected in the bid. See the announcement about lobbying activities released via an HPMS memorandum dated October 16, 2009.

Appendix B – Supporting Documentation

MEDICARE ADVANTAGE

- 8.5. Support for how the aggregate MA gain/loss margin does not jeopardize financial solvency, if the aggregate MA gain/loss margin is negative. Quantify the projected aggregate loss and demonstrate numerically that this loss does not jeopardize financial solvency.
- 8.6. Justification of benefit value in relation to the gain/loss margin, if the gain/loss margin at the bid level is greater than 11.5 percent of revenue. The required elements include—
 - 8.6.1 A comparison of premiums for CY2023 and CY2022, if applicable. Include the rounded MA premium, Part D basic premium after MA rebates, Part D supplemental premium after MA rebates, total plan premium, and MA rebate allocation for the Part B premium.
 - 8.6.2 Support for changes in A/B mandatory supplemental benefits, if applicable. Provide a comparison in an Excel spreadsheet of (i) data from Worksheet 4, Section IIC, column R, lines a through u in the BPT, and (ii) the best estimate of the same items changing only the A/B mandatory supplemental benefits to be identical to CY2023.
38. Justification of benefit value in relation to the gain/loss margin, if the gain/loss margin at the bid level is less than or equal to 11.5 percent of revenue. The required elements include the elements listed in 8.6.

PART D

- 8.3. A demonstration of consistency between the projected aggregate Part D gain/loss margins as a percentage of revenue and the actual aggregate Part D gain/loss margins over the long term. This requirement applies separately for (i) Part D plans without corresponding MA plans and (ii) MA-PD plans. Include an explanation of how that knowledge was incorporated into the current bid submission, if the gain/loss margins have been inconsistent historically.
- 8.5. For a Part D plan without corresponding Medicare Advantage plans, support for how the aggregate Part D gain/loss margin does not jeopardize financial solvency, if the aggregate Part D gain/loss margin is negative. Quantify the projected aggregate loss and demonstrate numerically that this loss does not jeopardize financial solvency.

- 8.6. For a Part D plan without a corresponding Medicare Advantage plan, justification of benefit value in relation to the gain/loss margin, if the gain/loss margin at the bid level is greater than 11.5 percent of revenue. The required elements include—
 - 8.6.1. A comparison of premiums for CY2023 and CY2022, if applicable. Include the Part D basic premium and Part D supplemental premium.
38. For a Part D plan without a corresponding Medicare Advantage plan, justification of benefit value in relation to the gain/loss margin, if the gain/loss margin at the bid level is less than 11.5 percent of revenue. The required elements include the elements listed in 8.6.

Appendix 2
Proposed Changes to the CY2024 Bid Instructions for Net Cost of Private Reinsurance

MEDICARE ADVANTAGE and PART D

II. Pricing Considerations

Non-Benefit Expenses

- Net Cost of Private Reinsurance (that is, reinsurance premium less projected recoveries; however, for quota share reinsurance, the net cost of private reinsurance must be entered as \$0).

Appendix B – Supporting Documentation

- 7.2.1. For the “Net Cost of Private Reinsurance” category, disclose whether or not there is reinsurance. For reinsurance, even if the net cost of private reinsurance is entered as \$0, the required elements include the type of reinsurance and applicable benefits, attachments points, maximums, ceding commissions, and other information pertinent to the reinsurance coverage.