

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Beneficiary Choices
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MEDICARE PLAN PAYMENT GROUP

DATE: January 26, 2007

TO: All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans, PACE Organizations and Demonstrations

FROM: Thomas Hutchinson /s/
Director

SUBJECT: Medicare Advantage Prescription Drug System (MARx) February Payment – INFORMATION

This letter provides information related to your February 2007 payment which you will receive on February 1, 2007.

Medicare Secondary Payer (MSP) Reductions - DELAYED

At the beginning of each year, CMS recomputes the contract-level MSP reduction factors based on the survey data submitted by MA plans in September of the prior year. This factor is displayed on your plan payment report. For 2007, all plans, except for Social Health Maintenance Organization (SHMO) Demonstrations, will have one factor applied to their risk adjustment payments each month. Note that MA plans are paid at 100% risk adjustment beginning in 2007; there is no longer a demographic portion of the payment.

SHMO demonstrations will continue to have two MSP factors; one applied to their demographic payment and one applied to their risk adjustment payment.

The application of these factors has been delayed to your March 2007 payment. We will notify you how we will recoup the reductions for the months of January and February at a later date.

Benefit Stabilization Fund (BSF) Offsets

Some plans received offsets related to the BSF in their January payment. In the original Medicare Modernization Act (MMA) ACR "Resubmission" Instructions and accompanying Questions and Answers that was available on the CMS web site, we explained that the MMA restructured the way that MA organizations would be paid by CMS in calendar years after 2005. One effect of this new payment methodology was the expiration of the authority to retain money in pre-MMA benefit stabilization fund accounts. Since unused funds reverted to the Medicare trust funds on January 1, 2006, we explained in the Instructions and accompanying Questions and Answers that MA organizations should make every effort to utilize dollars from their pre-MMA stabilization fund accounts during contract years 2004 and 2005. Unfortunately, the December payment was inadvertently adjusted to include the remaining pre-MMA benefit

stabilization funds. These remaining amounts were added to the funds you were entitled to based on your enrollment. This adjustment was reversed in the January 2007 payment.

LI/LTI Indicators Missing from Monthly Membership Report (MMR)

We are seeing cases where the indicator (field #64 or 66) for the LI (LTI) Multiplier used in the calculation of the Part D Direct Subsidy Payment Amount (field #70) is missing even though the corresponding multiplier field itself (field #65 or 67) is filled in and the payment calculation has taken the multiplier into account. Also the Part D RA Factor (field #63) may not reflect the multiplier in these cases. This is a reporting issue only, i.e., we believe the payment calculation is correct. This problem has been reported to the MARx maintenance contractor for correction.

Rounding Logic for Part D Premiums/Subsidies

For 2007 the rounding of Part D premiums was applied in the Part D bid process itself. Stand-alone Prescription Drug Plans (PDPs) were given an option as to whether to round to the nearest \$0.10 or the nearest \$0.50. MA-PD plans had their D premiums rounded automatically to the nearest \$0.10.

Low income premium subsidies were also rounded for all plans to the nearest \$0.10 (see MMR field #35).

Calculating the Part D Direct Subsidy Payment Amount (field #70 on the MMR) however requires the use of un-rounded amounts for Part D basic premium and the Part D bid amount in the following formula: $D \text{ Direct Subsidy} = (\text{Part D Standard Bid Amount} * \text{Part D RA Factor}) - \text{Part D basic premium}$. Plans will see the un-rounded Part D basic premium on their MMR (field #69). This field is provided as supporting information in the calculation of the Part D Direct Subsidy Payment Amount and is not intended to reflect what the beneficiary pays.

Part C Premium Format – Implied Decimals

We have noticed that a few plans are entering suspiciously large Part C Premium amounts in the enrollment transactions they submit. Particular care must be taken in filling in this field because the MARx system currently performs only a “minimum amount” edit. This was done to provide flexibility so that the beneficiary could utilize the SSA premium withholding election to include payment of premiums for optional supplemental benefits.

The format of the Part C Premium Amount field (#19 – see page E-33 of the current Plan Communications User’s Guide, Version 2.0) is six digits with an implied decimal point and leading zeroes. For example, a premium of \$75.40 should be entered as “007540”.

Totals of Part D Components do not add to Total Part D Payment Field

We have noticed that sometimes the Total Part D Payment on the MMR does not equal the sum of the Part D payment components. This is a reporting issue only (and it has been reported to the MARx maintenance contractor for correction). The payment the plan receives is based upon the Part D payment components and not on the Total Part D Payment field.

Total Part D Payment (field #73 on the MMR) should always equal the sum of the Part D payment components listed below:

- LIS Premium Subsidy (field #35)
- Rebate for Part D Basic Premium Reduction (field #68) – (MA-PD only)
- Part D Direct Subsidy Payment Amount (field #70)
- Reinsurance Subsidy Amount (field #71)
- Low-Income Subsidy Cost-Sharing Amount (field #72)
- PACE Premium Add On (field #75) – (PACE only)
- PACE Cost Sharing Add On (field #76) – (PACE only)

If you have any questions or issues that you wish to discuss, please feel free to contact your Division of Payment Operations representative per the attached list.

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Ms. Cynthia Tudor, CMS
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