
CMS Manual System

Pub. 100-16 Medicare Managed Care

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal 86

Date: APRIL 27, 2007

SUBJECT: Revisions to Chapter 17, Subpart B, Section 220, Determining Deductibles and Coinsurance

I. **SUMMARY OF CHANGES:** This revision includes the following changes:

- The paragraph preceding the Part B deductible chart has been revised to state years 1985-2007
- The Medicare Part B Deductible Table has been updated to reflect deductibles for years 2001 through 2007
- The paragraph preceding the Part B Deductible has been updated

New / Revised Material

Effective Date: April 27, 2007

Implementation Date: April 27, 2007

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. **CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual not updated.)**
(R = REVISED, N = NEW, D = DELETED) – (Only One Per Row.)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	17/B/220 Determining Deductibles and Coinsurance

III. **FUNDING: No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2007 operating budgets.**

IV. **ATTACHMENTS:**

Manual Instruction

***Unless otherwise specified, the effective date is the date of service.**

220 - Determining Deductibles and Coinsurance

(Rev. 86; Issued: 04-27-07; Effective/Implementation Dates: 04-27-07)

In determining the amount due the cost-based HMO/CMP, CMS will deduct from the reasonable cost actually incurred by the organization in furnishing Medicare covered services to Medicare enrollees, an amount equal to the value of the Medicare deductible and coinsurance amounts which would have been payable if the Medicare beneficiary had not elected the HMO/CMP. However, this amount which becomes the Medicare enrollees' liability for covered services, cannot exceed, on the average, the actuarial value of the deductible and coinsurance the Medicare enrollees otherwise would have been liable for had they not elected the HMO/CMP or another Medicare HMO/CMP. This actuarial value is provided by CMS's actuaries on a calendar year basis and is the same amount used for M+C organizations.

The monetary amounts for the Medicare deductible and coinsurance for Part A, which are applied to each benefit period, change each calendar year. In addition, Part A does not pay any non-replacement fees for the first three pints of unreplaced blood in each benefit period.

During each calendar year, Part B pays 80 percent of the reasonable charges after the deductible has been met per beneficiary. However, Part B cannot pay for the first three pints of blood a beneficiary receives on an outpatient basis in a calendar year. Starting with the fourth pint per beneficiary, Part B pays 80 percent of the reasonable charge after the deductible has been met.

At the time the HMO/CMP prepares its budget and enrollment forecast (90 days prior to each contract period), the HMO/CMP must calculate the Medicare enrollees' estimated deductible and coinsurance amounts for the upcoming contract period. The following method, known as the actuarial method, is used for premium determination, budget forecasting, and final settlement purposes.

The HMO/CMP's use of this method will involve three major computations. The organization will first list the actual Part A deductible and coinsurance and Part B coinsurance for each provider furnishing services to its Medicare enrollees. Next, the organization will calculate the Part B deductible amount by multiplying the Medicare Part B monthly standard deductible amount (determined by CMS) by the organization's Part B Medicare enrollee months. The actuarial values of the Medicare Part B monthly deductible for the years 1985 through 2007, as determined by CMS, are:

Year	Actuarial Value
1985	\$5.03
1986	\$5.05
1987	\$5.00

Year	Actuarial Value
1988	\$5.28
1989	\$5.41
1990	\$5.29
1991	\$6.65
1992	\$6.92
1993	\$7.08
1994	\$7.23
1995	\$7.22
1996	\$7.46
1997	\$7.48
1998	\$7.51
1999	\$7.71
2000	\$7.58
2001	\$7.56
2002	\$7.64
2003	\$7.54
2004	\$7.54
2005	\$8.85
2006	\$9.88
2007	\$10.69

In the third major computation, the cost-based HMO/CMP will compute the Part B blood deductible amount, the Mental Health Copayment, and all Part B coinsurances applicable to carrier and intermediary paid bills. The sum of these three computations gives the Medicare Part A and Part B deductible and coinsurance amounts

To compute the HMO/CMP Medicare enrollees' premiums, add the total Part A and Part B deductible and coinsurance for the organization's incurred costs, and the Part A and Part B deductible and coinsurance for costs paid by the fee-for-service system on the organization's behalf.

From this total, subtract the HMO/CMP's Medicare enrollees' copayments, if any. The resulting figure is then divided by the organization's Medicare enrollee months to produce a monthly premium. The following is an example of the formula:

1. Factors

a = Total Part A and Part B deductible and coinsurance on the organization's incurred costs;

b = Total Part A and Part B deductible and coinsurance on fee-for-service system incurred costs;

c = Total HMO/CMP Medicare enrollee copayments;

d = HMO/CMP Medicare enrollee months

e = Monthly deductible and coinsurance amount to be recovered through Medicare beneficiary premiums and cost sharing'

2. Computation

$(a + b - c) \text{ divided by } d = e$