



OFFICE OF THE ACTUARY

DATE: April 26, 2017
TO: Medicare Advantage & Prescription Drug Plan Sponsors and Certifying Actuaries
FROM: Jennifer Lazio, Director, Parts C & D Actuarial Group
SUBJECT: Medicare Advantage (MA) Fee-For-Service Rate Book Calculations CY 2018

We are releasing a Microsoft Excel workbook which provides details of each county's 2018 FFS cost. The Excel workbook along with a companion glossary of terms and formulas are posted on the CMS web site as follows:

<http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/ffs2015.zip>

We rebased the FFS capitation rates for 2018 using historical claims data for 2011 through 2015. For 2018 we repriced the historical claims data to reflect the most current wage and cost indices, repriced the claims to account for the changes made by the ACA to payments to disproportionate share hospitals, and also repriced durable medical equipment claims to account for the change in prices associated with the competitive bid program. We also made additional adjustments to the 2012-2015 claims to account for newly developed and ongoing payment and service delivery models that are being tested by the Centers for Medicare and Medicaid Innovation (CMMI). These models include Accountable Care Organizations, Comprehensive Primary Care Initiative shared savings/losses, Bundled Payment for Care Improvement savings/losses, and Financial Alignment Initiative Managed FFS Model shared savings/losses.

The data in the worksheet titled 'payment_data' in the Excel workbook include five years (2011-2015) of each county's historical claims data along with specific claims adjustments made by type of service. These county claims data can be matched to the county specific 2011-2015 annual claims data in the worksheet titled 'ffs_worksheet.' It is this adjusted claims data which is subsequently used to calculate the AGA's as derived in the worksheets 'County Overview.'

As was the case last year, we applied (1) an adjustment to the FFS rates for experience of Medicare beneficiaries who are also eligible to receive care through the Veterans Health Administration, and (2) an adjustment for the FFS experience in Puerto Rico to reflect the propensity of zero dollar beneficiaries nationwide.

As mentioned on pages 16-17 of the Calendar Year 2018 Advance Notice, the separate Aged and Disabled FFS experience is no longer directly used in the development of the Medicare Advantage ratebook. Therefore, beginning this year, the worksheets will show only the combined FFS expenditures for the Aged and Disabled beneficiaries.

For questions on this memo or the Excel workbooks, please contact Clifton Maze at either 410-786-7905 or Clifton.Maze@cms.hhs.gov.