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To: Part C and Part D Plan Sponsors

From: Tom Hutchinson, Director, Medicare Plan Payment Group
Cynthia Tudor, Director, Medicare Drug Benefits Group

Subject: Medicaid status for Part C and D risk adjustment and Part D cost sharing --
implementation status for 2008 payment

This memo provides additional information regarding the submission and use of Medicaid status in determining Part C risk adjusted payments and in correcting beneficiaries' LIS deemed status for purposes of low income subsidy. The changes will be effective January 1, 2008.

PART C RISK ADJUSTED PAYMENTS

As discussed in the 2008 Advance Notice (published February 16, 2007) and the 2008 Announcement (published April 2, 2007), CMS will start using the MMA Medicare/Medicaid Dual Eligible monthly files ("MMA State files") as a source of Medicaid status for Part C risk adjustment in 2008. Information from the MMA State files is already being used to identify Medicaid status for purposes of LIS deeming and low-income risk adjustment for Part D.

At the same time, CMS will begin phasing out the use of the Third Party Buy-In files, reported by States to inform CMS of those dual eligible beneficiaries on whose behalf States paid Part B premiums. In addition, CMS will be making changes in how plans are able to report Medicaid status.

CMS is not changing how it uses Medicaid status in determining Part C risk scores. We are also not making any changes in how we define Medicaid status for Part D risk adjustment. The changes discussed here are related to the sources of Medicaid status that we use for Part C risk adjustment.

For several reasons, we expect that the need for plan reporting of Medicaid status in 2008 will decrease. First, with the use of the MMA State files, the Medicaid status of dual eligible beneficiaries reported to CMS from non-plan sources will increase. Second, in 2008, all plans will be paid 100% risk adjusted payments; without demographic payments, there is no need to have an enrollee reported as Medicaid for each month in the data collection year – only one month is needed. For instance, as long as a State has reported a plan enrollee as Medicaid for at least one month in a given calendar year, the plan does not have to report that enrollee's Medicaid status.

MMA State files

The MMA State files provide monthly identification of beneficiaries who are dually eligible for both Medicare and Medicaid. All States submit these monthly files, which include those eligible for comprehensive Medicaid benefits (whether eligible through the state plan or a section 1115 demonstration), as well as those for whom the State pays Medicare premiums and/or cost sharing (Qualified Medicare Beneficiaries, Specified Low-Income Medicare Beneficiaries, and Qualifying Individuals). Using these files as a data source for Medicaid status under the Part C CMS-HCC model promotes consistency across Part C and Part D. Further, CMS analysis has found that the MMA State files identify most of the beneficiaries who are currently identified as Medicaid, as well as a significant number of additional beneficiaries. Findings from our analysis include:

- There are an estimated 974,000 individuals reported on MMA files but not on Third Party-Buy In files or on the plan-reported files. They are not included in the Third Party-Buy In files because they are dual eligibles for whom States do not pay the Part B premium.
- Of those reported on the Third Party files, 96.6 percent are on the MMA State files. Because of the way the Third Party files have been constructed, States include in their reports of individuals for whom they have paid Part B premiums, but who are ineligible for title XIX. CMS cannot identify these individuals. For example, our conversations with one large state indicate that they pay Part B premiums for approximately 50,000 Medicare beneficiaries who are not eligible for title XIX. We believe that many of the individuals who have been reported solely on the Third Party files are in this category.
- Of those reported solely by plans as dual eligible, the vast majority (93 percent) are in Puerto Rico. Because Puerto Rico does not submit MMA State files or Third Party files, CMS has established a parallel reporting mechanism with Puerto Rico (see below).

For purposes of Part C risk adjustment, we are working to find ways to also use the Medicaid status information provided to CMS via the Point of Sale (POS) and the LIS deeming reporting.

Puerto Rico

CMS has established a reporting process with Puerto Rico in which the Commonwealth reports monthly Medicaid status to CMS. We have already used this data in reconciling 2006 Part D direct subsidy payments and are using it to calculate 2007 Part D payments. In 2008, we will start using this data for Part C risk adjustment. This means that, starting in 2008, when the Commonwealth reports a beneficiary as a dual eligible for any one month, the plan does not need to also report that beneficiary for that year. This new reporting process will hopefully relieve plans operating in Puerto Rico of much of their need to report Medicaid status.

Stages of implementation of changes in use of sources of Medicaid status

New enrollees. CMS assigns Medicaid status for new enrollees on a concurrent basis, i.e., if a newly-enrolled Medicare beneficiary is Medicaid eligible during any month during the payment year, they are assigned a default risk score with a Medicaid add-on during that entire year. For new enrollees, starting with the 2008 payment year, CMS will assign concurrent Medicaid status based on the MMA State files. CMS will no longer use the Third Party Buy-In file as a source of Medicaid status, and will only use plan-reported Medicaid status that was submitted through IntegriGuard (no batch Medicaid reporting). IntegriGuard will continue to perform probe studies of plan-reported Medicaid status.

Full risk enrollees. CMS assigns Medicaid status for full risk Medicare beneficiaries if they were Medicaid eligible during any month in the year prior to the payment year. Full risk Medicare beneficiaries have 12 months of Part B in the year prior to the payment year.

- **Payment year 2008:** For risk scores applied to 2008 payment, CMS will determine Medicaid status during 2007 using the current sources of Medicaid status (all plan-reported and Third Party), as well as the MMA State files.
- **Payment years starting in 2009:** CMS will no longer use Third Party files as sources of Medicaid status for risk scores applied to payment in 2009 and in later years (i.e., data from 2008 and later years). Further, we will no longer use plan-reported Medicaid status submitted in batch and will only use Medicaid status submitted via IntegriGuard.

Plans should continue reporting as they have been for Medicaid eligibility periods in 2007 and in prior years.

Summary of operational aspects of changes

Below is a list of key operational changes related to the changes in Medicaid status source:

- Batch reporting of Medicaid status (“01” transactions) will not be permitted for effective dates after 2007. Batch reporting of effective dates prior to 2008 will continue to be permitted.

- All reporting of NHC or Institutional status (via batch or UI) with effective dates after December 31, 2007 will not be permitted. Batch and UI entry is permitted for effective dates prior to 2008. These statuses are used in demographic payments and are not needed for dates after 2007.
- All plan-reported Medicaid status with effective dates in 2007 or earlier will be given end dates of December 31, 2007, unless an earlier end date was already provided.
- Starting in mid-2008, we will default end dates on all plan-reported Medicaid status as of the end of the effective month. For example, if a plan reports a beneficiary's Medicaid status effective March 1st, CMS will set the end date of March 31st. If, at a future point, a plan reports a later end date, CMS will set the end date to the reported end date.
- CMS will start using the MMA State files to determine Medicaid status for Part C risk adjustment with the mid-year risk scores.
- Related changes have also been made to the MRR, TRR, transaction reply codes, and UI screens. For more detail on these changes, please refer to the October 9, 2007 memo regarding "Announcement of Fall Software Changes," pages 15-17, and the forthcoming revised Plan Communication User's Guide (PCUG). The memo can be found in the Plan Communications section of the MMA Help web site under the subject of Announcement of Fall Software Changes, dated 10/09/07. The PDF file can be obtained by clicking the link and going to the link in the Downloads section of the page. The revised PCUG will be released later this month.

For those instances when a plan knows that a beneficiary is a dual eligible, and they have not appeared on CMS' files as Medicaid, plans can still report this status. Plans will be able to continue submitting updated Medicaid status through IntegriGuard. All effective dates after December 31, 2007 must be submitted through the UI.

PART D LOW-INCOME DEEMED STATUS AND RISK ADJUSTMENT

Individuals eligible for the full low-income subsidy qualify for premium subsidy up to the region's low-income benchmark, minimal or no copayments, and no deductible or coverage gap. CMS deems individuals automatically eligible for the full low-income subsidy based primarily on dual eligible data submitted monthly by State Medicaid Agencies via MMA files. CMS also currently uses Medicaid status from the Point of Sale (POS) contractor and from Part D plans (LIS status corrections based on Best Available Evidence policy) to deem Medicare eligibles for the Low Income Subsidy (LIS). In addition, CMS applies the higher of the two LIS multipliers to a plan's payment (as part of risk adjusting the plan's payment) when a beneficiary has been deemed. CMS is not changing how it uses Medicaid status in Part D risk adjustment. We are also not making any changes in how we identify Medicaid status or the data sources used for the purposes of LIS deeming.

2008 PROCESS FOR SUBMISSION OF MEDICAID STATUS BY PLANS FOR
PART C RISK ADJUSTMENT AND FOR PART D LIS DEEMING

Part C risk adjustment

For effective dates in 2008 and later, plans will continue to be able to report Medicaid status for purposes of Part C risk adjustment through IntegriGuard. There will be a new UI screen (M236) that will show Medicaid status, based on a number of sources, including the State MMA files, Territory sources of Medicaid status, and plan-reported Medicaid status. This UI screen is a dynamic screen and will show the most recent data that has been reported to CMS. Please remember that for the purposes of Part C risk adjustment, CMS only needs one month of Medicaid eligibility in the data collection year to assign a beneficiary Medicaid status. So, for 2009 payment, plans do not need to report an enrollees' 2008 Medicaid status as long as the enrollee has been reported at least once in the data collection year.

Please note that Medicaid status reported on the MMA State files will not be used in calculating initial 2008 Part C risk scores; this information will be used for calculating mid-year 2008 Part C risk scores.

Reporting of Part D LIS deeming

In a June 26, 2007 HPMS memo, CMS announced the process for Part D plans to submit corrections to LIS deemed status based on the "Best Available Evidence" policy. This includes creation of deemed spans where none exist in CMS' data, as well as correcting LIS copayment levels or effective dates that are in CMS' data. For 2007, plans were directed to enter the LIS correction onto an Excel spreadsheet, and submit the spreadsheets monthly to the appropriate CMS Regional Office contact.

Starting January 1, 2008, Part D plans should submit requests for LIS deemed status corrections to IntegriGuard instead of the CMS Regional Office contact. Please send a disk with a password-protected Excel spreadsheet, along with attestations, to:

IntegriGuard
2121 North 117th Avenue
Suite 200
Omaha NE 68164

In addition, please email the password for the spreadsheet to sroach@integriguard.org and vdawson@integriguard.org. Once the password has been provided, IntegriGuard will keep it on file; it is not necessary for the plans to either 1) change the password or 2) re-email the password.

Please note the only change is where the spreadsheet is sent; the instructions for filling it out and the schedule for submission have not changed.

Once IntegriGuard receives a plan's request to correct LIS deemed status, it will conduct a "probe" study. This is the process currently used for plan-submitted Part C Medicaid status changes, in which IntegriGuard selects a sample of records submitted and requests the plan provide documentation.

Please note that this process of plan-submitted data for LIS deeming does not apply to Part D plans in the Territories for the purposes of correcting LIS deemed status. By statute, the Territories administer their own LIS benefit, so CMS does not deem individuals in the Territories for LIS. The process for plan-submitted data for low-income risk adjustment in Puerto Rico is described above.

Coordination of reporting of Medicaid status for Part C and Part D

Plan-reporting of Medicaid status for Part C risk adjustment and Part D deeming has developed with different objectives in mind and, currently, if a plan wants to update an enrollees' Medicaid status for both Part C risk adjustment and Part D deeming, they must submit the beneficiary's information on two forms, currently to IntegriGuard (Part C) and to the appropriate CMS Regional Office (for Part D LIS deemed status corrections). In 2008, information regarding enrollees' Medicaid status for both Part C risk adjustment and Part D LIS deeming will be submitted to IntegriGuard. CMS is working with IntegriGuard to coordinate the submission of the information for both purposes with the intent of reducing plan reporting.

We continue to look for ways to make the process more efficient and to maximize sources of Medicaid status so as to reduce plan reporting. If you need additional information, please contact the following people:

Rebecca Paul at Rebecca.paul@cms.hhs.gov or (410) 786-0852 with questions about Medicaid status for Part C risk adjustment.

Sharon Donovan at Sharon.Donovan@cms.hhs.gov or (410) 786-2561 with questions about LIS deeming.