



OFFICE OF THE ACTUARY

To: Medicare Advantage & Prescription Drug Plan Sponsors and Certifying Actuaries

From: Paul Spitalnic, Director, Parts C & D Actuarial Group

Date: July 7, 2011

Subject: Medicare Advantage (MA) Fee-For-Service Rate Book Calculations CY 2012

Beginning with 2012, the Affordable Care Act (ACA) requires that MA county rates be directly related to a percentage of average fee-for-service (FFS) costs. In conjunction with implementing the ACA's requirement to base the county rates on the FFS costs, CMS updated the methodology used to develop the 2012 FFS costs. We identified several areas for improvement in the calculation as discussed on pages 13-17 of the [Advance Notice of Methodological Changes for Calendar Year \(CY\) 2012 for Medicare Advantage \(MA\) Capitation Rates](#) posted on CMS' web site.

We are releasing a Microsoft Excel workbook which provides details of each county's 2012 FFS cost calculation under the updated methodology, as well a comparable workbook for each county's 2009 FFS cost calculations which used the old methodology. The 2012 workbook highlights the improvements a) made to adjust for the claims experience of certain Medicare/Tricare dual eligibles, and b) to lessen the fluctuations in the calculated FFS cost in counties with small Medicare enrollment. Furthermore, the workbook includes details of the phase out of the Indirect Medical Education (IME) payment as required by Section 161 of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA).

The Excel workbooks along with a companion glossary of terms and formulas are posted on the CMS web site as follows:

<http://www.cms.gov/MedicareAdvtgSpecRateStats/Downloads/calculationdata2012.zip> .

- Medicare FFS County 2012 Web.xlsm (calculationdata2012.zip file)
- Medicare FFS County 2009 Web.xlsm (calculationdata2012.zip file)
- Medicare FFS_Glossary.pdf (calculationdata2012.zip file)

The glossary can be used for both the 2009 and 2012 workbooks. However formulas 1-6 do not apply to the 2009 workbook. Therefore start at formula 7 in the glossary for the 2009 workbook.

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