

20.1 - Capitation Rate Terminology

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FS Capitation Rate. Per 42 CFR 422.306(b)(2), the FFS rate is 100 percent of the adjusted average per capita cost (AAPCC) for the MA local area, (as determined under §1876(a)(4) of the Act), based on 100 percent of FFS costs for individuals who are not enrolled in an MA plan for the year, with the following adjustments:

- i. Adjusted as appropriate for the purposes of risk adjustment (see §50);
- ii. Adjusted to exclude costs attributable to payments for direct graduate medical education, defined in section 1886(h) of the Act; and
- iii. Adjusted to include CMS' estimate of the amount of additional per capita payments that would have been made in the MA local area if Medicare-entitled individuals who were also eligible to receive benefits at VA and DOD military facilities had not received services from these facilities (see §40.4).

Rebasing FFS Rates. CMS must rebase the FFS rates no less frequently than every 3 years. CMS has the authority to determine how often to rebase the FFS rates within this 3-year window. Rebasing the FFS rates means that CMS retabulates the per capita FFS expenditures for each county and equivalent area so that the FFS rates reflect more recent growth trends in FFS expenditures.

National Per Capita MA Growth Percentage. Per 42 CFR 422.308(a), the National Per Capita MA Growth Percentage for a year, applied to determine the annual capitation rates, is CMS' estimate of the rate of growth in per capita expenditures for an individual entitled to benefits under Part A and enrolled in Part B. CMS may make separate growth estimates for aged enrollees, disabled enrollees, and enrollees with ESRD status.

Minimum Percentage Increase Rate. Per 42 CFR 422.304(a), the minimum percentage increase rate is the greater of 102 percent of the MA capitation rate for the preceding year or the MA capitation rate for the preceding year increased by the national per capita MA growth percentage for the year.