10.2 - Overview of Rates and Payments

(Rev. 89; Issued: 11-02-07; Effective/Implementation: 11-02-07)

Effective CY 2006 and subsequent years, CMS makes advance monthly per capita payments for aged and disabled enrollees based on the bidding methodology established by the MMA. Under the bidding methodology, CMS' payment to MA organizations for each

aged and disabled plan enrollee are no longer based directly on the MA capitation rates published annually in the Announcement of Calendar Year Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies. Rather, the amount of CMS' payment is determined by the relationship of the plan bid to the benchmark amount, as explained in Chapter 7 on MA Bidding (forthcoming) and as summarized in §60 of this chapter.

Thus, effective 2006 the annual MA capitation rates are used for three purposes:

1. **Calculation of the plan-specific benchmark for coverage of aged and disabled enrollees**, which are compared to plan bids to determine whether there are savings and rebate dollars to fund coverage of non-Medicare covered benefits or whether the beneficiary must pay a plan premium for basic A/B benefits. See §60 for an overview of bids and benchmarks.

2. **Calculation of plan-specific geographic Intra-Service Area Rate (ISAR) adjustment factors**, which are used to produce the aged/disabled county payment rates specific to each plan for CCPs and PFFS plans. See §60.6 on the ISAR adjustment and plan-specific county payment rates.

3. **Calculation of ESRD payments**, which are determined outside of the bidding process using State capitation rates for enrollees in dialysis and transplant status and the county capitation rates for enrollees in functioning graft status. This use of capitation rates for ESRD payments is in effect until CMS exercises its authority under §1853(a)(1)(H) of the Act, implemented at 42 CFR 422.254(a)(2), to incorporate ESRD enrollee costs into the bidding process.