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From: Charles W. Hanson, Vice President of Finance, Secure Horizons, Ovations

Date: 12/21/07

Re: *Bid Pricing Tool (BPT) for Medicare Advantage (MA) Plans and Prescription Drug Plans (PDPs)*

We have reviewed the *Bid Pricing Tool (BPT) for Medicare Advantage (MA) Plans and Prescription Drug Plans (PDPs)* document and provide the following attached comments. These comments are provided on behalf of Ovations and other UnitedHealth Group affiliates, including AmeriChoice, that manage Medicare Advantage and Part D business (collectively "United").

We greatly appreciate the opportunity to comment, and we look forward to continuing to work with the Centers for Medicare & Medicaid Services (CMS) to develop successful products and services for Medicare beneficiaries. If you have any questions or concerns on our comments, please contact Barbara Reid at 715-858-2455 or via email at barbara_reid@uhc.com.

Bid Pricing Tool (BPT) for Medicare Advantage (MA) Plans and Prescription Drug Plans (PDPs)

Comments Submitted by
UnitedHealth Group/Ovations
Dec. 21, 2007

Medicare Advantage Bid Pricing Tool Instructions

1. Part D Reallocation

For CY 2009 we would like to see more flexibility in changing gain/loss margin with regard to reallocation on MAPD bids. The current parameters do not allow for much flexibility. Also, we feel using a percentage of revenue is more appropriate than a flat pmpm amount. Specifically, we recommend that plans be allowed to change gain/loss margin by up to plus or minus 0.25% (1/4%) to .50% (1/2%) of revenue during the rebate reallocation process.

This is particularly important for $0.00 premium plans, since an adjustment to member premium is not an option when reallocating rebates on a $0.00 premium product and, therefore, the only real option is adjusting member benefits. The limited flexibility to change gain/loss margin at reallocation time causes increased disruption to member benefits, which is not in the best interest of Medicare beneficiaries. At a minimum, plans should be allowed more flexibility to decrease gain/loss margin at reallocation time since that would put the members' interests first by giving plans the option to take more of any Part D reallocation shortfall out of the plan's gain/loss margin as opposed to out of the member's benefits.

2. Allocation of SG&A and Gain/Loss Margin

The SG&A and Gain/Loss Margins are allocated proportionally between Medicare Covered and A/B Mandatory Supplemental benefits, which is a generally reasonable approach. However, when we need to round the A/B member premium to the nearest dollar, say by $0.25 pmpm, because only the A/B Mandatory Supplement gain/loss impacts member premium, the total gain/loss would change by more than $1.00 pmpm. This is particularly problematic when we are reallocating A/B rebates in August given the tight guideline CMS established with regard to changes in gain/loss margin from the original bid submission (change in gain/loss margin was limited to just .67 cents pmpm). We suggest that CMS build in some flexibility on how to allocate SG&A and Gain/Loss Margin between Medicare Covered and A/B Mandatory Supplemental benefits to help mitigate these issues.

3. Earlier Release of National Averages

We recommend CMS complete desk reviews earlier and release National Averages sooner so materials production deadlines, as required by CMS, can be met. In addition, it would be extremely helpful to have advance notice of at least a week of the expected release date of the Part D National Average. This will allow plans to arrange and organize staffing to be available to handle the rebate reallocation process.

4. Earlier Release of Tools

CMS released beta test versions of the 2008 BPT Pricing Tools in February 2007 that were very helpful in preparing for the large volume of bids submitted by our organization. We encourage CMS to continue this practice with every annual bid cycle.

5. Release of Bid Pricing Tools (BPT) Instructions

The CY 2009 draft instructions are very similar to the CY 2008 final instructions, with the dates changed. It would be helpful for planning and preparation purposes to get a substantive draft of CY 2009 bid instructions released in January of 2008. We understand it would be a draft and still subject to change, but we expect CMS to know about the significant changes at the time of release of the draft instructions. We also request that there be no changes after May 1st in instructions, rules, guidance, BPT templates, etc. due to volume and complexity of bidwork.

Medicare Advantage Bid Pricing Tool

Worksheet 1

If a plan has more than one PBP category included in a bid line of the tool, the tool uses the average cost per service for the bid line rather than the average cost per service for the particular PBP category. We request that the additive utilization adjustment from Worksheet 1 not automatically calculate the PMPM allowed cost on Worksheet 2. This would make it easier to confirm that the correct utilization and cost per service flow through to Worksheet 2.

HPMS Bid Submission Module (as it relates to the MA BPT)

1. Bid Validation

Bid validation for 2008 did not check to see if we had correct versions of BPT files and PBP software. Since the Bid validation doesn't check if current versions of the BPT files and the PBP software are being uploaded, we have to wait for the HPMS e-mail with the reject notice, and then we have to re-upload. If a version check was contained in the Bid validation process (like in past years), then we

would not submit bids with invalid versions. This would lower the amount of re-uploads and the time spent on filing.

We also recommend CMS enhance and expand the validation tool in the software. Specifically, validation of the manually entered data against the bid file would increase plan data accuracy and would significantly reduce the number of plan corrections prior to the rebate reallocation process.

2. Simplifying the Upload Selection Process for Revisions

We recommend that CMS add to the tool the ability to upload a PBP and/or MA BPT and/or Part D BPT independent of one another. We had many instances where changes were required after the initial bid submissions that only impacted one of the three components, but we were required to submit all three components each time. When two of three components are not changing this seems like unnecessary work. This problem is compounded by the version issues identified in #3 below.

3. Previous BPT Versions

Current software does not allow previous versions of the BPT to be accepted. Having the ability to accept earlier BPT versions would save large amounts of time. For example, if we are only updating the PBP, we shouldn't have to re-run a Part D BPT in the latest version (since Part D numbers are not changing). Similarly, if we are only updating an MA BPT, we should not have to re-run a Part D BPT.

4. Upload Deadlines

This year, the 800 series gates closed before the stated deadline. Please ensure that the gates for all plans stay open until the deadline for bid submission and develop and communicate an appropriate escalation process within CMS to resolve such issues when they occur.

Prescription Drug Plan (PDP) Bid Pricing Tool

Worksheet II

1. Total Unit Cost (Section 3, column J). The total uses the Base Period Scripts as the "weights." We recommend the weighting be done using the projected scripts. Since the Total Unit Cost is an average of the projected unit costs, the "average" calculation should consider the projected utilization, not the beginning utilization. Otherwise, it isn't really an "average projected number."

2. Credibility (Section 4, column P). The calculation of Blended Allowed is done using the Allowed Dollars. We recommend the Unit Cost and Utilization

components be blended separately (and the Allowed Dollars based as the product of these components). The BPT also projects both utilization and unit costs (the components to Allowed Dollars). If the components are blended, and have the Allowed Dollars to be the product of the blended components, the pieces will tie out to the total. With the current approach, they may not tie out.