

**MEDICARE DRUG AND HEALTH PLAN CONTRACT ADMINISTRATION GROUP (MCAG)**

DATE: February 9, 2016

TO: Medicare Advantage Organizations  
Section 1876 Cost Plans

FROM: Kathryn A. Coleman  
Director

SUBJECT: Implementation of the Cost Contract Plan Transition Requirements under the Medicare Access and CHIP Reauthorization Act of 2015: Star Ratings and Clarification of Bid Submissions

This memo provides guidance on the Parts C and D Star Ratings and clarifies previous guidance concerning bid submissions associated with the cost contract transition provisions of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA). This memo supplements our December 7, 2015 HPMS memo, *Implementation of the Cost Contract Plan Transition Requirements under the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA)*.

**Star Ratings**

MACRA § 209(d) includes an amendment to § 1853(o)(4) of Title XVIII of the Social Security Act and defines how Star Ratings of converted Medicare Advantage (MA) plans will be determined. Under MACRA, for the first three years as a converted MA plan receiving deemed enrollment, the converted MA plan is not treated as a new MA plan, and if sufficient MA contract Star Ratings data are not available for the converted plan, the Star Rating will be based on data from the cost plan's previous contract. For reference, the list of measures and methodology included in each year of the Parts C and D Star Ratings is described in the Technical Notes available on the CMS webpage: <http://go.cms.gov/partcanddstarratings>.

Existing cost plans may convert to MA plans for contract years 2017, 2018, or 2019 and may be offered by either the entity offering the existing cost plan or by an entity that shares the same parent organization as the cost plan.

For those organizations that are converting a cost plan to a plan under an existing MA-PD contract with other MA-PD plans, there is sufficient contract Star Ratings data available for the converted plan. For those organizations that are creating a new MA-PD contract for the purpose of conversion, the Star Ratings will be calculated as follows:

In order to meet MA contracting requirements, contracts holding a cost plan and wishing to convert that cost plan to an MA plan will need to offer at least one Medicare Advantage

Prescription Drug (MA-PD) plan under the contract containing the converted cost plan.<sup>1</sup> If the current contract holding the cost plan offered any plan with prescription drug coverage, the Part D portion of the Star Ratings from that contract holding the cost plan will be applied to the contract holding the converted cost plan. If the contract holding the cost plan has not previously offered any plans with prescription drug coverage, the contract holding the converted cost plan will not have an Overall Rating until data are available for the new contract holding the converted cost plan, because both a Part C and a Part D Summary Rating are needed to produce an Overall Rating for a MA-PD contract. Thus, for purposes of Quality Bonus Payments for converted contracts with no Overall Rating or Part D summary rating, CMS will follow the same rules for assigning a Quality Bonus Payment Rating as is currently applied for low enrollment MA-PD contracts. For further information on the low enrollment designation see the *Advance Notice of Methodological Changes for Calendar Year (CY) 2016 for Medicare Advantage (MA) Capitation Rates, Part C and Part D Payment Policies and 2016 Call Letter*, published on February 20, 2015.

### **Bid Submissions**

As stated in the December 7, 2015 HPMS memo, “Cost plans are permitted to provide optional supplemental benefits to enrollees, but not mandatory supplemental benefits. CMS has permitted cost plans to enter optional supplemental benefits into the Plan Benefit Package (PBP) as mandatory supplemental benefits for display on Medicare Plan Finder as an administrative convenience in the past.” We are clarifying that cost plans may continue this practice unless they intend to convert to an MA plan for the next contract year. Cost plans intending to convert to an MA plan for the next contract year should submit a PBP to CMS in which both mandatory and optional supplemental benefits are entered in accordance with the rules applied to all MA plans. This will allow CMS to appropriately calculate beneficiary costs (Total Beneficiary Cost) for the converted plan.

If you have questions about this guidance please submit them to <https://dpap.lmi.org>.

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<sup>1</sup> Please see the *Contracting* section of the December 7, 2015 memo, specifying that cost plans must comply with this and other MA program requirements.