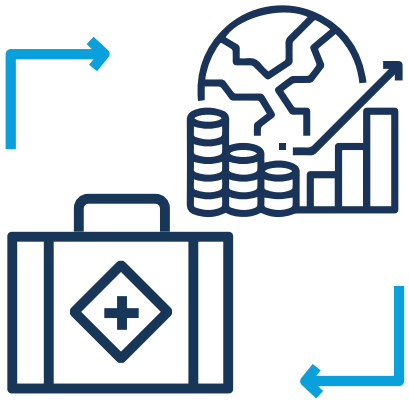
# Medicare Advantage Rate Setting Process

**FACT SHEET** February 2022

BETTER MEDICARE ALLIANCE

## Advance Notice and Rate Announcement Background and Purpose

The Centers for Medicare & Medicaid Services (CMS) are required to determine and publicly release annual payment rates for Medicare Advantage and Part D plans each year. The process is defined by statute[1] and begins with the public release of a proposed rate and payment policy modifications, called the Advance Notice. Historically, the Advance Notice is announced between January and early February, although it may be announced earlier.



The public then has the opportunity to comment on the Advance Notice. Following the public comment period, CMS issues the Final Rate Announcement, which finalizes the payment updates, policy changes, and county-level benchmarks for the next contract year. Other policy changes impacting Medicare Advantage and Part D may be issued through separate regulations and guidance throughout the year.[2]

Medicare Advantage and Part D plans use the information in the Rate Announcement to develop their annual plan bids. Medicare Advantage plan bids take into account the expected cost of providing Part A and Part B services, prescription drugs when offered, and supplemental benefits.

| | SUMMARY | TIMEFRAME OR DEADLINE |
|---|---|---|
| CMS announces the Advance Notice | CMS proposes rate and payment policy changes for the upcoming contract year | Typically between January and February and must be announced at least 60 days before the first Monday of April |
| Public comment period opens | The public may submit comments on the proposed changes. The comment period is 30 days*. | Typically opens in January or February and closes by March, depending on when the Advance Notice is first announced |
| CMS issues the Final Rate Announcement | CMS finalizes payment updates and policy changes for the upcoming contract year in the Final Rate Announcement | First Monday of April |
| Medicare Advantage plan bids due | Medicare Advantage plans use the Final Rate Announcement to develop their annual bids | First Monday of June |

1 42 U.S.C. § 1395w-23(b).

2 For additional information on the complete Medicare Advantage and Part D regulatory cycle, see the infographic – The Medicare Advantage Regulatory Cycle.

* If the Advance Notice proposes risk adjustment changes covered under the 21st Century Cures Act, CMS is required to have a longer public comment period (60 days). In the event a longer public comment period is required, CMS may release the Advance Notice in two parts, as it has been in recent years.

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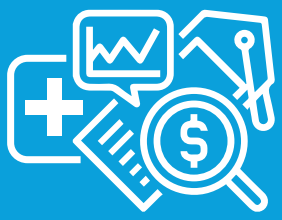
## Key Facts

- The Centers for Medicare & Medicaid Services (CMS) issues annual payment updates to rates for Medicare Advantage and Medicare Prescription Drug Plans (Plan D) in the Advance Notice and Rate Announcement.
- Medicare Advantage payment rates are primarily based on spending trends in Fee-For-Service (FFS) Medicare.
- The rates and policy changes inform the development of Medicare Advantage plan bids, which include each plan's benefits and beneficiary cost-sharing estimates for the upcoming contract year.
- CMS may propose separate policy changes impacting Medicare Advantage and Part D through the rulemaking process or Agency guidance throughout the year.

## Key Payment Updates and Policies are Addressed in the Advance Notice and Rate

The Advance Notice and Rate Announcement are used to update policies that impact the annual benchmark[3] and overall payment in Medicare Advantage. CMS announces benefit parameters, such as the deductible and out-of-pocket threshold, elements related to the Low-Income Subsidy (LIS), and other risk sharing factors. Proposed policy updates or changes may address:

- Growth rates in FFS Medicare an Medicare Advantage
- Risk adjustment
- Coding intensity
- FFS Medicare normalization adjustments
- Policies within Medicare Advantage – Employer Group Waiver Plans, Special Needs Plans
- Medicare Part D prescription drugs



Significant changes to any one of these policy areas that impact payment require adjustments by health plans. Adjustments by health plans may in turn impact provider payments, the benefits offered by each plan, including supplemental benefits, and beneficiary cost sharing.

## BMA's Perspective

A stable payment rate environment ensures health plans have the resources necessary to deliver benefits to enrollees, develop and implement innovative benefit design and care delivery models, offer reduced premiums and out-of-pocket costs, and provide high-quality, coordinated, and affordable care for the millions of beneficiaries in Medicare Advantage across the country

[3] CMS determines county-level benchmarks each year based on the average cost of coverage for individual enrollees in FFS Medicare. Health plans receive a monthly capitated payment based, in part, on the benchmark to deliver Medicare benefits to Medicare Advantage beneficiaries. For more information on benchmarks, see the fact sheet – The Use of Benchmarks for Payment in Medicare Advantage and Necessary Adjustments.