
CMS Manual System

Pub. 100-16 Medicare Managed Care

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal 85

Date: APRIL 27, 2007

SUBJECT: Revisions to Chapter 18 Subpart B Section 110, Determining Deductibles and Coinsurance

I. **SUMMARY OF CHANGES:** This revision includes the following changes:

- The paragraph preceding the Part B deductible chart has been revised to state years 1985-2007
- The Medicare Part B Deductible Table has been updated to reflect deductibles for years 2001 through 2007

New / Revised Material

Effective Date: April 27, 2007

Implementation Date: April 27, 2007

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. **CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual not updated.)**
(R = REVISED, N = NEW, D = DELETED) – (Only One Per Row.)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	18B/110 Determining Deductibles and Coinsurance

III. **FUNDING: No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2007 operating budgets.**

IV. **ATTACHMENTS:**

	Business Requirements
X	Manual Instruction
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

***Unless otherwise specified, the effective date is the date of service.**

Medicare Managed Care Manual

Chapter 18 Subchapter B

Payment Principles for Cost-Based HCPPs

(Rev. 85, 04-27-07)

110- Determining Deductibles and Coinsurance

(Rev. 85; Issued: 04-27-07; Effective/Implementation Dates: 04-27-07)

In determining the amount due the HCPP, CMS will deduct from the reasonable cost actually incurred by the organization in furnishing Medicare covered services to Medicare enrollees, an amount equal to the value of the Medicare deductible and coinsurance amounts which would have been payable if the Medicare beneficiary had not elected the HCPP. However, this amount which becomes the Medicare enrollees' liability for covered services, cannot exceed, on the average, the actuarial value of the deductible and coinsurance the Medicare enrollees otherwise would have been liable for had they not elected the HCPP or another Medicare HCPP. This actuarial value is provided by CMS' actuaries on a calendar year basis and is the same amount used for M+C organizations.

During each calendar year, Part B pays 80 percent of the reasonable charges after the deductible has been met per beneficiary. However, Part B cannot pay for the first three pints of blood a beneficiary receives on an outpatient basis in a calendar year. Starting with the fourth pint per beneficiary, Part B pays 80 percent of the reasonable charge after the deductible has been met.

At the time the HCPP prepares its budget and enrollment forecast (60 days prior to each contract period), the HCPP must calculate the Medicare enrollees' estimated deductible and coinsurance amounts for the upcoming contract period. The following method, known as the actuarial method, is used for premium determination and budget forecasting.

The HCPP must first report the appropriate standard Part B deductible for its reporting period. The actuarial values of the Medicare Part B monthly deductible for the years 1985 through 2007, as determined by CMS, are:

Year	Actuarial Value
1985	\$ 5.03
1986	\$ 5.05
1987	\$ 5.00

Year	Actuarial Value
1988	\$ 5.28
1989	\$ 5.41
1990	\$ 5.29
1991	\$ 6.65
1992	\$ 6.92
1993	\$ 7.08
1994	\$ 7.23
1995	\$ 7.22
1996	\$ 7.46
1997	\$ 7.48
1998	\$ 7.51
1999	\$ 7.71
2000	\$ 7.58
2001	\$ 7.56
2002	\$ 7.64
2003	\$ 7.54
<i>2004</i>	<i>\$7.54</i>
<i>2005</i>	<i>\$8.85</i>
<i>2006</i>	<i>\$9.88</i>
<i>2007</i>	<i>\$10.69</i>

Next, the HCPP will compute the Part B blood deductible amount and the Mental Health Copayment. The third major step is to calculate the Part B coinsurance on costs paid directly by the HCPP. The last part is to calculate the Part B coinsurance on carrier paid

bills. The sum of these items represents the total Medicare deductible and coinsurance amount.

The computation of the HCPP Medicare enrollee premium (for Medicare services covered under this agreement) would include the aforementioned deductible and coinsurance, prior years' under/over collection of premium and the subtraction of any enrollee copayments.