

Medicare-Medicaid Alignment Initiative CY 2014 Rate Report December 3, 2013

The Illinois Department of Healthcare and Family Services (HFS), in conjunction with the Centers for Medicare and Medicaid Services (CMS), are releasing CY 2014 rates for the Medicare-Medicaid Alignment Initiative (MMAI).

The general principles of the rate development process for the Demonstration have been outlined in the Memorandum of Understanding (MOU) between CMS and the State of Illinois.

Included in this report are Medicare county base rates and information supporting the estimation of risk adjusted Medicare components of the rate as well as the Medicaid component of the rates.

I. Components of the Capitation Rate

CMS and the State of Illinois will each contribute to the global capitation payment. CMS and the State of Illinois will each make monthly payments to Demonstration Plans for their components of the capitated rate. Demonstration Plans will receive three monthly payments for each enrollee: one amount from CMS reflecting coverage of Medicare Parts A/B services, one amount from CMS reflecting coverage of Medicare Part D services, and a third amount from the HFS reflecting coverage of Medicaid services.

The Medicare Parts A/B rate component will be risk adjusted using the Medicare Advantage CMS-HCC and CMS HCC-ESRD models. The Medicare Part D payment will be risk adjusted using the Part D RxHCC model. To risk adjust the Medicaid component, the State assigns each enrollee to a rating category (RC) according to the individual enrollee's setting of care, age and geographic service area for the purposes of risk adjusting the Medicaid payment.

. Section II of this report provides information on the Medicaid component of the rate. Section III includes information on the Medicare Parts A/B and Medicare Part D components of the rate and Section IV contains information on the savings percentages and quality withholds.

Medicare-Medicaid Alignment Initiative CY 2014 Rate Report December 3, 2013

II. Medicaid Component of the Rate – CY 2014 (February – December, 2014)

The rates in this report are valid for Enrollees residing in the geographic area described below for February – December, 2014.

Age Group/RateCell/Region	Baseline Member Months ¹	Rebalanced Member Months ²	Projected Baseline Rate ³	Demonstration Capitation Rate ⁴	Demonstration Expenditures ⁵
AGE 21-64					
Community - Greater Chicago	287,018	287,018	\$134.18	\$132.84	\$ 38,130,000
Community Plus - Greater Chicago ⁶	-	303	323.35	320.12	100,000
Nursing Facility - Greater Chicago	28,377	27,731	3,233.49	3,201.16	88,770,000
Waiver - Greater Chicago	26,361	26,440	1,659.07	1,642.48	43,430,000
Waiver Plus - Greater Chicago ⁷	-	264	2,708.69	2,681.60	710,000
Greater Chicago Composite	341,756	341,756	\$ 505.80	\$ 500.74	\$ 171,140,000
Community – Central Illinois	63,750	63,750	\$ 133.34	\$ 132.01	\$ 8,420,000
Community Plus - Central Illinois ⁶	-	35	287.47	284.60	10,000
Nursing Facility - Central Illinois	3,328	3,266	2,874.72	2,845.98	9,300,000
Waiver - Central Illinois	5,745	5,742	1,465.47	1,450.82	8,330,000
Waiver Plus - Central Illinois ⁷	-	30	2,404.97	2,380.92	70,000
Central Illinois Composite	72,824	72,824	\$ 362.35	\$358.72	\$ 26,130,000
AGE 65+					
Community - Greater Chicago	261,108	261,108	\$ 53.82	\$ 53.28	\$ 13,910,000
Community Plus - Greater Chicago ⁶	-	914	321.23	318.02	290,000
Nursing Facility - Greater Chicago	70,836	69,086	3,212.29	3,180.17	219,700,000
Waiver - Greater Chicago	101,955	102,143	1,029.86	1,019.56	104,140,000
Waiver Plus - Greater Chicago ⁷	-	648	2,484.81	2,459.96	1,590,000
Greater Chicago Composite	433,899	433,899	\$ 790.68	\$ 782.77	\$ 339,630,000
Community – Central Illinois	21,253	21,253	\$ 60.03	59.43	\$ 1,260,000
Community Plus - Central Illinois ⁶	-	188	276.51	273.74	50,000
Nursing Facility - Central Illinois	14,562	14,196	2,765.07	2,737.42	38,860,000
Waiver - Central Illinois	11,230	11,264	952.28	942.76	10,620,000
Waiver Plus - Central Illinois ⁷	-	144	2,160.80	2,139.20	310,000
Central Illinois Composite	47,045	47,045	\$ 1,097.23	\$ 1,086.26	\$ 51,100,000

1. Baseline member months are projected from SFY 2011 membership, assuming growth and participation specific to MMAI excluding the impact of population movement.
2. Rebalanced member months apply population movement assumptions to baseline projected membership to estimate rate cell payments in the contract period.
3. The projected baseline rate illustrates the estimated Medicaid cost to the state absent the MMAI demonstration on a per member per month basis.
4. The demonstration capitation rate applies 1% savings to the baseline rate as outlined in the Memorandum of Understanding between the state and CMS.
5. Demonstration expenditures represent the estimated cost for the Medicaid component of the MMAI for the contract period.
6. The Community Plus rate is developed as 10% of the Nursing Facility rates to reflect increased behavioral health needs upon discharge to the community.
7. The Other Waiver Plus rate is developed as the base Other Waiver rate plus 2/3 of the difference between the Nursing Facility and Other Waiver rates.

Medicare-Medicaid Alignment Initiative

CY 2014 Rate Report

December 3, 2013

III. Medicare Components of the Rate – CY 2014

Medicare A/B Services

CMS has developed baseline spending (costs absent the Demonstration) for Medicare A and B services using estimates of what Medicare would have spent on behalf of the enrollees absent the Demonstration. With the exception of specific subsets of enrollees as noted below, the Medicare baseline for A/B services is a blend of the Medicare Fee-for-Service (FFS) Standardized County Rates and the Medicare Advantage projected payment rates for each year, weighted by the proportion of the target population that would otherwise be enrolled in each program in the absence of the Demonstration. The Medicare Advantage baseline spending includes costs that would have occurred absent the Demonstration, such as quality bonus payments for applicable Medicare Advantage plans.

Both baseline spending and payment rates under the Demonstration for Medicare A/B services are calculated as PMPM standardized amounts for each Demonstration county. Except as otherwise noted, the Medicare A/B portion of the baseline will be updated annually consistent with the annual FFS estimates and benchmarks released each year with the annual Medicare Advantage and Part D rate announcement.

Medicare A/B Component Payments: CY 2014 Medicare A/B Baseline County rates are provided below. The rates represent the weighted average of the CY 2014 FFS Standardized County Rates, updated to incorporate the adjustments noted below, and the Medicare Advantage projected payment rates for CY 2014 based on the expected enrollment of beneficiaries from Medicare FFS and Medicare Advantage in CY 2014 at the county level. The rates weight the FFS and Medicare Advantage components based on the CY 2013 distribution of potential MMAI enrollees.

The Medicare A/B component of the rate includes the following adjustments:

- The FFS component of the CY 2014 Medicare A/B baseline rates has been updated to fully incorporate the most current hospital wage index and physician geographic practice cost index. This adjustment is applied only to the FFS component of the Medicare A/B baseline and the rate update factor for this change varies by county (see following tables for additional information). The adjustment is applied within the Medicare Advantage component of the Medicare A/B baseline through the phase-in process detailed in the 2014 Medicare Advantage Rate Announcement.
- In addition, the FFS component of the CY 2014 Medicare A/B baseline rate has also been updated to reflect a 1.89% upward adjustment to account for the disproportionate share of bad debt attributable to Medicare-Medicaid enrollees in Medicare FFS (in the absence of the Demonstration). This 1.89% adjustment applies for CY 2014 and will be updated for subsequent years of the Demonstration.

Coding Intensity Adjustment: CMS annually applies a coding intensity factor to Medicare Advantage risk scores to account for differences in diagnosis coding patterns between the Medicare Advantage and the Original Fee-for-Service Medicare programs. The adjustment for CY 2014 is 4.91%. The majority of new MMAI enrollees will come from Medicare FFS, and CY 2014 Demonstration Plan risk scores for those individuals will be based solely on prior FFS claims. Therefore, for CY 2014 CMS will establish the FFS component of the Medicare A/B baseline in a manner that does not lead to lower

Medicare-Medicaid Alignment Initiative CY 2014 Rate Report December 3, 2013

amounts due to this coding intensity adjustment. Operationally, due to systems limitations, CMS will still apply the coding intensity adjustment factor to the risk scores but will increase the FFS component of the Medicare A/B baseline for non-ESRD beneficiaries and the Medicare A/B baseline for beneficiaries with an ESRD status of functioning graft to offset this (by increasing these amounts by a corresponding percentage). The coding intensity factor will not be applied to risk scores for enrollees with an ESRD status of dialysis or transplant during the Demonstration, consistent with Medicare Advantage policy.

In CY 2015, CMS will apply an appropriate coding intensity adjustment reflective of all Demonstration enrollees; this will apply the prevailing Medicare Advantage coding intensity adjustment proportional to the anticipated proportion of Demonstration enrollees in CY 2015 with prior Medicare Advantage experience and/or Demonstration experience based on the Demonstration's enrollment phase-in as of September 30, 2014

After CY 2015, CMS will apply the prevailing Medicare Advantage coding intensity adjustment. Additional information will be included in the CY 2015 Rate Report.

Impact of Sequestration: Under sequestration, for services beginning April 1, 2013, Medicare payments to providers for individual services under Medicare Parts A and B, and non-exempt portions of capitated payments to Part C Medicare Advantage Plans and Part D Medicare Prescription Drug Plans are reduced by 2%. These reductions are also applied to the Medicare components of the integrated rate. Therefore, under MMAI CMS will reduce non-exempt portions of the Medicare components of the integrated rate by 2%, as noted in the sections below.

Default Rate: The default rate will be paid when a beneficiary's address on record is outside of the service area. The default rate is specific to each Demonstration Plan and is calculated using an enrollment-weighted average of the rates for each county in which the Demonstration Plan participates.

**Medicare-Medicaid Alignment Initiative
CY 2014 Rate Report
December 3, 2013**

CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County*			
County	CY 2014 Medicare A/B Baseline PMPM (after application of repricing**, bad debt and coding intensity adjustments)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (after application of 2% sequestration reduction and prior to quality withhold)
Champaign	\$736.68	\$729.31	\$714.73
Christian	801.95	793.93	778.05
Cook	964.79	955.14	936.04
DeWitt	767.83	760.15	744.95
DuPage	864.95	856.30	839.17
Ford	875.53	866.78	849.44
Kane	898.13	889.15	871.36
Kankakee	897.88	888.90	871.12
Knox	824.91	816.66	800.33
Lake	890.38	881.47	863.84
Logan	753.95	746.41	731.48
McLean	725.29	718.04	703.68
Macon	744.55	737.11	722.37
Menard	709.46	702.37	688.32
Peoria	734.96	727.61	713.06
Piatt	789.40	781.51	765.88
Sangamon	719.74	712.54	698.29
Stark	750.19	742.68	727.83
Tazewell	759.77	752.17	737.13
Vermillion	780.37	772.57	757.12
Will	941.07	931.66	913.02

Note: See subsequent table for additional detail.

*Rates do not apply to beneficiaries with End-Stage Renal Disease (ESRD) or those electing the Medicare hospice benefit. See Section IV for information on savings percentages.

**Repricing to reflect most recent current hospital wage index and physician geographic practice cost index.

**Medicare-Medicaid Alignment Initiative
CY 2014 Rate Report
December 3, 2013**

CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County (Additional Detail)*								
County	CY 2014 Published FFS Standardized County Rate	CY 2014 Percentage Update for Re-pricing (county- specific)	CY 2014 Medicare A/B FFS Re-Priced Baseline (updated to incorporate repricing)	CY 2014 Medicare FFS A/B Baseline (updated by 1.89% bad debt adjustment)	CY 2014 Medicare FFS Final A/B Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)**	CY 2014 Updated Medicare A/B Baseline (incorporating Final Medicare A/B FFS baseline and Medicare Advantage component)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (2% sequestrati on reduction applied, prior to quality withhold)
Champaign	\$681.74	0.36%	\$684.20	\$697.13	\$733.12	\$736.68	\$729.31	\$714.73
Christian	747.20	0.18%	748.55	762.70	802.08	801.95	793.93	778.05
Cook	904.25	-0.03%	904.01	921.09	968.65	964.79	955.14	936.04
DeWitt	714.57	0.13%	715.52	729.04	766.69	767.83	760.15	744.95
DuPage	809.11	0.03%	809.31	824.61	867.19	864.95	856.30	839.17
Ford	816.26	0.23%	818.16	833.62	876.67	875.53	866.78	849.44
Kane	840.17	0.04%	840.47	856.35	900.57	898.13	889.15	871.36
Kankakee	838.49	-0.03%	838.22	854.07	898.16	897.88	888.90	871.12
Knox	770.91	0.01%	770.98	785.55	826.11	824.91	816.66	800.33
Lake	831.35	0.01%	831.42	847.13	890.88	890.38	881.47	863.84
Logan	702.07	0.16%	703.19	716.48	753.47	753.95	746.41	731.48
McLean	673.71	0.12%	674.53	687.28	722.77	725.29	718.04	703.68
Macon	694.03	0.10%	694.71	707.84	744.39	744.55	737.11	722.37
Menard	660.39	0.17%	661.49	674.00	708.80	709.46	702.37	688.32
Peoria	688.19	-0.60%	684.07	697.00	732.99	734.96	727.61	713.06
Piatt	735.14	0.21%	736.72	750.64	789.40	789.40	781.51	765.88
Sangamon	669.74	0.19%	670.98	683.66	718.96	719.74	712.54	698.29
Stark	702.78	-0.38%	700.12	713.35	750.19	750.19	742.68	727.83

**Medicare-Medicaid Alignment Initiative
CY 2014 Rate Report
December 3, 2013**

CY 2014 Medicare A/B Baseline PMPM, Non-ESRD Beneficiaries, Standardized 1.0 Risk Score, by Demonstration County (Additional Detail)*								
County	CY 2014 Published FFS Standardized County Rate	CY 2014 Percentage Update for Re-pricing (county- specific)	CY 2014 Medicare A/B FFS Re-Priced Baseline (updated to incorporate repricing)	CY 2014 Medicare FFS A/B Baseline (updated by 1.89% bad debt adjustment)	CY 2014 Medicare FFS Final A/B Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)**	CY 2014 Updated Medicare A/B Baseline (incorporating Final Medicare A/B FFS baseline and Medicare Advantage component)	CY 2014 Medicare A/B Baseline, Savings Percentage Applied (after application of 1% savings percentage)	CY 2014 Medicare A/B PMPM Payment (2% sequestrati on reduction applied, prior to quality withhold)
Tazewell	710.86	-0.58%	706.72	720.08	757.26	759.77	752.17	737.13
Vermillion	720.17	1.04%	727.67	741.42	779.71	780.37	772.57	757.12
Will	881.00	0.02%	881.18	897.83	944.19	941.07	931.66	913.02

*Rates do not apply to beneficiaries with ESRD or those electing the Medicare hospice benefit. See Section III for information on savings percentages.

**For CY 2014 CMS will establish rates in a manner that does not lead to lower amounts for this coding intensity adjustment. Operationally, due to systems limitations, CMS will still apply the coding intensity adjustment factor to the risk scores but has increased the FFS component of the Medicare A/B baseline for non-ESRD beneficiaries to offset this. Specifically, CMS will increase the Medicare A/B baseline by a corresponding percentage; (as above, the CY 2014 Medicare FFS A/B Baseline is divided by (1- the CY 2014 coding intensity adjustment factor of 4.91%) to determine the CY 2014 Final Medicare FFS A/B Baseline.

Medicare-Medicaid Alignment Initiative CY 2014 Rate Report December 3, 2013

The Medicare A/B PMPMs above will be risk adjusted at the beneficiary level using the existing CMS-HCC risk adjustment model.

Beneficiaries with End-Stage Renal Disease (ESRD): Separate Medicare A/B baselines and risk adjustment will apply to enrollees with ESRD. The Medicare A/B baselines for beneficiaries with ESRD will vary by the enrollee's ESRD status: dialysis, transplant, and functioning graft, as follows:

- **Dialysis:** For enrollees in the dialysis status phase, the Medicare A/B baseline will be the CY 2014 Illinois ESRD dialysis state rate, updated to incorporate the impact of sequestration-related rate reductions. The CY 2014 ESRD dialysis state rate for Illinois is \$7,077.87 PMPM; the updated CY 2014 ESRD dialysis state rate incorporating a 2% sequestration reduction and prior to the application of the quality withhold is \$6,936.31 PMPM. This will apply to applicable enrollees in all counties and will be risk adjusted using the existing HCC-ESRD risk adjustment model.
- **Transplant:** For enrollees in the transplant status phase (inclusive of the 3-months post-transplant), the Medicare A/B baseline will be the CY 2014 Illinois ESRD dialysis state rate updated to incorporate the impact of sequestration-related rate reductions. The CY 2014 ESRD dialysis state rate for Illinois is \$7,077.87 PMPM; the updated CY 2014 ESRD dialysis state rate incorporating a 2% sequestration reduction and prior to the application of the quality withhold is \$6,936.31 PMPM. This will apply to applicable enrollees in all counties and will be risk adjusted using the existing HCC-ESRD risk adjustment model.
- **Functioning Graft:** For enrollees in the functioning graft status phase (beginning at 4 months post-transplant) the Medicare A/B baseline will be the Medicare Advantage 3-star county rate/benchmark (see table below). This Medicare A/B component will be risk adjusted using the existing HCC-ESRD risk adjustment model.

A savings percentage will not be applied to the Medicare A/B baseline for enrollees with ESRD (inclusive of those enrollees in the dialysis, transplant and functioning graft status phases).

CY 2014 Medicare A/B Baseline PMPM, ESRD Beneficiaries in Functioning Graft Status, Standardized 1.0 Risk Score, by Demonstration County			
County	CY 2014 3-Star County Rate (Benchmark)	CY 2014 Medicare A/B PMPM Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)*	CY 2014 Sequestration Adjusted Rate (after application of 2% sequestration reduction and prior to quality withhold)
Champaign	\$804.45	\$845.99	\$829.07
Christian	769.62	809.36	793.17
Cook	886.17	931.93	913.29
DeWitt	789.60	830.37	813.76
DuPage	792.93	833.88	817.20
Ford	840.75	884.16	866.48
Kane	837.90	881.17	863.55
Kankakee	836.99	880.21	862.61

Medicare-Medicaid Alignment Initiative CY 2014 Rate Report December 3, 2013

CY 2014 Medicare A/B Baseline PMPM, ESRD Beneficiaries in Functioning Graft Status, Standardized 1.0 Risk Score, by Demonstration County			
County	CY 2014 3-Star County Rate (Benchmark)	CY 2014 Medicare A/B PMPM Baseline (increased to offset application of coding intensity adjustment factor in CY 2014)*	CY 2014 Sequestration Adjusted Rate (after application of 2% sequestration reduction and prior to quality withhold)
Knox	794.04	835.04	818.34
Lake	814.72	856.79	839.65
Logan	775.79	815.85	799.53
McLean	794.98	836.03	819.31
Macon	818.96	861.25	844.03
Menard	779.26	819.49	803.10
Peoria	827.76	870.50	853.09
Piatt	812.33	854.28	837.19
Sangamon	790.29	831.10	814.48
Stark	827.10	869.80	852.40
Tazewell	830.61	873.50	856.03
Vermillion	795.79	836.88	820.14
Will	863.38	907.97	889.81

*For CY 2014 CMS will establish rates in a manner that does not lead to lower amounts for this coding intensity adjustment. Operationally, due to systems limitations, CMS will still apply the coding intensity adjustment factor to the risk scores but has increased the Medicare A/B baseline for beneficiaries with an ESRD status of functioning graft to offset this. Specifically, CMS has increased the Medicare A/B baseline by a corresponding percentage; as above, the CY 2014 Updated Medicare A/B Baseline is divided by (1-the CY 2014 coding intensity adjustment factor of 4.91%) to determine the CY 2014 Final Medicare A/B Baseline. For beneficiaries with an ESRD status of functioning graft status, the prospective payment will not include the adjustment to offset the application of coding intensity adjustment factor; this payment adjustment will be made on a retrospective basis.

Beneficiaries Electing the Medicare Hospice Benefit: If an enrollee elects to receive the Medicare hospice benefit, the enrollee will remain in the Demonstration but will obtain the hospice services through the Medicare FFS benefit. The Demonstration Plans will no longer receive the Medicare A/B payment for that enrollee. Medicare hospice services and all other Original Medicare services will be paid under Medicare FFS. Demonstration Plans and providers of hospice services will be required to coordinate these services with the rest of the enrollee's care, including with Medicaid and Part D benefits and any additional benefits offered by the Demonstration Plans. Demonstration Plans will continue to receive the Medicare Part D and Medicaid payments, for which no changes would occur.

Medicare-Medicaid Alignment Initiative CY 2014 Rate Report December 3, 2013

Medicare Part D Services

The Part D plan payment will be the risk adjusted Part D national average monthly bid amount (NAMBA) for the payment year, adjusted for payment reductions resulting from sequestration applied to the non-premium portion of the NAMBA. The non-premium portion is determined by subtracting the applicable regional Low-Income Premium Subsidy Amount from the risk adjusted NAMBA. To illustrate, the NAMBA for CY 2014 is \$75.88 and the CY 2014 Low-Income Premium Subsidy Amount for Illinois is \$28.59. Thus, the updated Illinois Part D monthly per member per month payment for a beneficiary with a 1.0 RxHCC risk score applicable for CY 2014 is \$74.93. This amount incorporates a 2% sequestration reduction to the non-premium portion of the NAMBA.

CMS will pay an average monthly prospective payment amount for the low income cost-sharing subsidy and Federal reinsurance amounts; these payments will be 100% cost reconciled after the payment year has ended. These prospective payments will be the same for all counties, and are shown below:

- Illinois low income cost-sharing: \$139.85 PMPM
- Illinois reinsurance: \$76.22 PMPM

The low-income cost sharing and reinsurance subsidy amounts are exempt from mandatory payment reductions under sequestration.

A savings percentage will not be applied to the Part D component of the rate. Part D payments will not be subject to a quality withhold.

Risk Scores: For the purposes of assisting Demonstration Plans in evaluating the potential range of the Medicare Parts A/B and Part D components of the rate under the Demonstration, HCC and RxHCC risk score information is provided below for informational purposes. This information represents the HCC and RxHCC risk scores as of 2011 for full benefit FFS Medicare-Medicaid beneficiaries, in each county.

Note that these are not the actual risk scores that would be applied to the Medicare A/B and Part D baseline payment rates provided above, but represent a historical average risk score of the beneficiaries likely to be Demonstration enrollees. Actual scores will be based on actual coding for Demonstration Plan enrollees; the table below is for informational purposes only.

2011 HCC and RxHCC Risk Score Information, Illinois Medicare-Medicaid Enrollees, Non-ESRD FFS Beneficiaries*

	Average HCC Risk Score	Average RxHCC Risk Score
Champaign	1.239	1.274
Christian	1.237	1.210
Cook	1.335	1.215
DeWitt	1.289	1.252
DuPage	1.334	1.227
Ford	1.328	1.259
Kane	1.315	1.237
Kankakee	1.298	1.313
Knox	1.301	1.293

**Medicare-Medicaid Alignment Initiative
CY 2014 Rate Report
December 3, 2013**

	Average HCC Risk Score	Average RxHCC Risk Score
Lake	1.303	1.237
Logan	1.257	1.237
McLean	1.281	1.267
Macon	1.228	1.248
Menard	1.196	1.211
Peoria	1.227	1.266
Piatt	1.354	1.291
Sangamon	1.240	1.258
Stark	1.379	1.265
Tazewell	1.285	1.267
Vermillion	1.213	1.207
Will	1.380	1.277

*Weighted by beneficiary member months.

Note: The HCC risk scores for non-ESRD beneficiaries included in this analysis have the 2011 coding intensity adjustment of 3.41% applied. As discussed above, CMS will calculate rates as if the coding intensity adjustment factor were not applied in calendar year CY 2014. Operationally, due to systems limitations, CMS will still apply the coding intensity adjustment factor to the risk scores but will increase the FFS component of the Medicare A/B baseline for non-ESRD beneficiaries and the Medicare A/B baseline for beneficiaries with an ESRD status of functioning graft to offset this (by increasing these amounts by a corresponding percentage). For example, to estimate a range of potential payments for non-ESRD beneficiaries, apply the risk scores above to the CY 2014 Medicare A/B PMPM payments provided above.

Additional Information: More information on the Medicare components of the rate under the Demonstration may be found online at

<http://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/JointRateSettingProcess.pdf>

**Medicare-Medicaid Alignment Initiative
CY 2014 Rate Report
December 3, 2013**

IV. Savings Percentages and Quality Withholds

Savings Percentages

One of the components of the capitated financial alignment model is the application of aggregate savings percentages to reflect savings achievable through the coordination of services across Medicare and Medicaid. This is reflected in the rates through the application of aggregate savings percentages to both the Medicaid and Medicare A/B components of the rates.

CMS and Illinois established composite savings percentages for each year of the Demonstration, as shown in the table below. The savings percentage will be applied to the Medicaid and Medicare A/B components of the rates, uniformly to all population groups, unless otherwise noted in this report. The savings percentage will not be applied to the Part D component of the joint rate.

Year	Calendar dates	Savings percentage
Demonstration Year 1	February 1 2014 through December 31, 2015	1%
Demonstration Year 2	January 1 through December 31, 2016	3%
Demonstration Year 3	January 1 through December 31, 2017	5%

Quality Withhold

In Demonstration Year 1, a 1% quality withhold will be applied to the Medicaid and Medicare A/B components of the rate. The quality withhold will increase to 2% in Demonstration Year 2 and 3% in Demonstration Year 3.

**Medicare-Medicaid Alignment Initiative
CY 2014 Rate Report
December 3, 2013**

As required by Section 4.1.1.3 of the MMAI Three-way Contract, all parties must sign this Rate Report. By signing this Rate Report, all parties agree to accept the above rates for the time period set forth in this document.

PLAN:

(Authorized Signatory)

(Title)

(Signature)

(Date)

United States Department of Health and Human Services, Centers for Medicare & Medicaid Services:

(Authorized Signatory)

(Title)

(Signature)

(Date)

State of Illinois, Department of Healthcare and Family Services

(Authorized Signatory)

(Title)

(Signature)

(Date)