Proposed Ahead Medicare Savings Test with Administratively Set Trend
Does not consider (a) 3-year blended baseline or (b) Percent/Dollar based growth
All amounts assumed to be risk adjusted

Step Through Examples, years 1 and year 2

	Element
YEAR 1	Maryland Base
	Step 1 Calculate Assumed Trend Prior to Performance Period
	Assumed Observed Trend
	Administratively Set Trend
	Blended Trend
	Step 2 Calculate Target Prior to Performance Period
	Placeholder Savings Component
	Pre-Period Toal Expenditure Target
	Step 3 Post Performance Period, Compare Actual to Assumed Trend
	Actual Observed Trend
	Assumed Observed Trend
	Difference
	Greater or Less Than 1%
	Adjustment
	Apply Trend Share Blend
	Step 4 Calculate Final Target
	Final Total Expenditure Target
YEAR 2	**Step 1 Adjust Y1 Target to Reflect Actual Trends**
	Y1 Observed Trend
	Administratively Set Trend
	Restated Y1 Total Expenditure Target
	Step 2 Calculate Assumed Y2 Trend Prior to Performance Period

Assumed Observed Trend
Administratively Set Trend
Blended Trend

Step 3 Calculate Y2 Target Prior to Performance Period
Placeholder Savings Component

Pre-Period Toal Expenditure Target

Step 4 Post Performance Period, Compare Actual to Assumed Trend
Actual Observed Trend
Assumed Observed Trend
Difference

Greater or Less Than 1%
Adjustment
Apply Trend Share Blend

Step 4 Calculate Final Target
Final Total Expenditure Target

Value		Formulas	
$10,750		A	
1	2		
Trend	Weight		
3.00%	0.9	B	
3.00%	0.1	C	
3.00%		D = B1 X B2 + C1 X C2	
0.25%		E	
$11,046		F = A x (1 + D - E)	
1.00%		G	
3.00%		=B1	
-2.00%		H = G - B1	
Lower Trend		I = if H>1% then "Add Trend", if H< 1% then "Lower Trend" Else "No Adj."	
-0.50%		J = Trend is adjusted by 50% of the amount over 1% in either direction	
-0.45%		K = J * B2	**Target adjustment reflects only 0.45% o**
$10,997		L = A x (1 + D - E + K)	Note: direclty adjust pre-period target, d
1	2		
Trend	Weight		
1.00%	0.9	=G	
3.00%	0.1	=C	
1.20%		M = G1 X G2 + C1 X C2	
$10,852		N = A X (1 + M - E)	**Prior year was scored against $10,997 b**
			to reflect actual Year 1 Trend. State will
1	2		
Trend	Weight		

3.00%	0.86	B^{y2}
3.00%	0.14	C^{y2}
3.00%		$D^{y2} = B^{y2}1 \text{ X } B^{y2}2 + C^{y2}1 \text{ X } C^{y2}2$
0.25%		E^{Y2}
$11,151		$P = N \text{ X } (1 + D^{y2} - E^{y2})$

3.00%		G^{y2}
3.00%		$=B1^{y2}$
0.00%		$Q = G^{y2} - B1^{y2}$
No Adj.		R = if Q>1% then "Add Trend", if Q< 1% then "Lower Trend" Else "No Adj."
0.00%		S = Trend is adjusted by 50% of the amount over 1% in either direction
0.00%		$T = S * B2^{y2}$ **No adjustment since assumed observed**
$11,151		$U = N \text{ X } (1 + D^{y2} - E^{y2} + T)$ Note: direclty adjust pre-period target, d

Summary Level Examples - 10 Year Model

Actuals

Savings Component 0.25%

		PMPY MD	Nation	Trend MD	Nation	Cum	Savings Comp. %
	Base	$10,750	$10,000				
Performance	1		$10,100		1.0%	1.0%	0.25%
	2		$10,403		3.0%	4.0%	0.25%
	3		$10,715		3.0%	7.2%	0.25%
	4		$11,037		3.0%	10.4%	0.25%
	5		$11,368		3.0%	13.7%	0.25%
	6		$11,822		4.0%	18.2%	0.25%
	7		$12,295		4.0%	23.0%	0.25%
	8		$12,787		4.0%	27.9%	0.25%
	9		$13,299		4.0%	33.0%	0.25%
	10		$13,830		4.0%	38.3%	0.25%

f 2% msiss (State largely protected against lower actual trends)

o not compound

ut will use $10,852 going forward
need to generate catch up savings.

Final Expenditure Target	Cum Trend	Assumed Trend				
		Nationwide MC FFS Observed	Administratively Set	Observed Share	CY Blended (Assumed and Admin Set)	PY Blended (Actual and Admin Set)
$10,750						
$10,997	2.3%	3.0%	3.0%	0.9	3.0%	1.2%
$11,151	3.7%	3.0%	3.0%	0.8	3.0%	3.0%
$11,457	6.6%	3.0%	3.0%	0.7	3.0%	3.0%
$11,772	9.5%	3.0%	3.0%	0.6	3.0%	3.0%
$12,096	12.5%	3.0%	3.0%	0.5	3.0%	3.0%
$12,477	16.1%	4.0%	3.0%	0.4	3.4%	3.4%
$12,858	19.6%	4.0%	3.0%	0.3	3.3%	3.3%
$13,237	23.1%	4.0%	3.0%	0.2	3.2%	3.2%
$13,627	26.8%	4.0%	3.0%	0.2	3.2%	3.2%
$14,029	30.5%	4.0%	3.0%	0.2	3.2%	3.2%

Cum. PY including Savings
1.0%
3.7%
6.6%
9.5%
12.5%
16.1%
19.6%
23.1%
26.8%
30.5%