**Global and Professional Direct Contracting (GPDC) Model Guidance on Stop-Loss Reinsurance**

January 7, 2022

## 1.0 Purpose

This document provides an overview of the GPDC Stop-Loss Arrangement calculations presented in GPDC Quarterly Benchmark Reports (QBRs) and Settlement (reconciliation) Reports and offers guidance on the interpretation of the Stop-Loss Charge portion of the Preliminary Benchmark Report delivered to each DCE via 4i. Key features of the Stop-Loss Arrangement are discussed and additional detail on the stop-loss payout and charge information is provided.

## 2.0 Stop-Loss Arrangement Overview

The Stop-Loss Arrangement available to all DCEs is an optional arrangement which, if elected, removes partial financial liability for DCE-aligned beneficiary expenditures that exceed a predetermined threshold, referred to as a Beneficiary Attachment Point. The reduction in financial liability for expenditures above each Beneficiary's Attachment Point is offset by a stop-loss charge. The stop-loss charge is based upon both prospectively known parameters and Performance Year (PY) experience.

The Stop-Loss Arrangement is discussed in detail in the Financial Reconciliation Overview paper available on the GPDC Model website[1] and in the Performance Period Participation Agreement Appendix B, §VI.D, but some key features of the policy will be restated in this memo.

## 2.1 Stop-Loss Attachment Points

The Stop-Loss Arrangement is characterized by Beneficiary Attachment Points, which are predetermined at the start of the PY. Incurred expenditures that exceed a Beneficiary's Attachment Point result in a stop-loss payout, which reduces the DCE's PY Expenditure (which is compared against the PY Benchmark to determine Shared Savings and Shared Losses). The "base" Aged & Disabled (AD) attachment point is equal to 12 times the $99^{th}$ percentile of per-beneficiary-per-month (PBPM) expenditures incurred by beneficiaries in the DC National Reference Population in a given calendar year. An End-Stage Renal Disease (ESRD) attachment point adjustment is calculated as the difference in the $99^{th}$ percentile PBPM expenditure for ESRD beneficiaries in the DC National Reference Population and the $99^{th}$ percentile PBPM expenditure for AD beneficiaries.

The attachment points for PY2022 are prospectively set based on the 2019 attachment points, which are adjusted for the Adjusted USPCC trend and retrospective trend adjustment factor. The associated AD base attachment points and ESRD attachment point adjustments for each Reference Year (BY) and 2022 are shown in Table 1. Note that a specific beneficiary's attachment point is a function of the number of ESRD months for which he or she is aligned to the DCE and the beneficiary's county of residence, which is used to apply a Geographic Adjustment Factor (GAF) to the attachment point.

The "base" AD attachment point is $150,806.28 in 2019, and the ESRD add-on is $30,689.04 per ESRD month. A beneficiary with between 1 and 12 aligned and eligible AD months and no aligned and eligible ESRD months in 2019 would receive the AD attachment point of $150,806.28, which is then GAF-adjusted depending on the beneficiary's county of residence. A beneficiary with 12 aligned and eligible months of ESRD experience would have an attachment point set at $519,074.76 ($150,806.28 + 12 X

[1] https://innovation.cms.gov/innovation-models/gpdc-model

$30,689.04). In setting the beneficiary's attachment point, the number of eligible AD months does not affect the attachment point, and only aligned and eligible ESRD months are used to calculate the ESRD Attachment Point Adjustment.

The 2019 attachment points are trended forward using the Adjusted USPCC trend and then have a retrospective trend adjustment applied. The resulting 2022 attachment points are $175,118.85 for the AD attachment point and $34,152.17 for the ESRD add-on.

**Table 1: Stop-Loss Attachment Points**

| Year | AD Attachment Point | ESRD Attachment Point Adjustment |
|---|---|---|
| 2017 | $142,903.56 | $30,809.39 |
| 2018 | $147,270.72 | $30,788.45 |
| 2019 | $150,806.28 | $30,689.04 |
| 2022 | $175,118.85 | $34,152.17 |

2022 Attachment point is equal to the 2019 attachment point, adjusted using the Adjusted USPCC Trend from 2019 to 2022 and (if needed) the Retrospective Trend Adjustment. The AD Adjusted USPCC trend from 2019 to 2022 is 1.1612 and the ESRD Adjusted USPCC Trend is 1.1128.

## 2.2 Stop-Loss Payout

Expenditures exceeding the beneficiary's attachment point are subject to increasing stop-loss payouts, which are set according to multiples of the beneficiary's "base" AD attachment point. Table 2 shows the stop-loss bands and associated stop-loss payout rates.

As an example, assume a beneficiary has 12 aligned and eligible months of AD experience in 2022. The base attachment point is $175,118.85, and the GAF-adjusted attachment point is $187,377.17, ($175,118.85 X 1.07). Stop-Loss Band 1 ranges from $187,377.17 to $281,065.75, Band 2 from $281,065.75 to $374,754.34, Band 3 $374,754.34 to $468,442.92, and Band 4 $468,442.92 and up. The "width" of each band is always 50% of the base AD attachment point, or $93,688.58. If instead, a beneficiary had five eligible AD months and seven eligible ESRD months, then the base attachment point would be $443,176.92, (175,118.85 X 1.07 + 7 X $34,152.17 X 1.07), assuming the same GAF adjustment for the ESRD Attachment Point Adjustment. Band 1 would range from $443,176.92 to $536,865.51; Band 2 $536,865.51 to $630,554.09; Band 3 $630,554.09 to $724,242.68; Band 4 $724,242.68 and up. Each Stop-Loss Band's width is still $93,688.58, or 50% of the base AD attachment point, however Band 1 begins at the beneficiary's attachment point, inclusive of the ESRD adjustment.

**Table 2: Stop-Loss Bands and Payout Rates**

| Stop-Loss Band | Start of Band Expenditure Range | End of Band Expenditure Range | Stop-Loss Payout Rate |
|---|---|---|---|
| Band 1 | Beneficiary Attachment Point | Beneficiary Attachment Point + 50% of Base A&D Attachment Point | 70% |
| Band 2 | Beneficiary Attachment Point + >50% of Base A&D Attachment Point | Beneficiary Attachment Point + 100% of Base A&D Attachment Point | 80% |
| Band 3 | Beneficiary Attachment Point + >100% of Base A&D Attachment Point | Beneficiary Attachment Point + 150% of Base A&D Attachment Point | 90% |

| | | | |
|---|---|---|---|
| Band 4 | Beneficiary Attachment Point + >150% of Base A&D Attachment Point | No Upper Limit | 100% |

Note that expenditures included in stop-loss payout calculations reflect the Medicare FFS "allowed amount" and add back in any reductions applied to the claims related to participation in the DCE's selected DC Capitation Payment Mechanism (Total Care Capitation or Primary Care Capitation) or the Advanced Payment Option. Only expenditures from months during which the beneficiary was aligned to the DCE are compared against the attachment point to determine stop-loss payout.

Details on the calculation of stop-loss payout is included in Section 3 of this document.

## 2.3 Stop-Loss Charge

CMS will calculate a prospective Stop-Loss Charge, both PBPM and in total, for each DCE. The Stop-Loss Charge is added to a DCE's Performance Year Expenditures in the calculation of Shared Savings / Shared Losses. The Stop-Loss Charge will be calculated differently for different DCEs, dependent on their historical claims experience in the stop-loss Reference Years (RYs). The RYs used for each PY are shown in Table 3.

***Table 3: Stop-Loss Reference Years by Performance Year***

| Performance Year | Reference Years |
|---|---|
| PY 2021 | 2017, 2018, 2019 |
| PY 2022 | 2017, 2018, 2019[1] |
| PY 2023 | 2019, 2020[1], 2021[1] |
| PY 2024 | 2020[1], 2021[1], 2022 |
| PY 2025 | 2021[1], 2022, 2023 |
| PY 2026 | 2022, 2023, 2024 |

(1) For PY2022, CMS determined that historical expenditures for calendar year 2020 were not suitable to be used as a reference year, and continued to use 2017, 2018, and 2019 as Reference Years. If CMS determines that 2021 is not suitable to be used as a reference year in subsequent performance years, CMS will use an alternative reference year in its place

Dependent on the count of beneficiaries that would have been aligned to the DCE via claims-based alignment in the RYs, CMS will use one of two calculation methodologies to prospectively determine the charge to participate in stop-loss:

For DCEs with at least 3,000 such beneficiaries in at least one of the RYs in the stop-loss lookback period, their STOP_LOSS_CHARGE tab (in the Benchmark and Settlement Reports) will present a stop-loss charge calculated with the "Default" Methodology. A DCE receiving a stop-loss charge calculated with the Default Methodology will have an estimated stop-loss payout rate based on historical simulated stop-loss payouts for the DCE's RY aligned population (i.e., the beneficiaries that would have been aligned via claims-based alignment to the DCE during each applicable RY). The stop-loss payout rate expresses stop-loss payouts as a percent of the DCE's total expenditures accruing to aligned beneficiaries in each of the RYs. The average stop-loss payout rate across the three RYs is then then multiplied by an estimated PBPM expenditure based on the RY aligned population, trended and GAF-adjusted to the PY. The product of the average stop-loss payout rate and the Trended GAF-Adjusted Average Reference Period PBPM may be interpreted as a "PBPM stop-loss charge" expressed in PY dollar terms. This trended PBPM is then multiplied by the number of PY aligned beneficiary months resulting in a total PY Stop-Loss Charge for the Performance Year.

For DCEs who do not have at least 3,000 aligned beneficiaries in at least one of the RYs in the stop-loss lookback period, their STOP_LOSS_CHARGE tab will present a stop-loss charge calculated with the "Alternative" Methodology. A DCE receiving a stop-loss charge calculated with the Alternative Methodology will have an estimated stop-loss payout percent based on the historical simulated stop-loss payouts based on the DC National Reference Population in the counties in which beneficiaries aligned to the DCE reside. This is then multiplied by an estimated PBPM expenditure based on the DC National Reference Population and weighted by the DCE's aligned population across counties, trended and GAF-adjusted to the PY. This trended PBPM is then multiplied by the number of PY-aligned beneficiary months to create the total PY stop-loss charge for the Performance Year.

While the methodology and lookback data vary between the two charge calculations, the data will be presented in the same 3-table manner, detailed in Section 4 of this document below.

## 3.0 Stop-Loss Payout Calculations Presented in the Benchmark Report

Over the course of each PY, CMS will track beneficiary expenditures accruing to DCEs that have elected to participate in the Stop-Loss Arrangement. Data will be shared with the DCE on their stop-loss expenditure on a quarterly basis (e.g., in the STOP_LOSS_PAYOUT tab of the Quarterly Benchmark Report or Settlement Report). Note that in the Preliminary Benchmark Report, there will be no stop-loss payouts incurred during the PY presented. In future QBRs and Settlement Reports, stop-loss payout information will be presented as shown in Tables 4 through 6 below:

## 3.1 Aligned Beneficiaries

As the year progresses, CMS will share data with DCEs that elect the Stop-Loss Arrangement on the amount of beneficiaries with total expenditures falling into each of the 5 stop-loss bands at the time of reporting, shown in Table 4:

**Table 4: Beneficiaries in Each Stop-Loss Band**

| **DCE Aligned Beneficiaries, YTD** | | Performance Year Experience |
|---|---|---|
| 1. | Beneficiary expenditure less than attachment point | 6,800 |
| 2. | Beneficiaries in Stop-Loss Band 1 | 75 |
| 3. | Beneficiaries in Stop-Loss Band 2 | 16 |
| 4. | Beneficiaries in Stop-Loss Band 3 | 3 |
| 5. | Beneficiaries in Stop-Loss Band 4 | 1 |
| 6. | Total | 6,895 |

## 3.2 Aligned Beneficiary Expenditure

CMS will also show the total dollar amount of beneficiary expenditures falling into each band, regardless of any beneficiary's marginal band (since the start and end points for each band will vary by beneficiary based on number of eligible ESRD months the beneficiary has and the GAF adjustment based on the beneficiary's county of residence), shown in table 5:

**Table 5: DCE Aligned Beneficiary Expenditure**

| | **DCE Aligned Beneficiary Expenditure, YTD** | Performance Year Experience |
|---|---|---|
| 7. | Beneficiary expenditure less than attachment point | $89,315,762.07 |
| 8. | Expenditures in Stop-Loss Band 1 | $2,020,510.56 |
| 9. | Expenditures in Stop-Loss Band 2 | $252,564.23 |
| 10. | Expenditures in Stop-Loss Band 3 | $176,794.61 |
| 11. | Expenditures in Stop-Loss Band 4 | $75,768.53 |
| 12. | Total Expenditures | $91,841,400.00 |

### 3.3 Stop-Loss Payout

The stop-loss payout year-to-date (YTD) is calculated as the total expenditure falling into each stop-loss band, multiplied by the reinsurance rate (Table 2) of each band, respectively[2]. Finally, the stop-loss payout will be shown as a percentage of the total PY Expenditure. An example is shown in Table 6:

**Table 6: Stop-Loss Payout**

| | **DCE Stop-Loss Payout, YTD** | Performance Year Experience |
|---|---|---|
| 13. | Stop-Loss Payouts on Expenditures less than Attachment Point | $0.00 |
| 14. | Stop-Loss Payouts on Expenditures in Stop-Loss Band 1 | $1,414,357.56 |
| 15. | Stop-Loss Payouts on Expenditures in Stop-Loss Band 2 | $202,051.08 |
| 16. | Stop-Loss Payouts on Expenditures in Stop-Loss Band 3 | $159,115.23 |
| 17. | Stop-Loss Payouts on Expenditures in Stop-Loss Band 4 | $75,768.53 |
| 18. | Total Stop-Loss Payouts | $1,851,292.40 |
| **19.** | **Stop-Loss Payout as a Percentage of Total Performance Year Expenditure** | **2.0%** |

## 4.0 Stop-Loss Charge Calculations Presented in the Benchmark Report

In addition to stop-loss payout information, the Quarterly Benchmark Reports and Settlement Reports will provide information on the DCE's calculated stop-loss charge as detailed below. Section 4.1 details this calculation for DCEs subject to the Default stop-loss charge calculation while Section 4.2 details this calculation for DCEs subject to the Alternative stop-loss charge calculation.

[2] It is worth noting that, because these values are calculated YTD, most DCEs will observe that for much of the performance year the total stop-loss payout is less than the charge amount. This is not an error in the calculation of the charge, but a function of the fact that most beneficiaries have not had enough time to accrue enough expenditures to be covered by stop-loss.

## 4.1 Stop-Loss Charge Calculation – Default Methodology

### 4.1.1 Trended PBPM Expenditure

First, CMS will calculate the Reference Year Expenditure separately for AD and ESRD beneficiary months and for each RY. Table 7 shows how this data will be presented in the Benchmark Reports[3]:

***Table 7: Calculation of Trended PBPM Expenditure***

| | | Reference Year 1 2017 | Reference Year 2 2018 | Reference Year 3 2019 | Performance Period Charge |
|---|---|---|---|---|---|
| **Aged & Disabled Experience** | | | | | |
| 1. | Beneficiaries | 5,509 | 5,603 | 6,044 | |
| 2. | Eligible Months | 66,112 | 67,241 | 72,527 | |
| 3. | Total Expenditure | $71,421,210.00 | $74,219,580.00 | $76,307,616.00 | |
| 4. | Total Expenditure PBPM | $1,080.30 | $1,103.79 | $1,052.12 | |
| 5. | Prospective Trend Factor | 1.2104 | 1.1745 | 1.1176 | |
| 6. | GAF Trend Adjustment | 0.9944 | 1.0002 | 0.9981 | |
| 7. | AD PBPM Reference Year Expenditure | $1,300.30 | $1,296.55 | $1,173.64 | $1,256.83 |
| **ESRD Experience** | | | | | |
| 8. | Beneficiaries | 56 | 57 | 61 | |
| 9. | Eligible Months | 668 | 679 | 733 | |
| 10. | Total Expenditure | $5,375,790.00 | $5,586,420.00 | $5,743,584.00 | |
| 11. | Total Expenditure PBPM | $8,050.00 | $8,225.00 | $7,840.00 | |
| 12. | Prospective Trend Factor | 1.15569 | 1.08115 | 1.05762 | |
| 13. | GAF Trend Adjustment | 0.9898 | 0.9928 | 0.9959 | |
| 14. | ESRD PBPM Reference Year Expenditure | $9,208.35 | $8,828.70 | $8,257.60 | $8,764.88 |

CMS will divide the Total RY Expenditure (Lines 3, 10) by the total aligned and eligible months contributing to that expenditure in that year (Lines 2, 9) to arrive at the RY PBPM Stop-Loss Expenditure (Lines 4, 11). For the Default Methodology, this is the expenditure and eligible months of the population that would have been aligned to the DCE via claims-based alignment in the RYs. These PBPMs are then trended and GAF-adjusted to PY dollars (Lines 5, 6, 12, 13), and the Trended GAF-Adjusted RY PBPM Expenditures are averaged across all three RYs to calculate the Trended, GAF-Adjusted Average Reference Period PBPM Expenditure. The Trended, GAF-Adjusted Average Reference Period PBPM Expenditure is the basis for the Stop-Loss Charge, and will be weighted by the Average DCE Stop-Loss Payout Percentage rate in the following calculations.

[3] All data presented in this memo is for illuminative purposes only and does not necessarily represent the expected experience of any single DCE.

### 4.1.2 RY Stop-Loss Payout Rate

CMS will calculate the Average DCE Stop-Loss Payout Percentage by first calculating the Reference Year Stop-Loss Payout Percentage in each RY, and then averaging across the three years. For the Default Methodology, the RY Stop-Loss Payout Percentage is the simulated Stop-Loss payout for DCE-aligned beneficiaries in each RY divided by total RY Stop-Loss Expenditures. For more information on how Beneficiary Stop-Loss Expenditures are calculated, see the Participation Agreement Appendix B, §VI.D. Table 8 shows how this information will be displayed in the Benchmark Reports:

**Table 8: Historical Stop-Loss Experience**

| | **Stop-Loss Experience** | | | | |
|---|---|---|---|---|---|
| 15. | Aligned Beneficiaries | RY 2017 | RY 2018 | RY 2019 | |
| 16. | Beneficiaries with expenditure less than Attachment Point | 5,500 | 5,600 | 6,000 | |
| 17. | Beneficiaries in Stop-Loss Band 1 | 50 | 45 | 80 | |
| 18. | Beneficiaries in Stop-Loss Band 2 | 8 | 6 | 20 | |
| 19. | Beneficiaries in Stop-Loss Band 3 | 5 | 6 | 3 | |
| 20. | Beneficiaries in Stop-Loss Band 4 | 2 | 3 | 2 | |
| 21. | Total Aligned Beneficiaries | 5,565 | 5,660 | 6,105 | |
| 22. | Total Expenditure | | | | |
| 23. | Expenditure less than attachment Point | $75,261,060.00 | $77,411,820.00 | $79,794,792.00 | |
| 24. | Expenditures in Stop-Loss Band 1 | $1,228,752.00 | $1,915,344.00 | $1,805,126.40 | |
| 25. | Expenditures in Stop-Loss Band 2 | $153,594.00 | $239,418.00 | $225,640.80 | |
| 26. | Expenditures in Stop-Loss Band 3 | $107,515.80 | $167,592.60 | $157,948.56 | |
| 27. | Expenditures in Stop-Loss Band 4 | $46,078.20 | $71,825.40 | $67,692.24 | |
| 28. | Reference Year Stop-Loss Expenditure | $76,797,000.00 | $79,806,000.00 | $82,051,200.00 | |
| 29. | Stop-Loss Payout | | | | |
| 30. | Payouts less than attachment Point | $0.00 | $0.00 | $0.00 | |
| 31. | Payouts in Stop-Loss Band 1 | $860,126.40 | $1,340,740.80 | $1,263,588.48 | |
| 32. | Payouts in Stop-Loss Band 2 | $122,875.20 | $191,534.40 | $180,512.64 | |
| 33. | Payouts in Stop-Loss Band 3 | $96,764.22 | $150,833.34 | $142,153.70 | |
| 34. | Payouts in Stop-Loss Band 4 | $46,078.20 | $71,825.40 | $67,692.24 | |
| 35. | Reference Year Stop-Loss Payout | $1,125,844.02 | $1,754,933.94 | $1,653,947.06 | |
| 36. | Reference Year Stop-Loss Payout Rate | 1.5% | 2.2% | 2.0% | **1.89%** |

Lines 16-20 display the total count of all beneficiaries who ended the RY within each marginal Stop-Loss Band (Refer to Table 2).

Lines 23-27 display the total amount of expenditures, accrued by all beneficiaries, falling within each Stop-Loss Band. Line 28 sums all expenditures to arrive at the Total RY Stop-Loss Expenditure.

Lines 30-34 show the total stop-loss payout amounts within each Stop-Loss Band by multiplying each respective band's total expenditure (Lines 23-27) by that band's reinsurance rate, in accordance with Table 2. Line 35 sums these payouts.

Line 36 calculates the RY Stop-Loss Payout Percentage rate by dividing the Total RY Stop-loss Payout by the Total RY Stop-Loss Expenditure for each RY. The Payout Rates for each of the three RYs are then averaged together to arrive at the Average DCE Stop-Loss Payout Percentage.

### 4.1.3 PY Stop-Loss Charge

CMS will then apply the Average DCE Payout Percentage to the Trended, GAF-Adjusted Average Reference Period PBPM Expenditure to calculate the dollar charge, PBPM. Table 9 shows how this information will be displayed in the Benchmark Reports:

**Table 9: Stop Loss Charge**

| | | | |
|---|---|---|---|
| 38. | AD PBPM Reference Period Expenditure | | $1,256.83 |
| 39. | TIMES: AD Performance Period Eligible Months | | 79,566 |
| 40. | EQUALS: Total AD Reference Period Expenditure | | $100,001,429.93 |
| 41. | TIMES: AD Retrospective Trend Adjustment | | 1.0000 |
| 42. | EQUALS: Total AD Trended, GAF-Adjusted Average Reference Period Expenditure | | $100,001,429.93 |
| | | | |
| 43. | ESRD PBPM Reference Period Expenditure | | $8,764.88 |
| 44. | TIMES: ESRD Performance Period Eligible Months | | 827 |
| 45. | EQUALS: Total ESRD Reference Period Expenditure | | $7,252,063.86 |
| 46. | TIMES: ESRD Retrospective Trend Adjustment | | 1.0000 |
| 47. | EQUALS: Total ESRD Trended, GAF-Adjusted Average Reference Period Expenditure | | $7,252,063.86 |
| | | | |
| 48. | Total Trended, GAF-Adjusted Reference Period Expenditure | | $107,253,493.79 |
| 49. | TIMES: Average DCE Stop-Loss Payout Rate | | 1.89% |
| 50. | EQUALS: Stop-Loss Charge | | $2,027,091.03 |
| 51. | DIVIDED BY: Total Performance Period Eligible Months | | 80,393 |
| 52. | EQUALS: Stop-Loss Charge PBPM | | $25.21 |

Lines 38-47 calculate the Total RY Expenditure for AD and ESRD beneficiaries by multiplying the Trended, GAF-Adjusted Average Reference Period PBPM Expenditure calculated in Lines 7 and 14, by the Performance Period eligible AD or ESRD months, respectively. The expenditures are adjusted for the retrospective trend adjustment in lines 41 and 46, if applicable. The Total AD and ESRD Reference Period Expenditures are then summed to arrive at the Total Trended, GAF-Adjusted Reference Period Expenditure (Line 48). This is multiplied by the Average DCE Stop-Loss Payout Rate to calculate the DCE's total Stop-Loss Charge. The Stop-Loss Charge is also expressed on a PBPM basis by dividing by total Performance Period eligible months (Line 51). It is the line 50 Stop-Loss Charge that will be applied to the DCE's benchmark if the DCE elects the Stop-Loss Arrangement.[4]

[4] CMS will not know at the beginning of the year what the total eligible months for a given DCE will be. When the DCE receives its prospective stop-loss report, the total eligible months will be estimated using prospective alignment. As the performance year progresses, eligible months will be updated with the most recent alignment, which may have consequential impacts on the value of the stop-loss charge and net payout, dependent on variations in alignment and the methodology by which the stop-loss charge was calculated.

### 4.1.4 Fixed and Retrospectively Adjusted Parameters in the Stop-Loss Charge

The Default Stop-Loss Charge methodology calculates a Trended, GAF-Adjusted Average Reference Period PBPM Expenditure and an Average DCE Payout Percentage which are combined with PY eligible months to calculate a total Stop-Loss Charge. Both the Trended, GAF-Adjusted Average Reference Period PBPM Expenditure and an Average DCE Payout Percentage are based on a DCE's historically aligned population and are thus known at the beginning of the PY. Neither of these values will change throughout the PY. However, the number of Performance Year months and relative distribution of AD and ESRD months will change over the Performance Year, and so the Stop-Loss Charge will be updated in each Quarterly Benchmark Report as well. Also, note that the Retrospective Trend Adjustment may be updated during or after the Performance Year, and this would impact both the calculated Stop-Loss Charge and the Performance Year Stop-Loss Payout Rate, since the 2022 attachment points are adjusted for the Retrospective Trend Adjustment.

## 4.2 Stop-Loss Charge Calculation – Alternative Methodology

For DCEs who receive a stop-loss charge calculated using the Alternative Methodology, the Stop-Loss Charge will be determined based on the historical simulated stop-loss payouts for the DC National Reference population, with estimated county-level payout rates weighted according to the distribution of a DCE's PY-aligned beneficiaries across counties. Note that a DCE's Alternative Average DCE Stop-Loss Payout Percentage will be calculated using only initially aligned beneficiaries for PY2022. Thus, the Alternative Average DCE Stop-Loss Payout Percentage rate is fixed throughout the PY. The Alternative Average DCE Stop-Loss Payout Percentage rate is then multiplied by an estimated PBPM expenditure based on the DC National Reference population, which is trended and GAF adjusted to the PY. This Trended, GAF-Adjusted Average Reference Period PBPM Expenditure is then multiplied by the number of PY-aligned beneficiary months to create the total PY stop-loss charge for the Performance Year.

For all example calculations in this section, assume a beneficiary population presented Table 10. Columns 2, 3, and 4 are estimates based on the DC National Reference Population over the 3-year lookback period, while columns 5 and 6 reflect each DCE's actual PY-aligned population.

**Table 10: Example DC National Reference Population County Payout Rates and PBPM Expenditures**

| County | Average Stop-Loss Payout Rate | Trended GAF-Adjusted AD PBPM | Trended GAF-Adjusted ESRD PBPM | DCE PY-Aligned AD Months | DCE PY-Aligned ESRD Months |
|---|---|---|---|---|---|
| A | 1.80% | $1,300 | $7,400 | 5,500 | 80 |
| B | 1.65% | $1,150 | $7,200 | 1,500 | 5 |
| C | 2.35% | $1,100 | $6,800 | 3,000 | 15 |

### 4.2.1 Trended PBPM Expenditure

The Alternative Trended, GAF-Adjusted Average Reference Period PBPM Expenditure used in the Alternate Stop-Loss Charge methodology is determined based on the beneficiary-month weighted average, of the Trended, GAF-Adjusted County Reference Period PBPM Expenditure. The AD Alternative

Trended, GAF-Adjusted Average Reference Period PBPM Expenditure for the population shown in table 10 would be calculated as follows:

$$Trended\ AD\ PBPM = \left(\frac{\$1,300 \times 5,500 + \$1,150 \times 1,500 + \$1100 \times 3,000}{(5,500+1,500+3,000)}\right) = \ \$1,217.50$$

The trended ESRD PBPM would be calculated in a similar manner using only ESRD months to weight the county-level ESRD PBPM estimates.

### 4.2.2 RY Stop-Loss Payout Rate

CMS will then calculate the Alternative Average DCE Stop-Loss Payout Percentage. This will be calculated as the weighted average County Reference Period Stop-Loss Payout Percentage, based on the DC National Reference Population, weighted by the DCE's PY initially-aligned population. The Alternative Average DCE Stop-Loss Payout Percentage for the population shown in table 10 would be calculated as follows:

$$Average\ Payout\ \% = \left(\frac{1.80\% \times 5,580 + 1.65\% \times 1,505 + 2.35\% \times 3,015}{(5,580+1,505+3,015)}\right) = 1.94\%$$

For more information on how Beneficiary Stop Loss Expenditures are calculated, see the Participation Agreement Appendix B, §VI.D.

### 4.2.3 PY Stop-Loss Charge

CMS will then apply the Alternative Average DCE Stop-Loss Payout Percentage to the Trended, GAF-Adjusted Average Reference Period Expenditure to calculate the Stop-Loss Charge. Table 11 shows how this information will be displayed in the Benchmark Reports:

**Stop Loss Charge**

**Table 11: Alternate Stop-Loss Charge**

| | | | |
|---|---|---|---|
| 38. | AD PBPM Reference Period Expenditure | | $1,217.50 |
| 39. | TIMES: AD Performance Period Eligible Months | | 10,000 |
| 40. | EQUALS: Total AD Reference Period Expenditure | | $12,175,000.00 |
| 41. | TIMES: AD Retrospective Trend Adjustment | | 1.0000 |
| 42. | EQUALS: Total AD Trended, GAF-Adjusted Average Reference Period Expenditure | | $12,175,000.00 |
| | | | |
| 43. | ESRD PBPM Reference Period Expenditure | | $7,300.00 |
| 44. | TIMES: ESRD Performance Period Eligible Months | | 100 |
| 45. | EQUALS: Total ESRD Reference Period Expenditure | | $730,000.00 |
| 46. | TIMES: ESRD Retrospective Trend Adjustment | | 1.0000 |
| 47. | EQUALS: Total ESRD Trended, GAF-Adjusted Average Reference Period Expenditure | | $730,000.00 |
| | | | |
| 48. | Total Trended, GAF-Adjusted Reference Period Expenditure | | $12,905,000.00 |
| 49. | TIMES: Average DCE Stop-Loss Payout Rate | | 1.94% |
| 50. | EQUALS: Stop-Loss Charge | | $250,357.00 |
| 51. | DIVIDED BY: Total Performance Period Eligible Months | | 10,100 |

| | | | |
|---|---|---|---|
| 52. | EQUALS: Stop-Loss Charge PBPM | | $24.79 |

Lines 38-47 calculate the Total RY Expenditure for AD and ESRD beneficiaries by multiplying the Trended, GAF-Adjusted Average Reference Period PBPM Expenditure calculated in Lines 7 and 14 of Table 7, by the Performance Period eligible AD or ESRD months, respectively. The expenditures are adjusted for the retrospective trend adjustment in lines 41 and 46, if applicable. The Total AD and ESRD Reference Period Expenditures are then summed to arrive at the Total Trended, GAF-Adjusted Reference Period Expenditure (Line 48). This is multiplied by the Average DCE Stop-Loss Payout Rate to calculate the DCE's total Stop-Loss Charge. The Stop-Loss Charge is also expressed on a PBPM basis by dividing by total Performance Period eligible months (Line 51). It is the line 50 Stop-Loss Charge that will be applied to the DCE's benchmark if the DCE elects the Stop-Loss Arrangement.[5]

### 4.2.4 Fixed and Retrospectively Adjusted Parameters in the Stop-Loss Charge

The Alternate Stop-Loss Charge methodology calculates an Alternative Trended, GAF-Adjusted Average Reference Period PBPM Expenditure and an Average DCE Payout Percentage which are combined with PY eligible months to calculate a total Stop-Loss Charge. The Average DCE Payout Percentage is based on a DCE's initially-aligned Performance Period population only. This means that the Average DCE Stop-Loss Payout Percent that is used to calculate the Stop-Loss Charge will not change based on Performance Period experience accruing over the PY. The Alternative Trended, GAF-Adjusted Average Reference Period PBPM Expenditure, however, is weighted by the number of Performance Period months and relative distribution of AD and ESRD months across counties and will change over the Performance Period. Changes in the PBPM Expenditure will result in updates to the Stop-Loss Charge in each Quarterly Benchmark Report. Also note that the Retrospective Trend Adjustment may be updated during the Performance Period, and this would impact both the calculated Stop-Loss Charge and the Performance Period Stop-Loss Payout Rate, since the 2022 attachment points are adjusted for the Retrospective Trend Adjustment.

[5] CMS will not know at the beginning of the year what the total eligible months for a given DCE will be. When the DCE receives its prospective stop-loss report, the total eligible months will be estimated using prospective alignment. As the performance year progresses, eligible months will be updated with the most recent alignment, which may have consequential impacts on the value of the stop-loss charge and net payout, dependent on variations in alignment and the methodology by which the stop-loss charge was calculated.