

(2) The deductible for the panel size that is the total of the number of risk patients plus non-risk patient equivalents.

(iv) Table 1 is developed and updated by CMS using the methodology in this paragraph. CMS publishes Table PIP-1 in guidance (such as an attachment to the Rate Announcement issued under section 1853(b) of the Act) in advance of the bid due date for the upcoming year if CMS determines that an update would be prudent for that year.

(A) The stop-loss tables are calculated using claims data for a statistically valid sample of beneficiaries enrolled in Fee-for-Service Medicare Parts A and B from the most available recent year. The sample includes only claims for beneficiaries eligible for both Part A and Part B for whom Medicare is the primary insurer and excludes hospice claims. The estimate of medical group income is derived from payments for all Part A and Part B services (excluding hospice) in the sampled claims data (to emulate a multi-specialty practice). The central limit theorem is used to obtain the distribution of claim means for a multi-specialty group of any given panel size. The distribution of claim means is used to obtain, with 98 percent confidence, the point at which a multi-specialty group of a given panel size would, through referral services, lose no more than 25 percent of potential payments. This point is the deductible in Table PIP-1 for the given panel size.

(B) The ‘net benefit premium’ (NBP) column in Table PIP-1 is not used for computation of combined insurance but is used to determine the separate deductibles for professional services and institutional services in the *Separate Stop-Loss Insurance Deductible Table* (Table PIP-2).

(C) The NBP is computed by dividing the total amount of stop loss claims (90 percent of claims above the deductible) for that panel size by the panel size.

(v)(A) Insurance using separate deductibles for professional and institutional claims is permissible so long as the separate deductibles for institutional services and professional services are determined using Table 2 as described in paragraph (f)(2)(vi)(B) of this section. Table PIP-2 is developed

and updated by CMS using the methodology in paragraph (f)(2)(vi). CMS publishes Table PIP-2 in guidance (such as an attachment to the Rate Announcement issued under section 1853(b) of the Act) in advance of the bid due date for the upcoming year if CMS determines that an update would be prudent for that year.

(B) The maximum deductibles for each category of services (institutional and professional claims) are identified by using the net benefit premium (NBP) determined in Table PIP-1 as the starting point in Table PIP-2. Any combination of institutional and professional attachment points for which the NBP in Table PIP-2 is greater than the NBP determined in Table PIP-1 is permissible. Interpolation may be used to find the NBP values in Table PIP-2 that are closest to the NBP identified in Table PIP-1.

(vi) Table PIP-2 is developed using a methodology similar to that for Table PIP-1.

(A) Claims data are obtained as described in paragraph (f)(2)(iv)(A).

(B) Professional and institutional claims are defined and categorized based on industry standards and based on payments for Part A and Part B services.

(C) The central limit theorem is used to obtain the distribution of claim means and deductibles are obtained at the 98 percent confidence level.

(3) *Special insurance.* If there is a different type of stop-loss policy obtained by the physician group, it must be actuarially equivalent to the coverage shown in Tables PIP-1 and PIP-2. Actuarially equivalent deductibles are acceptable if the insurance is actuarially certified by an attesting actuary who fulfills all of the following requirements:

(i) Develops the deductibles to be actuarially equivalent to those coverages in the Tables.

(ii) Makes the computations in accordance with generally accepted actuarial principles and practices.

(iii) Meets the qualification standards established by the American Academy of Actuaries and follow the practice standards established by the Actuarial Standards Board.