

2007 Annual Conference Industry Collaboration Effort (ICE)



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Medicare_{Rx}
Prescription Drug Coverage _{Rx}

Agenda

- **Medicare Advantage**
- **Medicare Prescription Drug Benefit**
- **RDS and Employer Plans**
- **Quality & Performance**
- **Updates**
- **Next Steps**

2006 Part D Enrollment

Enrollment Category	#
Stand-Alone Prescription Drug Plan	10.8M
Medicare Advantage with Prescription Drugs	6.2M
Medicare-Medicaid (Automatically Enrolled)	6.1M
Medicare Retiree Drug Subsidy	6.8M
Estimated Federal Retirees (Tricare, FEHB)	3.5M
Additional Sources of Creditable Coverage	5.4M
Total	38.8M

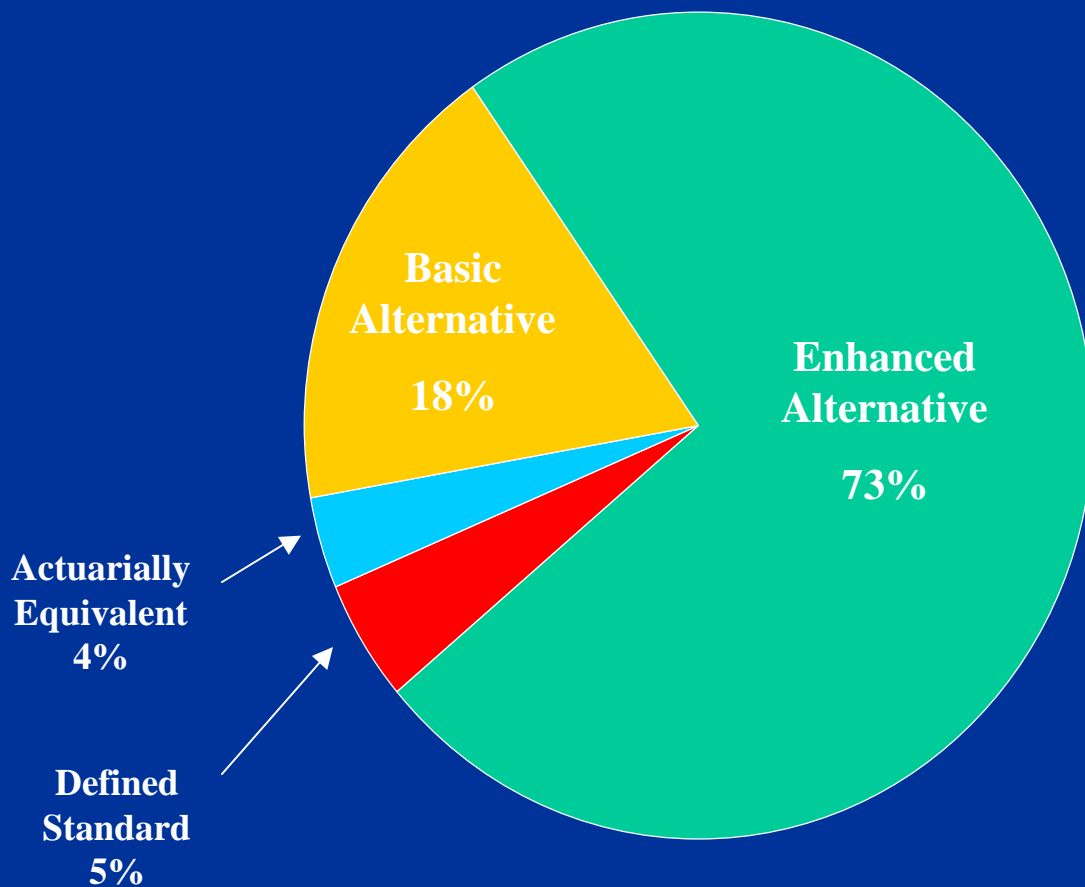
Data as of 10.08.06

Program strategies

- **Government as predictable business partner**
- **Encourage gap coverage in Part D plans**
- **Limit the number of benefit package offerings per Part D sponsor to 2-3. Must be meaningfully different**
- **For 2007, saw increase in transparency on MA rate-setting and risk adjustment methodology**
- **For 2008, continued emphasis on stability and predictability**

Medicare Advantage

2006- Percent of MA-PD Enrollment by Benefit Type



2007 MA-PDs

- **In general, greater access at lower premiums next year**
- **Premiums for drug coverage on average nationally will be about \$2 (not weighted on enrollment) a month lower in 2007 than in 2006**
- **In 2007, 95 \$0 premium Plans with Basic Alt. Part D coverage vs 65 \$0 premium Basic Alt. in 2006. (712 total PD in 2007 vs 549 in 2006)**
 - Most will have access to plans with generic and preferred brand coverage in the gap for \$0 drug premium

MA Plan and Premium Data for 2007 and 2006

- For 2007, there are 2,578 MA plans, compared with 2,066 in 2006*
- 30% of MA-PDs offer a combined (Part C and D) zero premium, which is consistent with 2006
- 32% of MA-PDs have a Part D zero premium compared with 34% in 2006
- 53% offer a MA premium of \$0, compared with 49% in 2006
- For 2007, there are 470 Special Needs Plans compared with 272 in 2006

* As of 11/03/2006

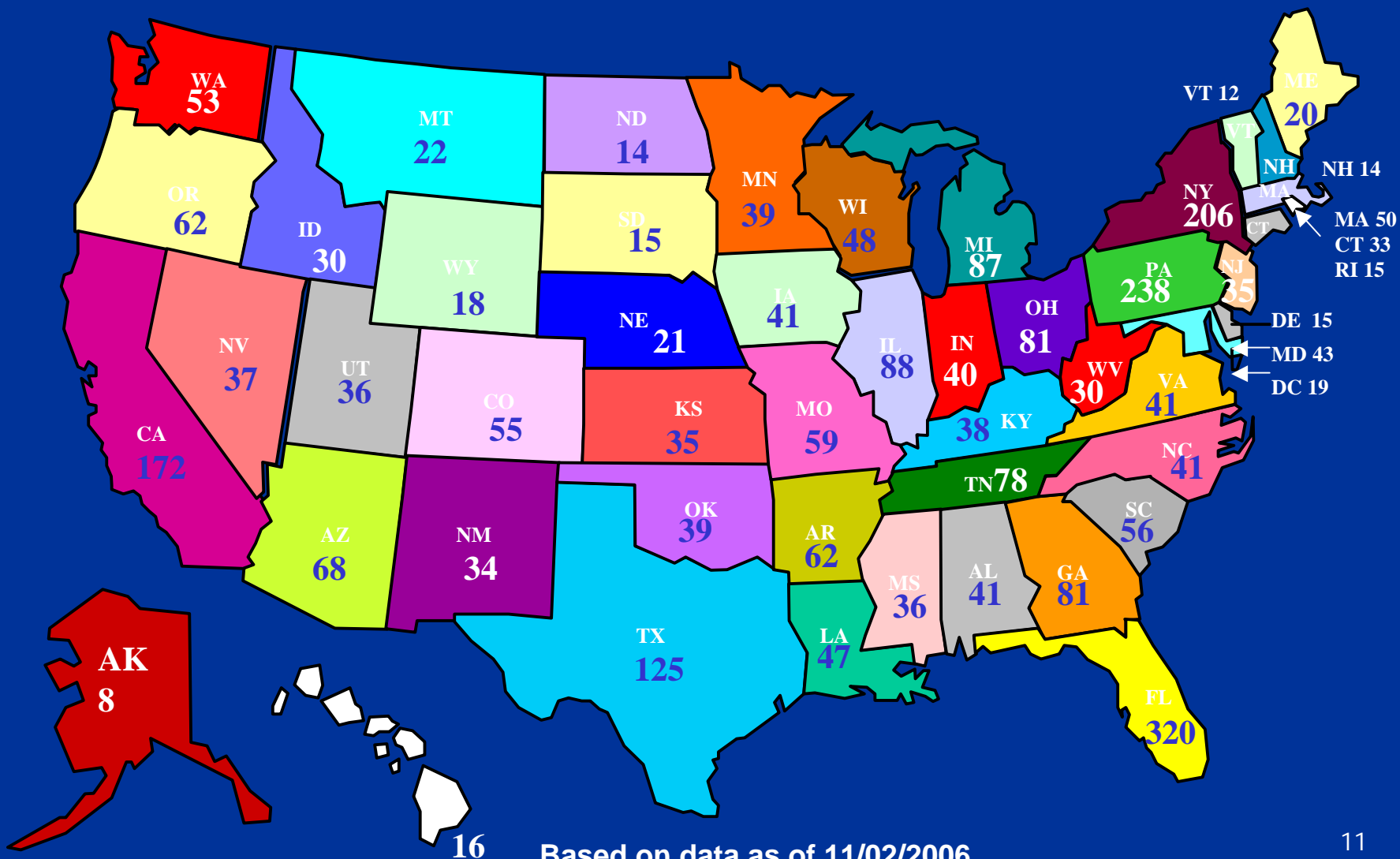
MA Plan and Premium Data for 2007 and 2006 (Continued)

- **53% of all MA-PD plans offer a low-cost premium (\$0-\$30) compared with 51% in 2006**
- **86% of beneficiaries have access to a zero premium MA-PD plan compared with 67% in 2006**

MA Contracts and Applications Data for 2006 and 2007

	<u>2006</u>	<u>2007</u>
Applications	67	133
Service Area Expansions	7	118
Contracts	404	472

Medicare Advantage for 2007: MA-PD Plan Options



Based on data as of 11/02/2006

Medicare Advantage

- **Beginning January 2007, all beneficiaries in 50 states, will have access to an MA-PD.**
 - We expect to have 411 local MA contracts for 2007
 - For 2006, there are 368 local MA contracts compared to 301 contracts in 2005, serving 6.9 million Medicare beneficiaries
 - All States now have local MA plans

Medicare Advantage: Private Fee-for-Service Plans

- **Currently, over 820,000 enrollees in 25 plans, up from 148,000 enrollees in 17 plans in 2005**
- **For 2007, there will be 47 plans**
- **Allows unrestricted access to providers willing to provide services**
- **Pays providers on a fee-for-service basis**

Medicare Advantage: Special Needs Plans (SNPs)

- **MMA created a new type of coordinated care plan**
- **Focused on beneficiaries with special needs**
- **Types of Special Needs Plans:**
 - 470 plans for 2007
 - » Institutional = 85
 - » Dually eligible for Medicare and Medicaid = 311
 - » Severe or disabling chronic conditions = 74

Regional PPO Plans for 2007

- **There are 66 RPPO plans.**
- **RPPOs are available in 21 of the 26 MA Regions, 37 states.**
 - MA Regions/states without RPPOS include:
 - Region 1 -ME,NH,
 - Region 2 - MA,VT,CT,RI,
 - Region 20-CO,NM,
 - Region 23-OR,WA,ID,UT,
 - Region 26-AK.
- **Beneficiaries in 5 of the MA Regions have 2 RPPO choices:**
 - Region 8-GA,SC,
 - Region 9- FL,
 - Region 12- OH,
 - Region 13- IN, KY,
 - Region 21- AZ.
- **Approximately 87% of all Medicare beneficiaries have access to the new regional PPO option**
- **There are currently 92,000 enrollees in RPPOs**

➤ **What's available in 2007**

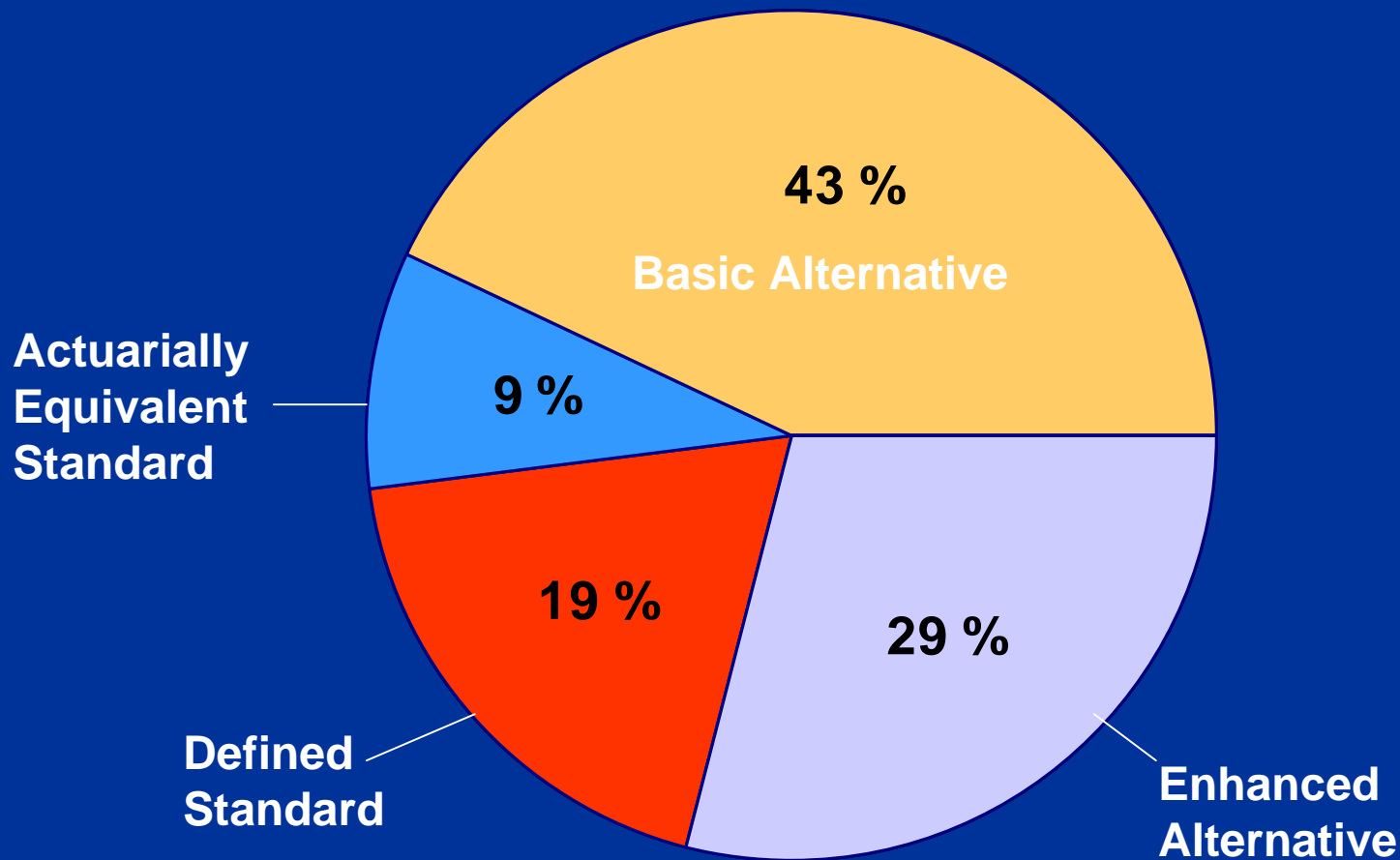
- 2 standard MSAs covering 39 states (excludes Colorado, Georgia, Indiana, Kentucky, Maine, Missouri, Nevada, New Hampshire, Ohio, Virginia, Wisconsin)
- 1 demonstration MSA covers NY & PA

➤ **Demo description**

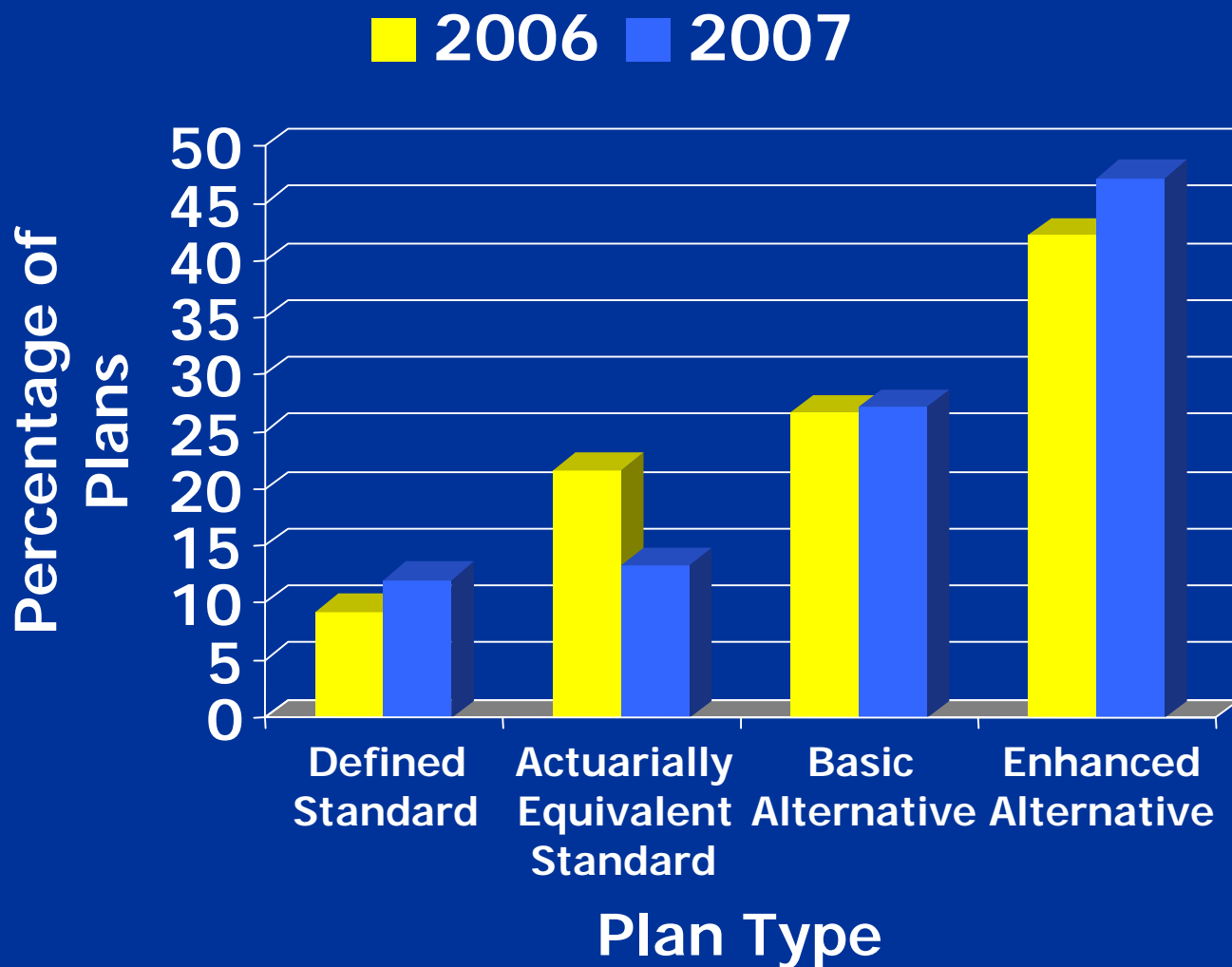
- The MA MSA demonstration design waives certain MA MSA plan requirements
- This will allow entities to offer products that more closely resemble high deductible health plans (HDHPs) that are offered with Health Savings Accounts to the non-Medicare population

Medicare Prescription Drug Benefit

2006 - Percent of PDP Enrollment by Benefit Type



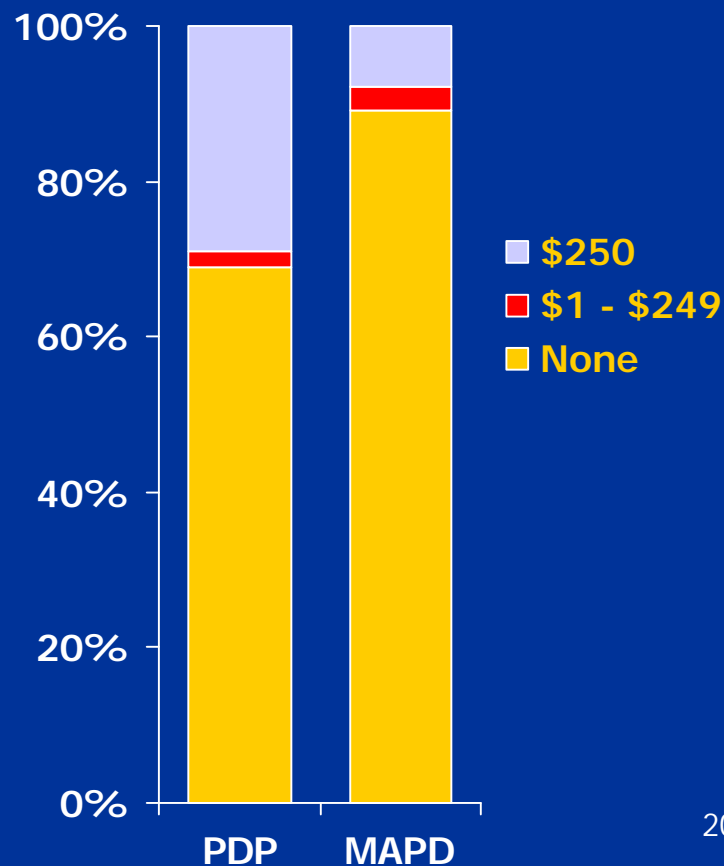
PDP Benefit Type Analysis



2006 - PDP Deductible

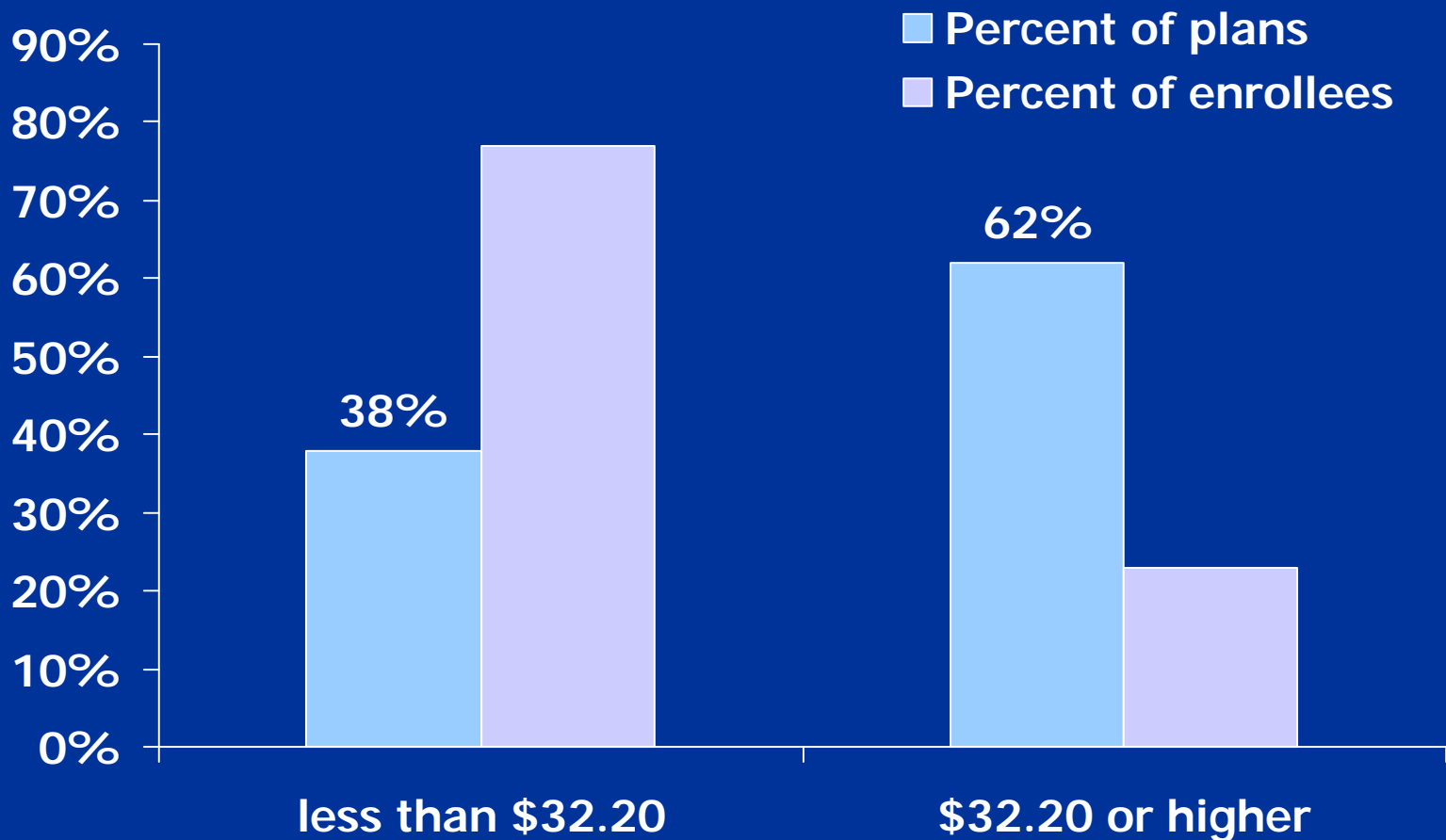
- **Standard Deductible is \$250**
- **Majority of beneficiaries enrolled in PDPs or MA-PDs with no deductible**

Percent of Enrollment by Deductible Amount



2006 - PDP Drug Premiums

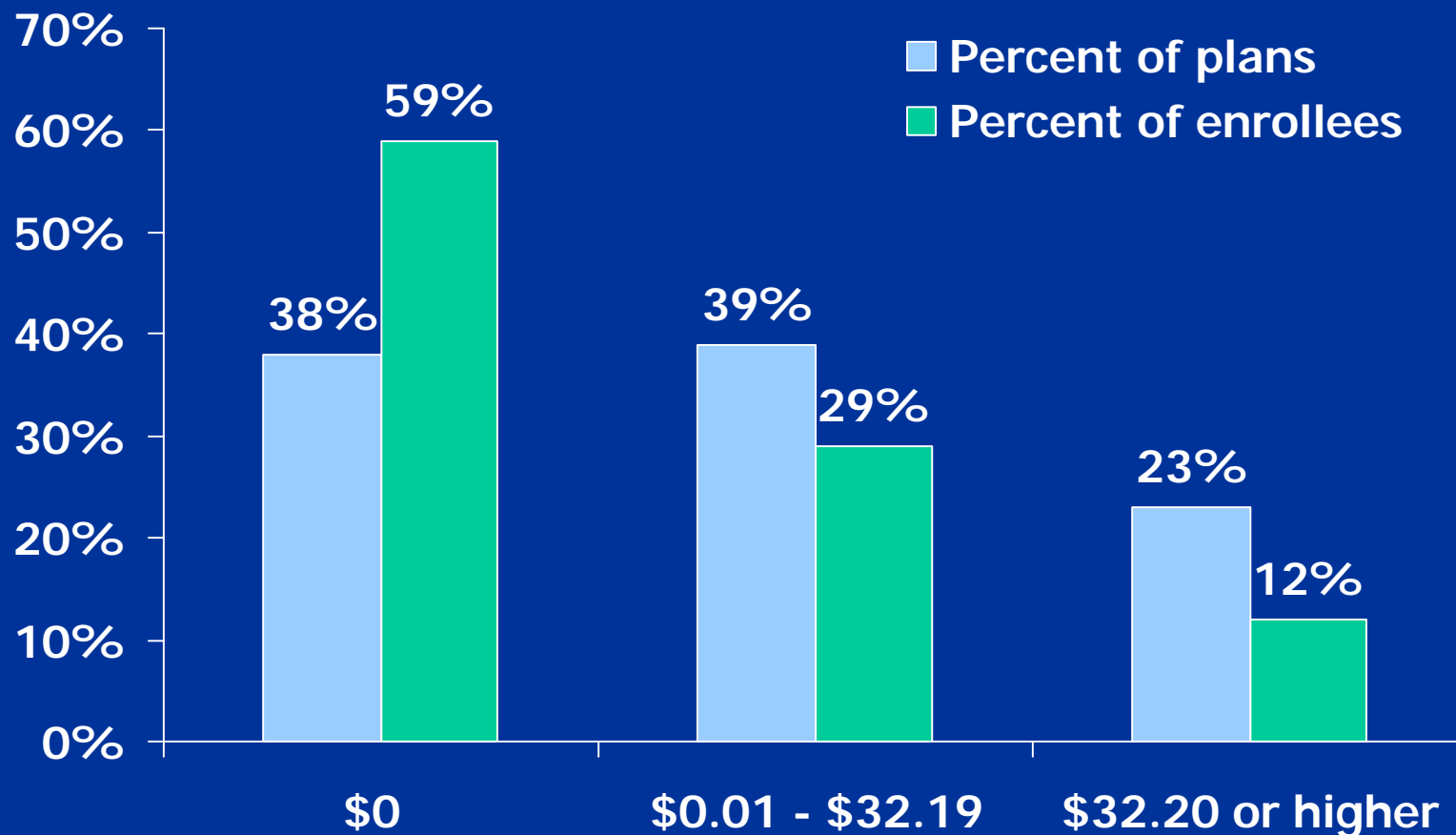
Percent of Plans and Enrollees by Premium



Note: \$32.20 is the 2006 National Average Premium

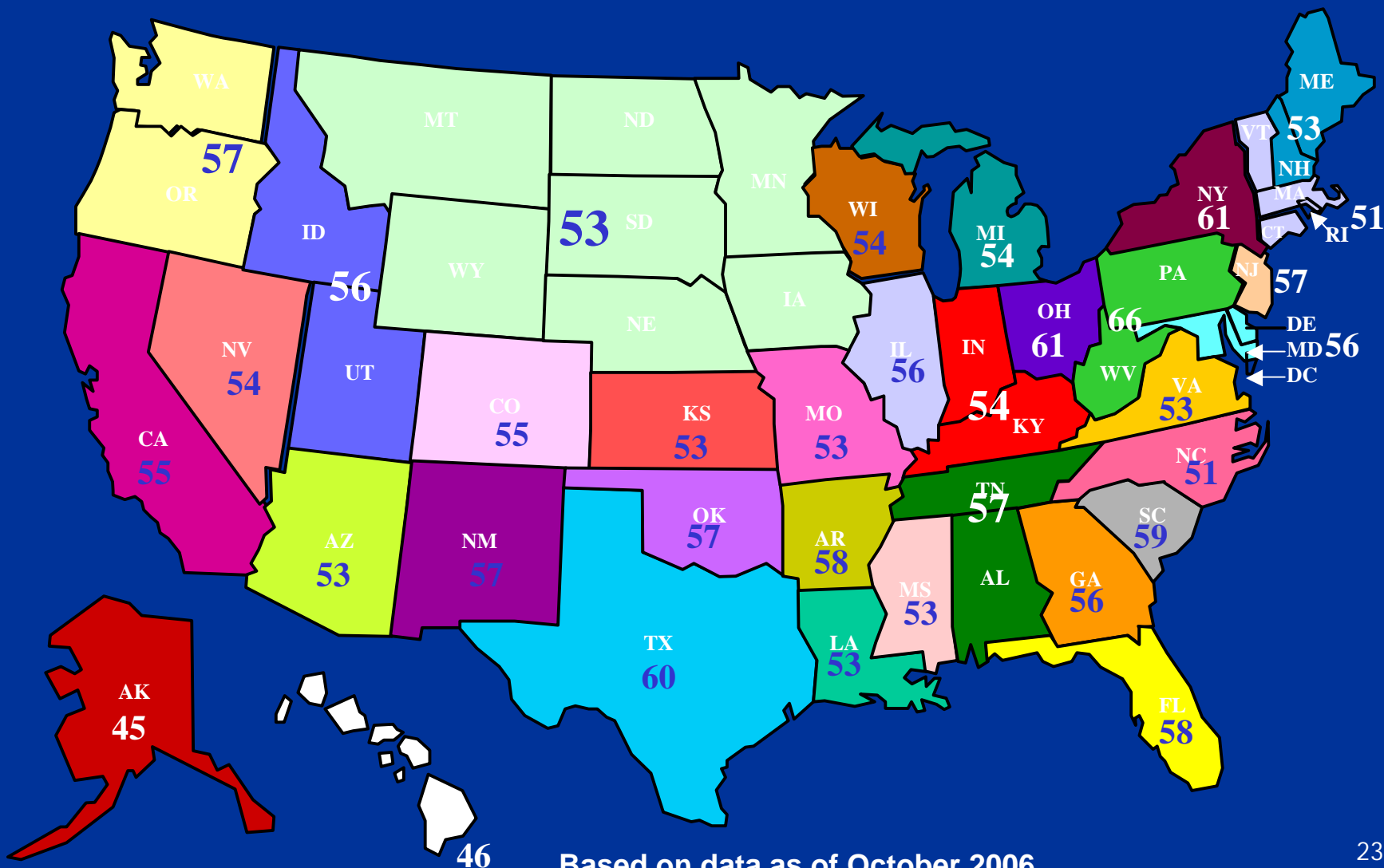
2006 - MA-PD Drug Premiums

Percent of Plans and Enrollees by Premium



Note: premiums shown represent only Medicare Part D Drug Premiums; beneficiaries may be responsible for Part C premiums

Medicare Prescription Drug Benefit: 2007 PDP Options



Based on data as of October 2006

2007 Plan Options

- **CMS has released information about 2007 Prescription Drug Plan options**
- **PDP and MA-PD summary information for each state are available on www.medicare.gov**
 - www.medicare.gov/medicarerereform/local-plans-2007.asp
- **The list of national PDPs for 2007 is also available here.**

Medicare Prescription Drug Benefit: 2007 National PDPs

- Aetna Medicare
- Silverscript
- CIGNA HealthCare
- Coventry AdvantraRX, First Health Part D
- EnvisionRx Plus
- SAMAscript
- Health Net
- Humana Insurance Company, Humana Insurance Company of NY
- RxAmerica
- Medco YOURx Plan
- Memberhealth
- Healthspring Prescription Drug Plan
- NMHC Group Solutions
- First United American Life Insurance Company, United American Insurance Company
- UnitedHealthcare
- WellCare
- Unicare, Anthem BC/BS, BC/BS of RI, BC/BS of MA, BC/BS of VT, BC/BS of CO, BC/BS of GA, BC/BS of MO, BC/BS of NV, BC/BS of WI, BC/BS of CA

Medicare Prescription Drug Benefit- 2006 vs 2007

- **The number of PDP sponsors ranges from 20 to 29 per state and this represents an increase over 2006 of between 4 to 9 sponsors per state.**

Medicare Prescription Drug Benefit- 2006 vs 2007 (cont'd)

- **In general, the largest increase in plans was seen for those offering enhanced coverage.**
- **In 2007, there are between 4 and 12 additional enhanced plans being offered in each state.**
- **Enhanced plans represent between 44% to 50% of plans offered in each state.**

Medicare Prescription Drug Benefit: Landscape of Local Plans- 2007

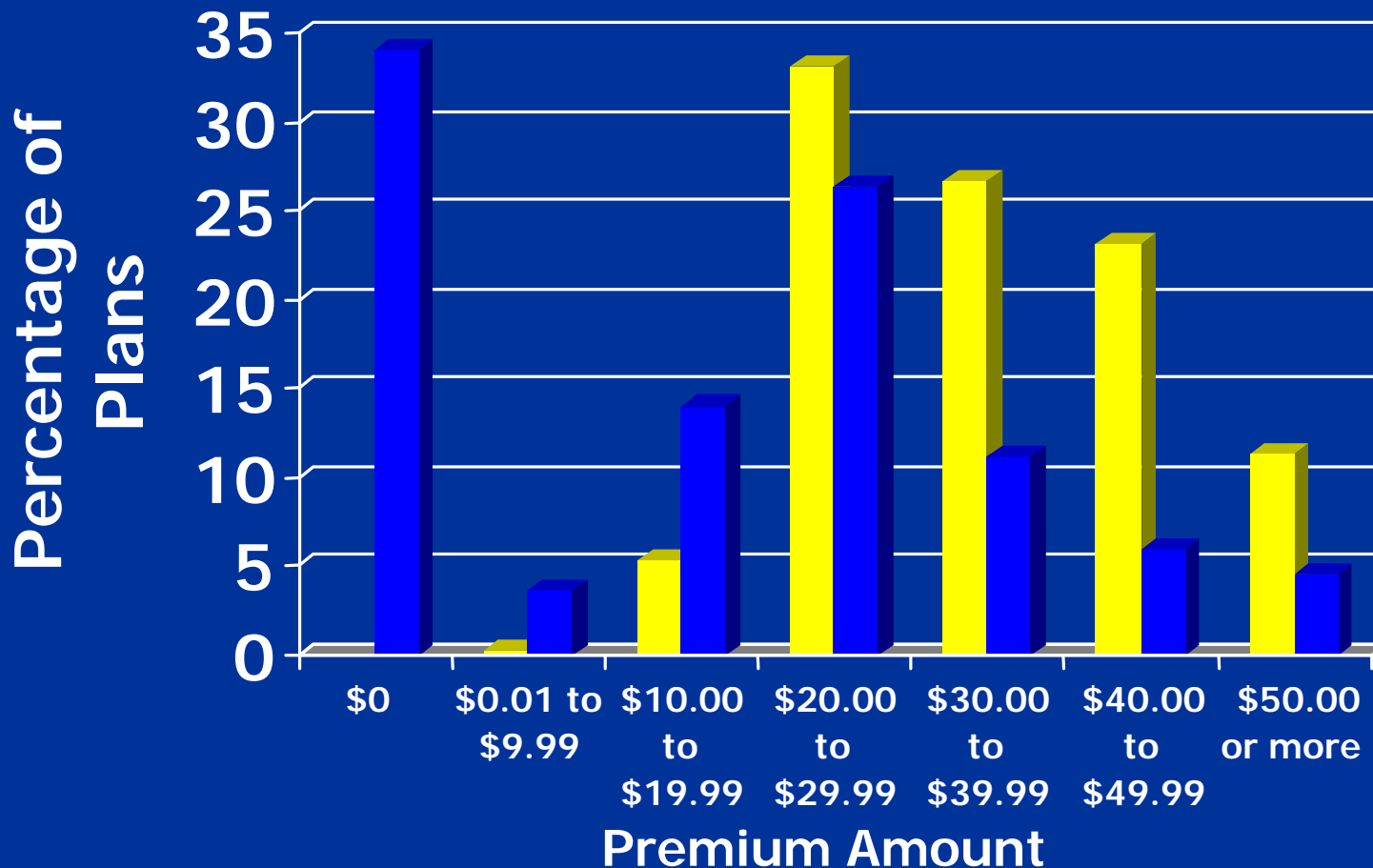
- **Every state has at least one plan option with a premium less than \$20 per month; at least one plan available with no deductible; and several plans are available with coverage of generic formulary drugs in the coverage gap.**
- **On average, premiums increased less than \$8 over 2006 and in several states the average premiums decreased.**
- **Beneficiaries will have access to between 27 and 41 plans with no deductibles in 2007 (an increase of 3 to 13 plans per state from 2006).**
- **In every state, the majority of plans offer mail-order pharmacy services.**

2007 Plan Premiums

- **Nationally, 83 percent of beneficiaries will have access to plans with premiums lower than they were paying this year**
- **And all beneficiaries will have access to plans with premiums of less than \$20**
- **The lowest premiums for basic plans will range from under \$10 to just over \$10 in the Upper Midwest, \$11 in TX, and in all cases under \$20 again this year**
- **Last year it was projected that the average cost would be about \$40 for 2007, and in fact if people stay in their same plans, it will again be about \$24**

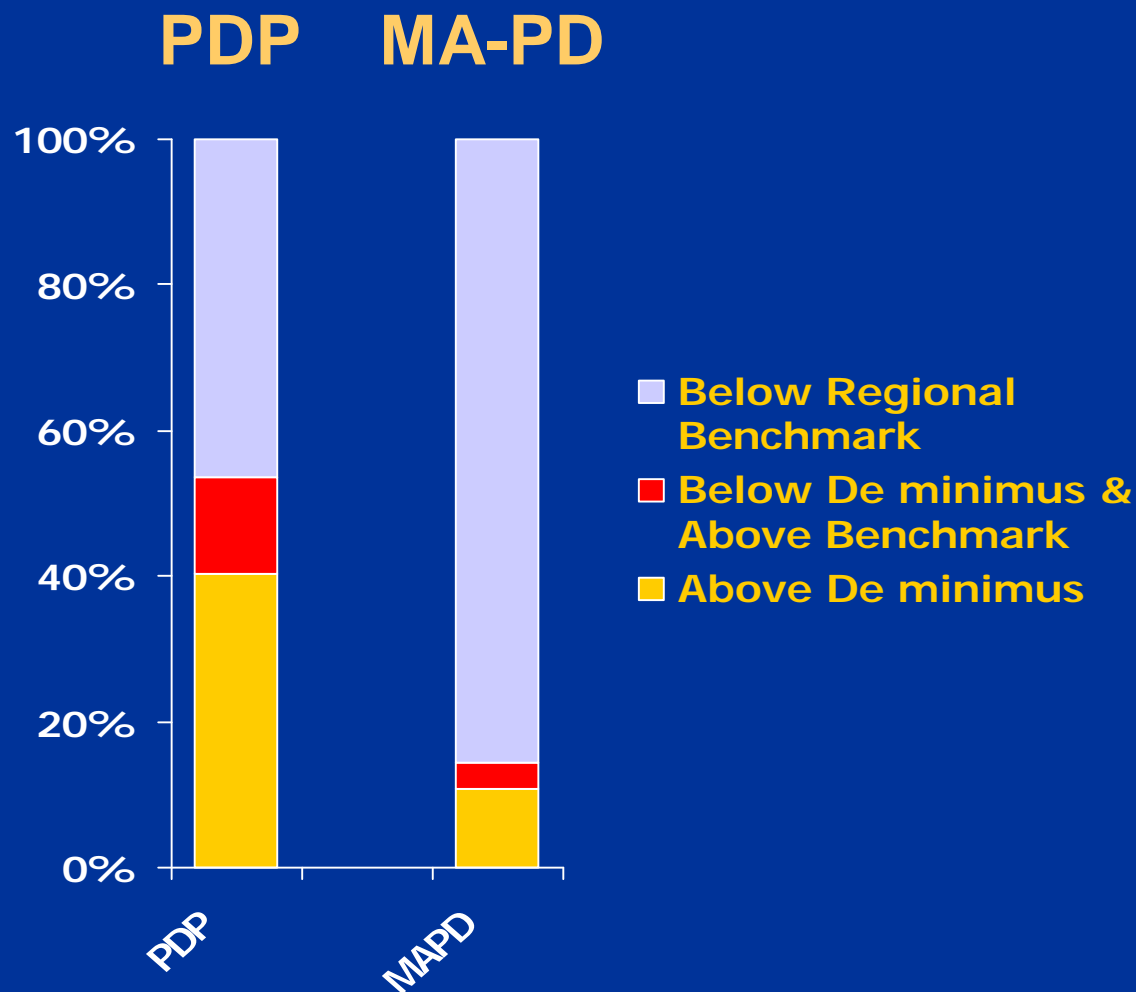
2007 Premium Analysis

■ PDP ■ MA-PD



Based on data as of Oct06

2007 - PDP Premium Analysis

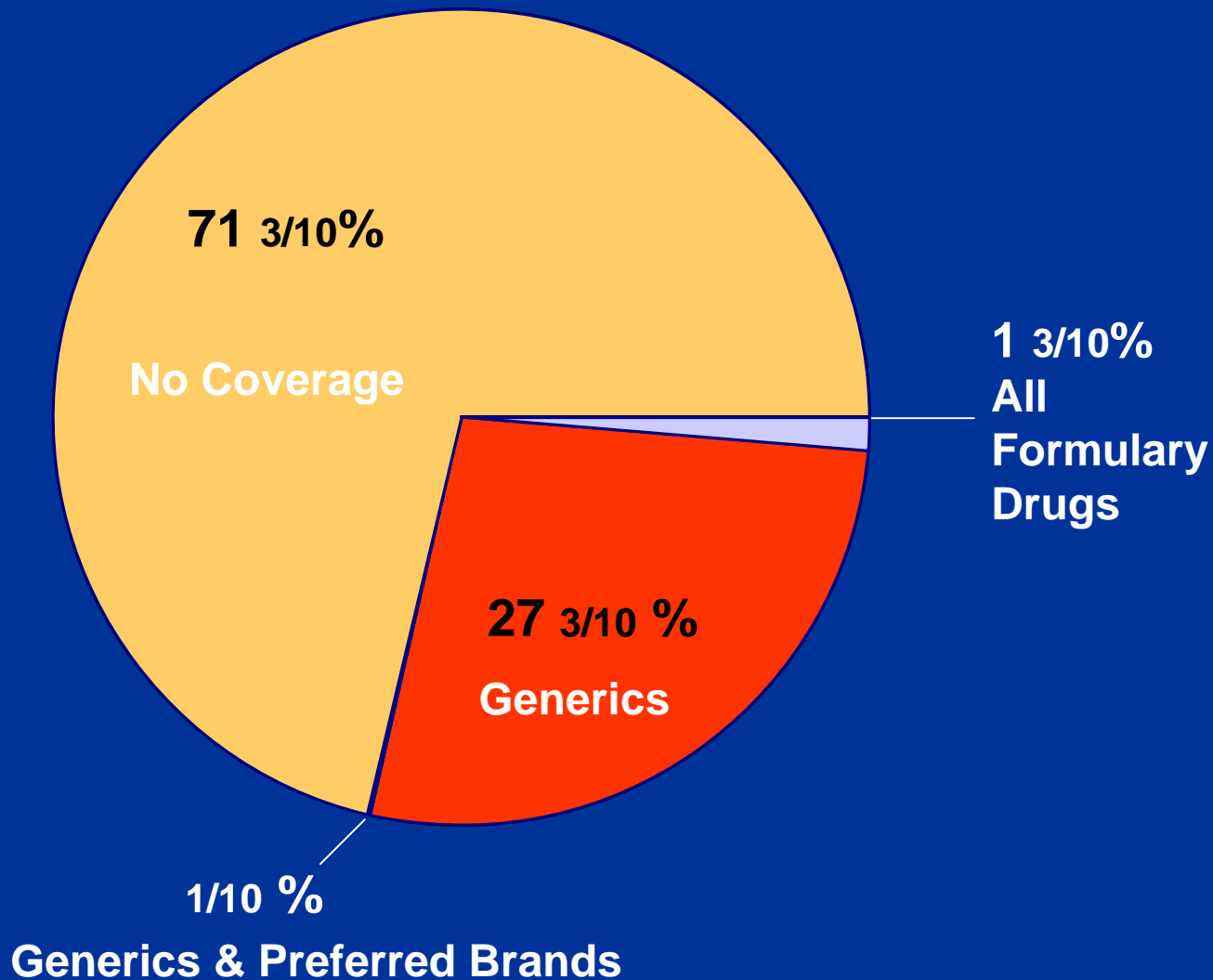


% of Plans by Premium Level

2007 Plans with Coverage in the Gap

- **One option that we expect to be popular is coverage for generic drugs through the coverage gap.**
 - This coverage is available for as low as \$25.60
 - The average premium for a plan with generic coverage in the gap is about \$50, and this type of plan is available in every State
 - That's not much different than the cost that had been projected a year ago for just the basic coverage

2007 Gap Coverage Analysis



2007 Plan Formularies

- **Plans are covering more drugs than ever before**
 - **Nationwide, the average number of items included on a plan formulary increased (by at least 13 percent)**
 - **And plans are using utilization management tools at a slightly lower rate**
 - **Once again, CMS has performed an extremely rigorous formulary review to ensure appropriate access to drugs and to avoid discrimination against beneficiaries with certain conditions**

Demonstration to Transition Enrollment of LIS Beneficiaries

- **Part D market more competitive than expected**
- **CMS implemented demonstration to create more stability in LIS enrollee options for fully subsidized beneficiaries**
- **2 provisions:**
 - **Calculation of Regional LIS benchmarks:** Transition to weighting using actual PDP enrollment for the low-income benchmark premium amounts
 - **De Minimis Premium Policy:**
Eliminates need to move LIS beneficiaries to new plans because their current plan's premium exceeds the regional LIS benchmark by \$2 or less

PDPs Below the \$2 Di Minimis

- **PDP may only charge full subsidy beneficiaries an amount equal to low-income premium subsidy amount to ensure no premium liability for those above the benchmark, but below the de minimis amount**
- **PDPs above the benchmark, but below the di minimis will not qualify for auto/facilitated enrollment in 2007**

LIS Beneficiary Re-Assignment

- **Approximately 247,000 beneficiaries re-assigned randomly to new PDP Sponsor because of premium increase**
- **2 beneficiaries re-assigned because of PDP termination**
- **Letters being mailed on blue paper starting November 6**

2007 Special Enrollment Periods (SEP)

2007 Specific SEPs

- LIS re-determination beneficiaries
- All LIS

On-going SEPs

- Change in residence
- Dual-eligibles
- Contract violations
- Non-renewals or terminations
- Involuntary loss of creditable coverage
- Not adequately informed about creditable prescription drug coverage
- Enroll in or maintain other creditable coverage
- Error by a Federal employee
- Employer Group Health Plan
- CMS sanction
- Cost plan
- PACE
- Institutionalized individuals
- Medicare entitlement determination is made retroactively
- Individuals who enroll in Part B during the Part B General Enrollment Period (GEP)
- New LIS
- SPAP
- Full-benefit dual eligibles with retroactive uncovered months
- MA coordinating SEPs
- Individuals impacted by Hurricanes Katrina, Wilma, and Rita

Employer Group Options

Employer Group Options

- **Provide drug coverage in lieu of the Medicare drug benefit and receive 28% tax-free retiree drug subsidy (RDS) payments for a portion of drug costs**
- **Provide enhanced drug coverage by directly contracting with Medicare or by contracting with a PDP or MA plan (customized products allowed under waiver authority)**
- **Provide drug coverage through a separate stand-alone drug plan that can supplement the Medicare drug benefit**

Employer Group Options: Update

➤ **RDS:**

- For plan years ending in 2006, approximately 4,000 employer/union plan sponsors with approved applications; almost 7 million qualified retirees
- Currently completing processing of applications for calendar plan years ending in 2007; likely have similar numbers of sponsors and qualified retirees (non-calendar plan years have different deadlines)

➤ **Customized Medicare plans (“800-series” and employer direct contracts):**

- For 2006, total number of employers with 800-series coverage is unknown; roughly 1.5 million retirees enrolled

➤ **Other Options:**

- Estimate an additional 500,000 or more retirees in other types of employer/union drug coverage (including coverage wrapping around Medicare drug plans)

Performance Measures & Quality

Performance Metrics

- **Purpose:** CMS wants to ensure that beneficiaries receive the best prescription drug coverage available and that they have the data necessary to make the most informed decision about plan selection.
- **Performance Categories / Domains**
 - Customer Service (beneficiary and pharmacy help desk call center wait time)
 - Complaints (complaint rates for benefits/access, enrollment/disenrollment, pricing/co-insurance, and other)
 - Appeals (appeals processing and timeliness)
 - Data Systems (4Rx data, LIS match rate)
 - Pricing (availability of drug pricing on the Medicare Prescription Drug Plan Finder and price stability index) ⁴³

Beneficiary Customer Service

➤ Beneficiary Call Center Performance

– PDPs:

- Average hold time 35 seconds
- All PDPs have average hold times <5 minutes
- Nearly all PDPs have average hold times <2.5 minutes (>95% of PDPs)

– MA-PDs:

- Average hold time 51 seconds
- All but 1 MA-PDs have average hold times <5 minutes
- Nearly all MA-PDs have average hold times <2.5 minutes (>95% of MA-PDs)

Pharmacy Customer Service

➤ Pharmacy Call Center Performance

– PDPs:

- Average hold time 51 seconds
- All PDPs have average hold times <5 minutes
- Nearly all PDPs have average hold times <2.5 minutes (94% of PDPs)

– MA-PDs:

- Average hold time 47 seconds
- All MA-PDs have average hold times <5 minutes
- Nearly all MA-PDs have average hold times <2.5 minutes (>95% of MA-PDs)

Plan Complaint Rates

- **Complaint rates have been declining**
- **In July, CMS received approximately 1.4 complaints¹ per 1,000 Medicare beneficiaries**
- **This compares to a plan complaint¹ rate of 1.7 per 1,000 Medicare beneficiaries**

¹ Complaints against plans are counted if the complaint issue is under the control of the plan to resolve.

Quality Measurement

- **By November 2007, CMS plans to make more performance data available on its websites for MA and Part D plans.**

Current Business Practices Update

TrOOP Facilitator

- **NDCHealth (PerSe Technologies) awarded contract to serve as TrOOP Facilitator for Part D claims processing**
- **TrOOP Facilitator responsible for:**
 - Facilitating eligibility queries at point-of-sale
 - Identifying costs for Part D enrollees that are reimbursed by other payers, and alerting Part D plans about these transactions
 - Receiving and routing secondary claims
- **For 2007, we're enhancing E1 responses to provide additional info to pharmacies**

Plan to Plan Reconciliation

- **First phase of the P2P covers dates of service on/before April 30, 2006**
 - **CMS has begun sending the P2P recon reports to plans**
 - **Separate reports specify the amounts payable and receivable**
 - **Plans must make payments within 30 days of receipt of the report**
 - **Payments must be for the full amount on the report**
 - **Plans are required to certify the amounts paid to every other plan each month**

State to Plan Reconciliation

- **In February 2006, under the authority of 402 Demonstration, CMS committed to assisting states with recouping payments they have paid on behalf of dual and low-income subsidy entitled beneficiaries.**
- **Demonstration period varies from state to state but is generally January 1, 2006 through March 31, 2006.**
- **Forty-two states (Medicaid agencies and SPAPs) are participating in the State-to-Plan reconciliation process**
- **Over the next several months, CMS will:**
 - Continue to work with Medicaid agencies and SPAPs to ensure adequate reimbursement of their low-income subsidy claims.
 - Work with the Part D plans to recover the payments made by CMS that would have been the responsibility of the plan.

Marketing

Agents and Brokers

- **Individuals who market MA and Part D plans must be licensed, registered or certified by a state, if a state has such a requirement**
- **CMS is working cooperatively with state licensing authorities, the attorney generals in several states and the NAIC to collaborate on enforcement**
- **Plans are responsible for the conduct of contracted Agents and Brokers**

Monitoring

- **CMS is moving to a new audit strategy**
- **Focus of CMS' audit / oversight / enforcement activity is determined by:**
 - data,
 - complaints,
 - compliance history,
 - experience in the program

Monitoring (cont.)

Which organizations will be targeted for audit?

- New organizations receive greater attention
- Organizations that have not undergone recent audit receive greater attention
- Greater reliance on existing organizations' prior audit / compliance history
- Greater reliance on Performance Assessment scores, rankings

Transition to new paradigm

- **CMS is developing short- term and long term risk assessment tools**
- **Short-term: October 2006 – December 2007**
- **Long-term risk assessment tools: Beginning January 2008**

Program Integrity – Fraud, Waste, and Abuse Strategy

- **Medicare Drug Integrity Contractors (8) (MEDIC) Contracting strategy**
- **Fraud, Waste and Abuse compliance chapter in Part D manual**
- **Coordinating with Law Enforcement**
 - Existing partners: FBI, OIG and DOJ
 - Reaching out to new partners: SSA, FTC, DEA and DOL

Protecting Beneficiaries from Fraud

- **Information on the web (www.medicare.gov)**
 - How to protect yourself from identity theft and fraud
 - If you think fraud has been committed
 - Numbers to call:
 - 1-800-MEDICARE
 - Fraud hotline of the HHS OIG: 1-800-447-8477
 - Federal Trade Commission's ID theft hotline:
1-877-438-4338
- **Collaboration with our partners**
 - Senior Medicare Patrol program, Senior centers and other local organizations working with Medicare
 - State Health Insurance Assistance Programs

Contract Administration

Regional Office/Central Office roles and responsibilities:

Policy: CO

➤ Account Management:

- CO – PDPs
- RO – Regional PPOs & MA(-PDs)

➤ Marketing Review: RO

➤ Casework: RO

➤ Audits: CO & RO

Part D Regulations

➤ **NPRM**

- Part D Claims Data: comment period closes December 18, 2006

➤ **Upcoming Regulations (2) - under discussion, but will cover areas such as...**

- Part D Technical Corrections: Cleans up errors and clarifies policy issued subsequent to the Jan 2005 final rule
- Compliance: Streamlines the current compliance regulations and clarifies certain policies related to vaccines

Status: Prescription Drug Benefit Manuals

- Enrollment and Disenrollment (v09.08.06)
- Marketing Guidelines (v07.23.06)
- Enrollee Grievances, Coverage Determinations, and Appeals (v06.22.06)
- Fraud Waste and Abuse (v04.25.06)
- Benefits and Beneficiary Protections (draft)
- Part D Drugs and Formulary Requirements (draft)
- Coordination of Benefits (coming soon)
- Employer group Part D eligibility enrollment/disenrollment guidance contained in PDP manual and MMCM (Chapter 2)
 - All other employer group guidance in the process of being consolidated in:
 - PDP manual (new - Chapter 12)
 - MMCM (new - Chapter 9)

Status: Medicare Managed Care Manual

- **The Managed Care Manual (Publication 100-16) is one of CMS' Internet-only manuals, found at <http://www.cms.hhs.gov/Manuals/IOM/list.asp>.**
- **Revisions. The next update of the Manual is underway, with revisions to 7 chapters in internal review.**
 - Expected release of revisions – February 2007.
- **Rewrites. Bidding and payment chapters are complete rewrites to reflect policies developed in last 2 years to implement MMA bidding; chapters and are in initial stages of internal review.**
 - Expected release of rewrites – May 2007.

Next Steps

Next Steps: The 2008 Process – Medicare Advantage

Goals for 2008:

- **Even Better Coordination Between Part C and Part D (e.g. marketing)**
- **Synchronize key data and information plan submission dates**
- **Improved and frequent communications with applicants**
- **Training for plans**
- **Streamline MA applications process**
- **Improvements to the SNP process**
- **HPMS improvements**

Next Steps : The 2008 Process- Medicare Prescription Drug Benefit

Goals for 2008:

- **Further streamline applications – on target**
- **Update HPMS to streamline the Benefit review process – on target**
- **Provide additional clarity around multiple plan benefit submissions by the same sponsor in a single region - ?????**
- **Explore creating and maintaining a "parent" link in HPMS and other Part C and D databases [POAG?]**

2008 Timeline

- **Notices of Intent to Apply Due – Dec. 1st**
- **Advance Notice of Methodological Changes for Calendar Year 2008 for Medicare Advantage (MA) Capitation Rates and Part D Payment- February 16, 2007**
- **Applications Due - March 2007**
- **Call Letter Published – March 2007**
- **Formularies Due – April 2007**
- **Publish the Announcement of Calendar Year (CY) 2008 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies- April 2, 2007**
- **Bids Due – June 4, 2007**

Looking Ahead to 2008

- **CMS and industry already working on 2008 contract year**
 - Discussing bidding tool improvements & payment policy issues
- **Expect 2008 payments to be relatively stable**
- **Moratorium on Local PPOs comes off**
- **More MSA plans likely**
- **Expect to see more movement in industry to consolidation**