

The Second National Medicare Prescription Drug Congress

MMA Implementation: Employer Response to the MMA

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Today's Presentation

- Background
 - Options for Employer/Union Sponsors of Retiree Coverage
- CMS Actions
- Employer Response
- Supplemental Materials

Background

- Trend over past 15 years: decline in retiree health care
- MMA provides various options to employer/union sponsors
- Each option has different financial savings, administrative requirements, design flexibility, communication needs
- Ultimate goal: financial savings encourage sponsors to keep offering retiree health care

Background

- Retiree Drug Subsidy (RDS) Option
 - Receive direct payments from CMS for portion of incurred drug costs if sponsor offers retiree coverage that is actuarially equivalent or better than standard Medicare drug benefit
 - Payments exempt from federal tax
 - Only applies to retirees eligible but not enrolled in the Medicare drug benefit
 - Actuary certifies that coverage meets actuarial tests; sponsors have design flexibility

Background

- Supplemental and Customized Coverage
 - Separate stand-alone “wrap” drug plan to supplement Medicare drug benefits chosen by retirees
 - Purchase customized drug coverage from a single Medicare prescription drug plan (PDP) or Medicare Advantage plan that includes prescription drugs (MA-PD), pursuant to a CMS waiver
 - Employer/union direct contract with CMS to be PDP or MA-PD and provide customized drug coverage

Background

- Plan sponsors can:
 - Offer different options to different retiree groups
 - Offer more than one option to retirees
 - Change the option(s) offered in subsequent years

CMS Actions: RDS

- Created electronic system for submitting applications, retiree lists, claims data, payments
 - rds.cms.hhs.gov
 - Application period started in August 2005, closed October 31, for 2006 plan years
- Issued policy guidance that gives sponsors offering good retiree drug coverage flexibility to qualify for RDS and achieve financial savings at limited administrative cost
 - Limits windfalls
- Provided clarifications through q&a's
- Created special rules for retirees enrolling in Medicare plans
- Outreach

Supplemental and Customized Coverage

- Established system allowing real-time, point of sale claims coordination among Part D plans and other payors, including supplemental employer plans
- Granted numerous waivers that give sponsors flexibility to customize coverage while still preserving Medicare protections
 - Includes waivers relating to service area, enrollment, bidding, and payment
 - Requires formulary reviews
 - Contracts signed on 09/14/05
- Outreach

CMS Actions:

Communication with Beneficiaries

- Guidance clarified requirement that sponsors disclose creditable coverage status of prescription drug plan
 - Allows Medicare beneficiaries to know if they can delay enrollment in Medicare drug benefit without late enrollment penalty
 - CMS has provided model documents, simplified calculations
 - Also issued special guidance for Medigap plans
- Emphasized need for early communication and provided materials to help
 - Medicare beneficiaries with employer/union coverage must understand how it interacts with new Medicare drug benefit
 - Most can keep coverage they already have without doing anything new, and they need to know that
- Issued sample retiree communication materials that sponsors can customize for their use

CMS Actions: Partnering With Public

- CMS has made great efforts to obtain public input
- Lessons learned process
- Future considerations
 - Further enhancements in RDS electronic submission process
 - Review of waiver process
- Will seek future input and suggested approaches to ensure these systems are workable for employers/unions and plans and promote the retention of retiree coverage

Employer Response: Short Term

- Surveys indicate most sponsors using financial savings to keep offering coverage and limit increases in cost sharing
- Most sponsors have applied for the RDS
 - Most qualify without need for design changes
 - Doesn't present major communication challenges

Employer Response: Short Term

- PDPs and MA-PDs have signed contracts with CMS allowing them to offer customized employer/union products through CMS waivers
- Some employers/unions directly contracting with CMS for 2006 as their own PDPs

Employer Response: Long Term

- Over long term, preferred plan sponsor options likely to be driven by numerous factors
- MMA factors
 - Comparison of options in terms of expected financial savings, administrative costs, design flexibility, communication challenges
 - Development of the Medicare prescription drug plan market
 - Regulatory requirements, timeframes
- Non-MMA factors
 - Rising health care costs
 - Competition
 - Labor issues
 - Financial accounting standards
- As Medicare drug plan market further develops, more sponsors may consider waivers, other options

Supplemental Materials

RDS Summary

- Pays 28% of allowable retiree costs attributable to gross covered prescription drug costs
 - For 2006, pays for costs between \$251 (cost threshold) and \$5,000 (cost limit)
 - Cost limit and threshold to be indexed after 2006
- Paid for certain drug expenses of retiree, spouse and dependents
- Paid for retirees not enrolling in Medicare Part D
- Paid to plan sponsor
- Exempt from federal taxes

RDS Eligibility Requirements

- Eligibility requirements include:
 - Submit attestation that retiree drug plan meets “actuarial equivalence” standard
 - Special benefit option rules
 - Annually submit timely application (October 31 for 2006) with retiree and dependent names (updated periodically)
 - Provide claims-related data
 - Interim requests have aggregate data
 - End of year reconciliation required at retiree level
 - Rebates/other price concessions excluded from gross costs
 - Maintain records for audits
 - Up to 6 years
 - Cost data, actuarial attestations, creditable coverage notices
 - Written agreements with vendors
 - Creditable coverage disclosures

RDS Payment Requests

- RDS Payment Requests
 - Proposed Forms and Instructions released 9/23 for comment
 - Access at:
<http://www.cms.hhs.gov/regulations/pr/default.asp>
 - Federal Register notice at:
<http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-17734.pdf>
 - Final materials coming shortly

RDS Guidance

- RDS Final Regulations Published 01/28/05
- RDS Sub-Regulatory Guidance/Clarifications:
 - Actuarial equivalence April 2005
 - Clarifications, simplified method, sample calculation
 - Treatment of account-based arrangements for RDS and creditable coverage (HRAs, MSAs, HSAs, FSAs) June 2005
- IRS Guidance (Rev. Rul. 2005-60) holding that subsidy does not affect minimum cost requirement under Code section 420
- Q&As on miscellaneous policy, operations issues
 - <http://rds.cms.hhs.gov/> -- click “FAQ” link

Supplemental Coverage

- Medicare catastrophic prescription drug benefit triggered when beneficiary has \$3,600 “true out-of-pocket” (TrOOP)
- Supplemental coverage provided by employers and unions generally does not count towards TrOOP
 - Special rules for HSAs, MSAs, FSAs
- Supplemental coverage still benefits retirees because it is providing coverage where Medicare does not, and provides significant cost savings to plan sponsors
- CMS contractor will allow for real-time, point of sale claims coordination among Part D plans and other payors, including employer plans
 - http://medifacd.ndchealth.com/home/medifacd_home.htm
- Sponsors can continue to coordinate claims, beneficiary information through the Medicare VDSA/COB programs

Guidance Related to Waivers

- General waivers of various requirements and other guidance: 2/11/05, 3/9/05, 4/6/05
- Formulary Guidance (05/19/05)
- Bidding Guidance (06/02/05)
- Additional service area waivers for private fee for service and regional PPOs (06/23/05)
- Marketing manual guidance (8/15/05)
- Requests for additional waivers considered on a case-by-case basis
- See guidance at <http://www.cms.hhs.gov/medicarerereform/pdbma/PartDGrpWavrs.asp>

Creditable Coverage

- Various entities, including employer/union group health plans, must disclose creditable coverage status of prescription drug plan
 - Goes to all Medicare Part D eligible individuals, including active, disabled, COBRA and retirees
 - Disclosures to CMS will also be required for many entities
- Importance: after initial Medicare enrollment period ends, any break of 63 days or longer in creditable coverage means higher Medicare drug premium (1 percent per month) if beneficiary ultimately enrolls in a Part D plan

Creditable Coverage

- Timing (minimum) for disclosures to beneficiaries
 - Prior to the Medicare Part D Annual Coordinated Election Period (ACEP) – beginning November 15th through December 31st of each year;
 - Prior to an individual's Initial Enrollment Period (IEP) for Part D;
 - Prior to the effective date of coverage for any Medicare eligible individual that joins the plan;
 - Whenever prescription drug coverage ends or changes so that it is no longer creditable or becomes creditable; and
 - Upon a beneficiary's request

For More Information

- <http://www.cms.hhs.gov/medicarerereform/pdbma/employer.asp> -- gateway site for employer/union plan sponsor guidance and summaries
- <http://www.cms.hhs.gov/medicarerereform/credcovrg.asp>-- guidance and summaries related to creditable coverage
- <http://rds.cms.hhs.gov> - Retiree Drug Subsidy (RDS) Center homepage
- 1-877-RDS HELP – RDS Operational Help Line
- <http://www.cms.hhs.gov/medicarerereform/pdbma/PartDGrpWavrs.asp> - waiver guidance

For More Information....

- <http://www.cms.hhs.gov/medicare/cob/> -- information about COB Agreements and Voluntary Data Sharing Agreements
http://medifacd.ndchealth.com/home/medifacd_home.htm -- information about new TrOOP/real-time claims
- <http://www.cms.hhs.gov/maillinglists/default.asp?audience=15> -- subscribe to CMS-EMPLOYER-PDBMA-L listserv for email notification of new developments
- <http://www.cms.hhs.gov/partnerships/> - resources, materials, training information