

# Medicare Part D and Medicare Advantage

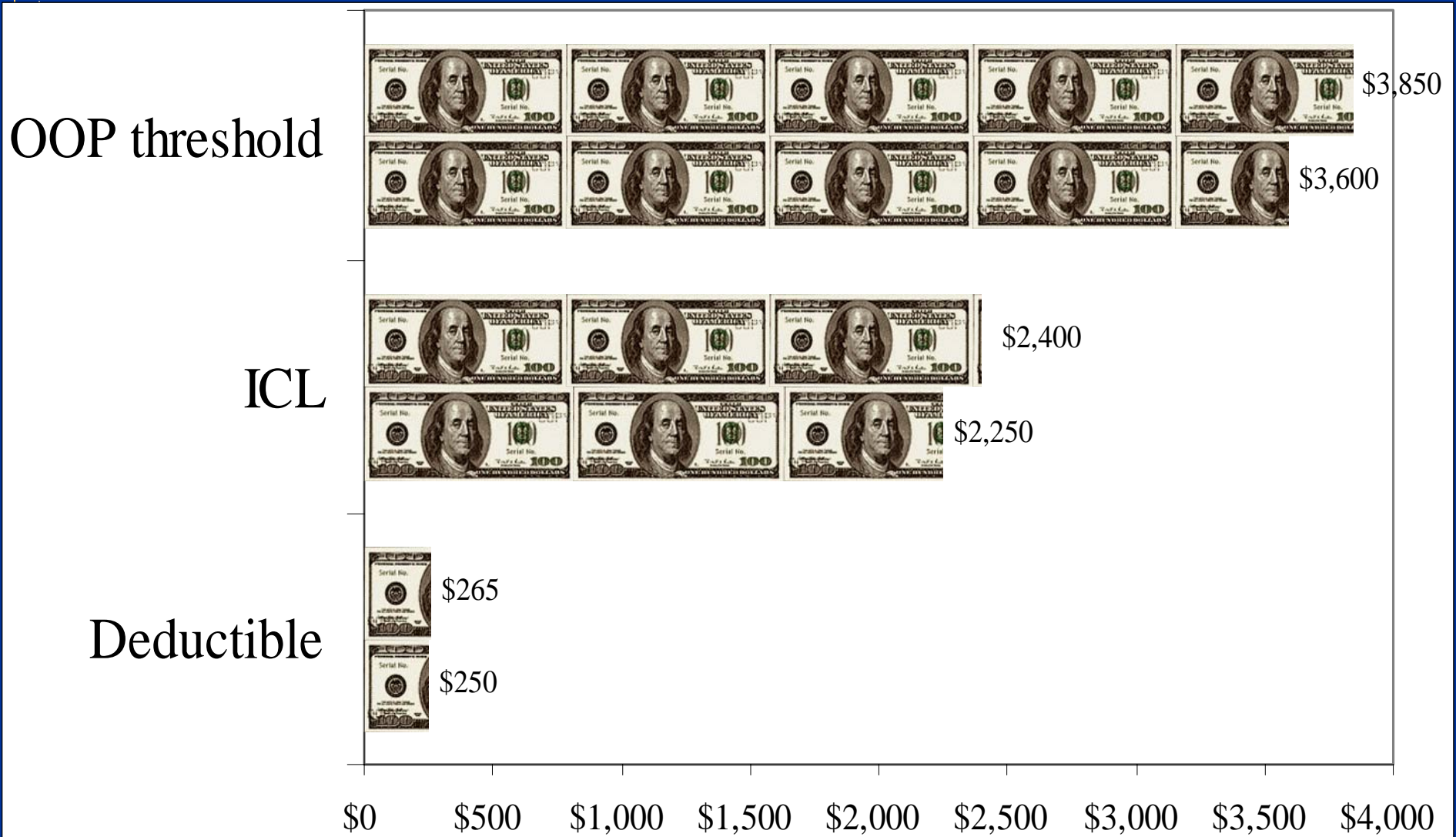
Tom Hutchinson, Director  
Medicare Plan Payment Group  
Center for Beneficiary Choices  
Centers for Medicare & Medicaid Services



# 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

# Benefit adjustments to Part D mandated by law



# Benefit adjustments to Part D mandated by law (cont.)

<b>Cost sharing up to OOP threshold</b>	<b>2006</b>	<b>2007</b>
<b>Institutionalized</b>	\$0.00	\$0.00
<b>FBDE up to 100% FPL</b>		
Generic/Preferred brand	\$1.00	\$1.00
Other	\$3.00	\$3.10
<b>FBDE over 100% FPL</b>		
Generic/Preferred brand	\$2.00	\$2.15
Other	\$5.00	\$5.35
<b>Full Subsidy non-FBDE</b>		
Generic/Preferred brand	\$2.00	\$2.15
Other	\$5.00	\$5.35
<b>Partial subsidy non-FBDE</b>		
Deductible	\$50.00	\$53.00
Max co-insurance	15%	15%

## Part D: working with plans to inform the consumer

- Working with the Part D plans CMS has made enhancements to [www.medicare.gov](http://www.medicare.gov) that will provide new help for people with Medicare prescription drug coverage who want to consider changing plans
- Updates to the Medicare Prescription Drug Plan Finder web tool include a Monthly Cost Estimator, a personalized chart illustrating 12 months of expected drug spending for each plan and a comparison of plans based on price and benefit structure
- Beneficiaries will also receive the 2007 Medicare & You handbook this month and beneficiaries already enrolled in a Part D plan will also receive an Annual Notice of Changes (ANOC) that describes any changes in the benefits of their current plan

## Working with plans to keep drug costs down for the beneficiary

Because strong competition is continuing in 2007, the Medicare drug benefit costs are coming down further. The “bids” by the prescription drug plans are 10 percent lower, on average, in 2007 than 2006.

- Market basket analysis shows that beneficiaries can typically save 53% at POS with a Part D plan compared to not having coverage
- an increase of just 0.1% in the average Part D enrollee premium
- Numerous plan offerings in every region with reduced or no deductible

# 2007 MA Overview

- **What happened with MA capitation rates (county-level benchmarks)**
- **Likely average MA revenues from government**
- **New product – MSA plan**
- **New challenge: 2006 payment reconciliation**

# 2007 Capitation Rates

- **4/3/2006 Rate Announcement – CMS released the projected national per capita MA growth trend of 7.1% and the annual capitation rates**
- **2007 will be the 1st year 100% of payment is risk-adjusted**
- **The 2007 risk rates, on average, increased by approximately 4%, after taking into account:**
  - Budget neutrality factor, per 2005 Deficit Reduction Act (2007 factor at 55% = 3.9% vs. 2006 factor of 13%)
  - Restandardization of the risk ratebooks due to recalibration of the CMS-HCC risk adjustment model (some county avg. risk scores ↑, others ↓)
  - Average risk rate increase = 7.8% (7.1% for most counties, more for FFS counties)

# 2007 Payments

- The average 4% increase in payment rates is offset by the 2.9% fee-for-service normalization factor
- 2007 payments are expected to increase, on average, by approximately 1.1% -- assuming plans' 2007 risk scores in 2007 are about the same as in 2006

# MA Plans for 2007

- **No real market consolidation yet**
- **Big increase in number of Special Needs Plans (SNPs).**
  - New policy - permit MA organizations to sub-set categories of dual eligible SNP enrollment based on State integration efforts. CMS reviews sub-setting proposals.

# New MA Product

- **Medical Savings Account Plans offered for 1<sup>st</sup> time in 2007**
  - 1 MSA plan demo contract (with 2 general enrollment plans, one in PA, other in NY; and 1 national EGHP)
  - 2 standard MSA plan contracts (taken together, 6 general enrollment plans and 2 EGHPs covering 39 States)
  - MSA plans (demo and standard) can't offer Part D; enrollee can join PDP.
- **MSA Plan Demo – as similar as possible to commercial HDHP-HSA product**
  - Minimum deductible, MSA deposit at least \$500 less than plan deductible
  - Cost sharing between deductible & OOP max
  - Coverage of certain preventive benefits before deductible

# Challenge for 2007

- **New and challenging activity for 2007 – reconciliation of 2006 payments**
  - MA Regional plans – risk corridors
  - PDPs: risk corridors, LIS, & P2P reconciliation and State-to plan-reconciliation

# 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**