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# TRACKING MEDICARE HEALTH AND PRESCRIPTION DRUG PLANS
# Monthly Report for January 2007

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*as part of work commissioned by the Kaiser Family Foundation*

## PROGRAM STATUS: PRIVATE PLAN OFFERINGS, ENROLLMENT, AND CHANGE

| Enrollment and Penetration, by Plan Type | Current Month: January 2007 | Change From Previous Month* | Same Month Last Year | |
|---|---|---|---|---|
| | | | January 2006 | Change From December 2006- 2007 |
| **Enrollment** | | | | |
| **Total Stand-Alone Prescription Drug Plans (PDPs)**:** | 16,630,180 | -63,236 | Not Available | Not Available |
| Duals Auto Enrolled in PDPs*** | 6,270,154 | Not Available | | |
| All others Enrolled in PDP | 10,360,026 | Not Available | | |
| **Total Medicare Advantage (MA)** | 7,728,782 | +137,731 | Not Available | Not Available |
| Medicare Advantage-Prescription Drug (MA-PD) | 6,704,489 | +132,330 | | |
| Medicare Advantage (MA) only | 1,024,293 | +5,401 | | |
| **Medicare Advantage (MA) by Type** | | | Not Available | Not Available |
| MA Local Coordinated Care Plans**** | 5,988,184 | -19,441 | | |
| Health Maintenance Organizations (HMOs) | 5,574,864 | -2,384 | | |
| Provider Sponsored Organizations (PSOs) | 72,279 | -20,447 | | |
| Preferred Provider Organizations (PPOs) | 340,992 | -1,426 | | |
| Regional Preferred Provider Organizations (PPO) | 99,957 | +1,572 | | |
| Private Fee For Service (PFFS) | 1,047,383 | +183,283 | | |
| Cost | 294,603 | -23,671 | | |
| Other***** | 298,655 | -4,012 | | |
| **General vs Special Needs Plans******** | | | Not Available | Not Available |
| Special Needs Plan Enrollees | Not Available | 602,881 | | |
| Other Medicare Advantage Plan Enrollees | Not Available | 6,939,876 | | |
| **Penetration** (as percent beneficiaries)******** | | | | |
| Prescription Drug Plans (PDPs) | 37.8 | -0.1% | Not Available | Not Available |
| Medicare Advantage Plans (MA) | 17.6% | +0.4% | | |
| Medicare Advantage-Prescription Drug Plans (MA-PDs) | 15.2% | +0.3% | | |
| Local Health Maintenance Organizations (HMOs), | 12.7% | No change | | |
| Preferred Provider Organizations (PPOs) or | 0.8% | No Change | | |
| Provider Sponsored Organizations (PSO) | 0.2% | No Change | | |
| Private Fee For Service (PFFS) | 2.4% | +0.4% | | |

January 2007 data is from the 1.16.07 Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Organizations—Monthly Summary Report released by CMS on its website at:
(**http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp**)

* The December 2006 data is from data released by CMS on 12.11.06 also on its website

**The total PDP enrollment includes employer groups because CMS has historically included employer group enrollees in the Monthly Managed Care Contract Report pre-2006. (The total PDP without employer groups is 16,553,472).
***The data for dual eligibles automatically enrolled in PDPs comes from CMS released data "State Enrollment in Prescription Drug Plans-January 2007 also on its wesbite.
****The data for the breakdown of MA Local Coordinated Care Plans is from the 1.16.07 Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Organizations-Monthly Report by Contract. The total for each CCP plan by type does not sum to the total CCP because the breakdown totals do not include enrollment numbers for contracts whose enrollment is less than 10. (http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp).
*****Other includes Demo contracts, HCPP, and PACE contracts.
******The SNP total is from the 2006 SNP Enrollment by Type PDF released by CMS on 11.9.06 and includes counts of 10 or less through September 2006. (see: http://www.cms.hhs.gov/SpecialNeedsPlans)
*******Penetration rates for January 2007 and December 2006 are calculated using the number of eligible beneficiaries reported in the December 2005 State/County File.

DEFINITIONS: Coordinated Care Plans, or CCPs, include health maintenance organizations (HMOs), provider-sponsored organizations (PSOs) and preferred provider organizations (PPOs). The 2005 data include the PPO demonstration. The Medicare preferred provider organization demonstration began in January 2003. PFFS refers to private fee-for-service plans. Cost plans are HMOs that are reimbursed on a cost basis, rather than a capitated amount like other private health plans. Other Demo refers to all other demonstration plans that have been a part of the Medicare+Choice / Medicare Advantage program. For April 2006, these include ESRD, SHMO, WI Partnership, and National PACE. Special Needs Plans refers to Medicare Advantage coordinated care plans focused on individuals with special needs. "Special needs individuals" were defined by Congress as: 1) institutionalized; 2) dually eligible; and/or 3) individuals with severe or disabling chronic conditions.

## Summary of MA contracts in January:

| Plan Participation, by type | CURRENT MONTH: JANUARY 2007* | SAME MONTH LAST YEAR | |
|---|---|---|---|
| | | JANUARY 2006 | CHANGE FROM JANUARY 2006– 2007 |
| **MA Contracts (excluding SNPs)** | | | |
| Total | 589 | Not Available | Not Available |
| Local Coordinated Care Plan | 410 | | |
| Health Maintenance Organizations (HMOs) | 291 | | |
| Preferred Provider Organizations (PPOs) (Includes Physician Sponsored Organizations (PSOs)) | 119 | | |
| Regional Preferred Provider Organizations (rPPOs) | 14 | | |
| Private Fee For Service (PFFS)** | 48 | | |
| Cost | 27 | | |
| Other*** | 90 | | |

*Contract counts for January 2007 are from the 1.16.07 Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Organizations—Monthly Summary Report released by CMS on its website at: (**http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp**)
**The total PFFS contracts include Employer Direct PFFS (The total for Employer Direct PFFS is 1)
***Other includes Demo contracts, Health Care Prepayment Plans (HCPP), Program for all-inclusive care of Elderly (PACE) , and MSA contracts.

**Pending Applications**

- No Information Available

**Summary of new MA contracts announced in January:**

- There are 77 additional contracts available as of January 2007 compared to December 2006 (589 vs. 512). There are 43 additional local CCP contracts; 3 new rPPOs (all three contracts of XLHealth Corporation, which are SNPs for chronic conditions); 2 MSA contracts (both Wellpoint) and 7 new demo contracts (5 are UHC-Pacificare and 2 Universal American Financial Corporation). In addition, PFFS contracts nearly doubled since December (there are now 48 available from 25 as of December 2006). There are three new contracts from WellCare Health Plans; two new contracts from the following: Coventry; Wellpoint; Health Net; and BCBS. The 12 following each have a new PFFS contract: 1) University of Pittsburgh Medical Center; 2) Windsor Health Group; 3) Sierra Health Services; 4) UHC Pacificare; 5) McKinley Life Insurance Company; 6) Humana; 7) Universal Health Care; 8) Elder Health; 9) Harvard Pilgrim Health Care; 10) Medical Card System, Inc; 11) Metropolitan Health Plan; and 12) Independent Health Benefits Corporation. In addition, there is one Employer Direct PFFS (DMBA-Deseret Mutual Benefit Administrators). The counts here include SNP only contracts and are similar but may not be identical to those reported in other CMS data because CMS's decisions about what to include in different files varies though the variation is not well documented. See CMS's website for more information on these new contracts at: http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp).

**NEW ON THE WEB FROM CMS**

**Relevant to Both Medicare Advantage and Prescription Drug Plans**

- This month CMS released new MA and MA-PD data, which is available at: http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp). The data includes:

  - A breakdown of state enrollment in prescription drug plans (as of 1/16/07). The table includes a breakdown by state specifically for the number of Medicare beneficiaries enrolled in 1) stand-alone PDPs; 2) MA-PDs; 3) Medicare and Medicaid (dual eligibles); 4) Medicare retiree drug subsidy; and 5) Tricare and FEHBP. California has had the most enrollment with 3,635,081; Florida, New York and Texas have the next highest enrollment with each over 2 million; In addition, Pennsylvania; Ohio; Michigan and Illinois all have over 1 million in enrollment. Alaska; Wyoming and the District of Columbia have the lowest level of enrollment (42,693; 54,225; and 57,721 respectively).

  - LIS-Eligible Medicare Beneficiaries with Drug Coverage by State (as of 1/16/07). The total number of LIS-eligible with drug coverage includes those enrolled in

Part D or those that are also enrolled in the Medicare Retiree Drug Subsidy (the table does not provide a breakdown of the two). The total enrollment for all states (inc. Puerto Rico and the Virgin Islands) is 9,181,180. California is the state with the most enrollment (1,120,060); New York has the second highest enrollment with 688,800 and of the 50 states Alaska has the lowest with 13,870 enrolled (Virgin Islands has only 100 enrolled and Puerto Rico has enrollment of 4,750).

- CMS released its final 2008 Medicare Advantage (MA) applications on its website this month (including initial applications for new CCP; rPPO; PFFS; MSA as well as for CCP and PFFS that are planning service area expansions). Applications are due no later than 5:00pm ETD on March 12, 2007. Most of the application is similar to 2007 except for the Special Needs Plan section, which CMS provides specific instructions and guidance for them (see SNP section of this report for more detail). As with last year, CCP plans are required to offer at least one plan containing a Part D prescription drug benefits in each of its service areas and therefore must also complete and submit a Medicare Advantage Prescription Drug Plan Sponsor application as a condition of the CCP application (also due on March 12, 2007). The announcement indicates that no new 1876 cost plans are allowed in 2008. (The MMA limits cost contracts starting in 2008 only to areas meeting certain requirements.) However both new and expanded local PPOs will be allowed again in 2008, ending the two-year moratorium established by the MMA to encourage entry by rPPOs. In addition to the application materials the website includes contact information (phone and email) for CMS individuals to answer questions specific to each type of MA application. See CMS's website for more information as well as to view or download the applications: http://www.cms.hhs.gov/MedicareAdvantageApps/ .

**Relevant to Medicare Advantage**

- None

**Relevant to Prescription Drug Plans**

- On January 30, 2007, CMS released a press release titled "Medicare Drug Plans Strong and Growing: Beneficiaries Compared Plans and Continued to Sign up for Prescription Drug Coverage." The press release stated at the end of the second open enrollment period for Part D, which ended December 31, 2006, 88.5 percent of beneficiaries that enrolled in a PDP plan for 2007 chose a plan other than one with standard benefits (e.g. a plan with no deductible or coverage in the donut hole). The press release also stated that roughly 2.4 million (or 10 percent) of Part D enrollees changed plans. Of the 2.4 million that changed plans, 1.1 million were LIS beneficiaries (in order not to pay increased premiums). In addition, CMS Acting Administrator, Leslie Norwalk stated that of the approximately 632,000 LIS beneficiaries who lost their low-income status in 2008, 35 percent have either regained or are in the process of reapplying for status. The press release also stated that as the first month after the second open enrollment period comes to an end, there have not been significant problems with beneficiaries receiving their prescriptions

from pharmacies, as was the case last year. For more information, please see the press release on CMS's website at: http://www.cms.hhs.gov/apps/media/press_releases.asp

- CMS released a press release on January 11, 2007 titled "CMS Actuaries Conclude that H.R. 4 Would Have No Effect on Lowing Drug Prices: Bill Requiring Government Interference in Negotiations of Drug Prices Offers No Savings." The Actuarial Group in the CMS Office of the Actuary stated that because the Secretary does not have the ability to drive market share via the establishment of a formulary or development of a preferred tier, drug manufacturers have little to gain by offering rebates that aren't linked to a preferred position of their products. They concluded that H.R.4 would therefore not likely have any effect on current negotiations or the prices that are ultimately paid by the Medicare Part D program. Acting CMS Administrator, Leslie Norwalk stated that it is the competitive bids by health care plans that continue to allow savings to the program. The press release stated that Part D plans are projected to be $113 billion lower over the next ten years than estimates made last year. In addition, the release stated that the average monthly premiums for the basic benefit will be approximately $22 for beneficiaries, down from $23 in 2006. This press release is at: http://www.cms.hhs.gov/apps/media/press_releases.asp

- CMS released a memorandum on January 9, 2007 stating that there would be no Medicare Part D late fee for low-income enrollees. CMS Acting Administrator, Leslie V. Norwalk stated this is to help remove barriers that may be preventing low-income beneficiaries from signing up to the program. The press release also provided information on the two steps that a potential low-income beneficiary can take to secure Part D coverage: First, they can check with the Social Security Administration to determine eligibility for extra help in paying for Medicare prescription drug coverage; and secondly, once they are declared eligible for the LIS, they can apply for drug coverage. (See http://www.cms.hhs.gov for more information.)

- A memorandum released this month from the Medicare Drug Benefit Group Director, Cynthia Tudor, provides updated information on the formulary reference NDC file for CY 2007 formulary submissions. The file includes additional Part D covered drugs and removed obsolete or excluded drugs. This information is available at http://cms.hhs.gov/PrescriptionDrugCovContra/03_RxContracting_FormularyGuidance.asp

**Relevant to Special Needs Plans Specifically**

- This month CMS released final 2008 Medicare Advantage (MA) applications. While most of the application is unchanged, the SNP section has new revisions. In addition to submitting the SNP solicitation in the MA application, the applicant must also now include a second copy of the SNP solicitation in a separate envelope. Instructions for completing a SNP proposal are included in the section of the CCP, rPPO, and Service Area Expansion (SAE) applications titled "Solicitation for Special Needs Plan Proposal" (Solicitation). CMS also provides the following CMS web pages for additional guidance: http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/; http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/RSD/list.asp#TopOfPage; and

http://www.cms.hhs.gov/MCBS/. See also the main CMS website address for downloading applications at http://www.cms.hhs.gov/MedicareAdvantageApps/.

- CMS has posted information on the SNPs available in 2007. The file can be accessed from http://www.cms.hhs.gov/SpecialNeedsPlans/

**OTHER ITEMS OF RELEVANCE**

- The American Enterprises Institute (AEI) held an event this month on government price negotiations for the Medicare Drug Benefit. The moderator for this session was Director of Health Policy Studies at AEI, Robert Helms. Speakers for the session included Professor of Health Policy and Management at Johns Hopkins Bloomberg School of Public Health, Gerald Anderson; AEI's Joseph Antos; and AEI's senior fellow and former CMS Administrator, Mark McClellan. The transcript and video recording of this event as well each of the presenter's slides are available on the AEI's website at http://www.aei.org/events/filter.economic/recent_list.asp.

    - At the AEI session, Mark McClellan's presentation focused on five issues: 1) The Medicare Part D experience to date; 2) Past experiences of the Medicare and Medicaid programs with issues related to drug pricing; 3) the "apple-to-apple" comparisons between these programs with Medicare Part D that has been a large focus the Medicare Part D negotiation debate; 4) how negotiations for the Medicare Part D program would actually work; and 5) conclusions on Medicare Part D and potentially moving in a bit of a different direction. Overall, McClellan stated that the Medicare Part D program experience so far has been very good in many respects. Bids for the plans were lower than expected in 2006 and then came down more in 2007 by about 10 percent on average. He stated this is in sharp contrast to other previous government benefit programs (he specifically compared Medicare Plan B experience which yielded higher than competitive prices; as well as the VA and Medicaid experiences) and that this should be considered before any changes are made to the program. He also stated that before "apple-to-apple" comparisons are made with other government programs, it is necessary to also remember other issues that are not always included in the comparison including that both Medicaid and VA had price regulation in addition to price negotiation unlike H.R.4. He stated that either the price negotiation [of Medicare Part D] is not going to do any good to lower costs because there is no real negotiating power or alternatively, it could have an impact, but only by imposing some additional restrictions or shifts in drugs used, the pharmacies used, and the physicians used etc. However, McClellan stated that getting more restrictive in terms of the choices seniors have is probably not the best direction for the program to go.