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TRACKING MEDICARE HEALTH AND PRESCRIPTION DRUG PLANS
Monthly Report for February 2007

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PROGRAM STATUS: PRIVATE PLAN OFFERINGS, ENROLLMENT, AND CHANGE

Enrollment and Penetration, by Plan Type	Current Month: February 2007	Change From Previous Month*	Same Month Last Year	
			February 2006	Change From February 2006- 2007
Enrollment				
Total Stand-Alone Prescription Drug Plans (PDPs):	16,929,499	+299,319	Not Available	Not Available
General	16,806,636	+253,164		
Employer/Union Only Direct	122,863	+46,155		
Duals Auto Enrolled in PDPs**	Not Available	(Total Enrollees) 6,270,154		
All others Enrolled in PDP		10,360,026		
Total Medicare Advantage (MA)	8,282,806	+554,024	Not Available	Not Available
Medicare Advantage-Prescription Drug (MA-PD)	6,975,934	+271,445		
Medicare Advantage (MA) only	1,306,872	+282,579		
Medicare Advantage (MA) by Type			Not Available	Not Available
MA Local Coordinated Care Plans***	6,064,666	+76,482		
Health Maintenance Organizations (HMOs)	5,624,318	+49,454		
Provider Sponsored Organizations (PSOs)	74,270	+1,991		
Preferred Provider Organizations (PPOs)	366,064	+25,072		
Regional Preferred Provider Organizations (PPO)	120,770	+20,813		
Medical Savings Account (MSA)	2,238	+2,238		
Private Fee For Service (PFFS)	1,338,026	+290,643		
General	1,327,826	+280,443		
Employer Direct PFFS	10,200	+10,200		
Cost	305,753	+11,150		
Medicare Health Support Pilot****	149,657	Not Available		
Other*****	301,696	+3,041		
General vs Special Needs Plans******		(Total Enrollees)	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)	38.4%	+0.6%	Not Available	Not Available
Medicare Advantage Plans (MA)	18.8%	+1.2%		
Medicare Advantage-Prescription Drug Plans (MA-PDs)	15.8%	+0.6%		
Local Health Maintenance Organizations (HMOs),	12.8%	+0.1%		
Preferred Provider Organizations (PPOs) or	0.8%	No Change		
Provider Sponsored Organizations (PSO)	0.2%	No Change		
Private Fee For Service (PFFS)	3.0%	+0.6%		

February 2007 data is from the 2.15.07 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 January 2006 data is from data released by CMS on 1.17.07 also on its website
****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 2.15.07 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).
****This is the first time CMS has included Pilot enrollees in this count. We are uncertain what the enrollees refer to. The pilot we are aware involves disease management overlaid on the traditional Medicare program and thus is fundamentally different from the prepaid MA contracts.
*****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 February 2007 and January 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 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. "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 February:

Plan Participation, by type	CURRENT MONTH: FEBRUARY 2007*	SAME MONTH LAST YEAR	
		FEBRUARY 2006	CHANGE FROM FEBRUARY 2006– 2007
MA Contracts (excluding SNP only contracts)			
Total	604	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) General Employee Direct	48 47 1		
Cost	27		
Medicare Savings Account (MSA)	2		
Medicare Health Support Pilot	15		
Other**	88		

*Contract counts for February 2007 are from the 2.15.07 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**)
**Other includes Demo contracts, Health Care Prepayment Plans (HCPP), and Program for all-inclusive care of Elderly (PACE)

Pending Applications

- No Information Available

Summary of new MA contracts announced in February:

- None

NEW ON THE WEB FROM CMS

Relevant to Both Medicare Advantage and Prescription Drug Plans

- CMS recently changed the formatting of the Monthly Summary Report titled "Medicare Advantage, Cost, PACE, Demo and Prescription Drug Plan Contract Report." CMS is now including a breakdown of Private Fee for Service Contracts detailing those contracts that are Employer Direct PFFS. In addition, CMS has added information on Medicare Savings Accounts and this month it has also added information on the Medicare Health Support Pilot, as our above tables now detail. See http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp) for more information. Users of these data may want to consider whether the Pilot enrollment should be excluded from analysis. CMS has not released details on why it has added these enrollees to the counts. However, we believe the enrollees reflect those enrolled in traditional Medicare and receive disease management; the Pilot enrollees therefore are fundamentally different from MA contractors.

- CMS released application guidance this month for MA-PDs, PDPs, as well as cost plans for the contract year 2008. The solicitation documents for applications of new MA-PD and PDP plans includes general information on the program as well as more detailed instructions on completing the application. Applications are due March 12, 2007. These documents can be downloaded on CMS's website at: http://www.cms.hhs.gov/PrescriptionDrugCovContra/04_RxContracting_ApplicationGuidance.asp#TopOfPage.

    - As detailed in last month's Monitoring Report, the MA plan application for the contract year 2008 was released in January 2007 (see also http://www.cms.hhs.gov/MedicareAdvantageApps/). Because CCP plans are required to offer at least one plan containing Part D prescription drug benefits in each of its service areas, these contracts must complete both a MA application and a MA-PDP application. CMS has provided organizations with an 'Application Submission Matrix' this month to help organizations fill out all the application types needed. The matrix describes different scenarios with different application types and submission requirements. This information is also available on CMS's website at: http://www.cms.hhs.gov/MedicareAdvantageApps/02_Final%202008%20Applications.asp#TopOfPage

- This month CMS released a press release titled "Generic Drug Utilization on the Rise: Consumers and payers benefit as more Americans turn to generics as way to save money and improve their health." The press release states that according to the National Association of Chain Drug Stores (NACDS), generic drug dispensing has increased by 9 percent over the past year (from 48.4 percent in 2006 to 52.6 percent in 2006) and that nearly 60 percent of the increase is from generic drugs dispensed to people in Medicare Prescription Drug Plans (PDPs) and Medicare Advantage (MA) plans. In the press release, CMS Acting Administrator, Leslie Norwalk stated that generic medication offers significant savings to consumers allowing them to delay or avoid reaching the coverage gap and that tools such 'Medicare and You' handbook have helped beneficiaries better understand their choices among various generic drugs. This press release is available on CMS's website at: http://www.cms.hhs.gov/apps/media/press_releases.asp.

    - CMS also released data tables showing the overall percentages of Part D generic drug dispensing by MA-PDs; PDPs and MA-PD and PDPs combined. CMS also released a breakdown of these percentages by contract level for the first three quarters of 2006 for both Ma-PDs and PDPs.(http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/06_PerformanceData.asp#TopOfPage.)

- On February 13, 2007, CMS Acting Administrator, Leslie Norwalk, testified before the Subcommittee on Health of the House Committee on Ways and Means on the Medicare and Medicaid portions of the President's fiscal year 2008 budget proposals. Of interest, Norwalk discussed Medicare Part D and the Medicare Advantage program. She stated that Part D has been a success to date as now more than 90 percent of people in Medicare have prescription drug coverage and that beneficiary satisfaction with Part D has consistently been at or above 75 percent. She stated that average beneficiary premium for basic benefits are now 22 dollars a month, down from 23 dollars in 2006. Norwalk also described trends in the Medicare Advantage program. She stated that enrollment in Medicare health plans is now 8.3 million beneficiaries, up from 5.3 million in 2003 and that racial and ethnic minorities represent a higher percent of total Medicare Advantage enrollment compared with fee-for-service beneficiaries (27 percent compared with 20 percent). She also stated that in the Administration's FY 2008 budget proposal that Medicare's current average annual growth rate over the next five years is 5.6 percent per year, down from the current average annual growth rate over of 6.5 percent. She stated that this is due to more efficient payment policies such as an increased role of competition and financial incentives for providers. Norwalk's testimony is available at: http://waysandmeans.house.gov/hearings.asp?formmode=printfriendly&id=5446.

Relevant to Medicare Advantage

- On February 16, 2007, CMS released an advance notice of MA plan payment changes. The preliminary estimate for reimbursement rates for MA plans is an (average) increase of 4.1 percent in 2008 (aged and disabled combined). However, final rates are to be announced on April 2, 2007. Detailed information is available on CMS's website at http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/AD/list.asp.

Two attachments are part of the information released by CMS: Attachment I provides general information on the preliminary estimate of the national per capita growth percentage for 2008 and Attachment II provides detailed information on changes in payment methodology. This includes preliminary information on the budget-neutral factor (section D), which will be finalized in April as well. In terms of specifics:

- CMS's preliminary estimate of the national per capita growth percentage (4.1%) reflects an increase of 3.4 percent in trend and net positive adjustment of 0.7 percent in revisions to prior year estimates. (CMS underestimated 2007 spending versus an overestimate of 2004-2006 spending).

- The national per capita growth percentage is higher for disabled (5.2 percent) than aged (4.0 percent) of beneficiaries. This is mainly because the 2008 trend change is greater for the disabled than aged (4.2 percent versus 3.3 percent)

- CMS said it will not be doing any rebasing of rates in 2008. Benchmark rates will therefore solely be updated by the increase in minimum payment increase (National Growth Factor or 2 percent, whichever is higher).

- CMS has decided not to apply a frailty adjustment program-wide in MA for methodological reasons. (The data are only sampled at the contract not plan level and they are not available at the right time.) An updated and refined frailty adjustment will continue to be used for PACE contracts and selected demonstrations.

- The final calculation of the national growth rate in April 2007 will be influenced not just by CMS adjustments for updated data but potentially by other factors. In 2008, the budget neutrality adjustment under the phase out plan will count for 40 percent rather than 55 percent in 2007. This adjustment, which typically raises MA rates, is becoming less powerful and has led to growing emphasis by industry on potential inconsistencies in coding between MA and the traditional program. CMS indicates in its preliminary guidance that two studies are underway in this area and that it may, if these generate valid results prior to April 2, 2007, use them to adjust for Part C risk in the final 2007 rates.

- In 2008, CMS will begin using Title XIX eligibility from the MMA Medicare/Medicaid dual eligible monthly submission file to support Part C risk adjustment (no changes will be made in the way data is captured for Part D risk adjustment). In 2008, CMS will continue to make some use of current Third Party files and plan reported data (to adjust for 2007 risk) but such 2008 data sources will not be allowed in 2009.)

Relevant to Prescription Drug Plans

- On February 9, 2007, CMS released draft Medicare Part D Reporting Requirements for the Contract Year 2008. Comments are due by 5:00pm ET on April 16, 2007. The information includes requirements on generic drug utilization; grievances; call center measures among others. This document is available on CMS's website at: http://www.cms.hhs.gov/PrescriptionDrugCovContra/08_RxContracting_ReportingOversight.asp#TopOfPage

Relevant to Special Needs Plans Specifically

- None

OTHER ITEMS OF RELEVANCE

- The Kaiser Family Foundation released a fact sheet this month on Medicare Advantage. This fact sheet provides updated information on Medicare Advantage plans including an overview on the program; participation and enrollment trends; information on benefits and premiums; payments to plans and more detailed information on PFFS trends as well as the newer SNP; MSAs and regional PPOs. This fact sheet is available at: http://www.kff.org/medicare/2052.cfm.

- Congressional Budget Office. *Designing a Premium Support System for Medicare* Washington DC: December 2006. This report by Lyle Nelson examines key decisions that policymakers would confront in designing a premium support system for Medicare. Chapter 2 includes a comparison of Traditional Medicare and Private Health Plans now in Medicare, including an assessment of the factors that influence their relative costs. In addition to a conceptual discussion, the paper summarizes what we know from similar systems among other payors and provides a simulation analysis of the potential effects on Medicare costs of alternative designs for premium support. http://www.cbo.gov/publications/bysubject.cfm?cat=9

- Congressional Budget Office. *Prescription Drug Pricing in the Private Sector*. Washington DC, January 2007. This report by Julie Somers and Anna Cook provides a detailed review of the way prescription drug pricing is determined in the private sector. It includes a description of the supply chain through which drugs move from manufacturers to patients, the way in which funds flow—and prices are influenced—as part of this process, and what these imply for relative prices paid by retail pharmacies and nonretail providers. Available at: http://www.cbo.gov/publications/bysubject.cfm?cat=9

- Center for Policy and Research *Low Income and Minority Beneficiaries in Medicare Advantage Plans* and *Low Income and Rural Beneficiaries in Medigap Coverage.* Washington DC: America's Health Insurance Plans, February 2007. Available at www.ahipresearch.org. This set of papers updates earlier analysis using information from the 2004 Medicare Current Beneficiary Study. The papers analyze enrollment in various Medicare/supplemental options by income, location, and race/ethnicity.

- Kaiser Family Foundation has updated its on-line interactive Medicare Health Plan Tracker with information on 2006 enrollment in MA and PDPs by county, state and other geographical variables; the updated tracker also includes information on available 2007 PDPs and MA plans. Mathematica Policy Research provided the analysis used in the Tracker, taking advantage of CMS's release of the November 2006 Geographical Service Area File and other sources. Available at: www.kff.org.

- Medicare Payment Advisory Commission is set to release its March 2007 Report to Congress on Medicare Payment Policy on March 1, 2007. The report includes analysis of private plans in Medicare, including those in the Medicare Advantage program and freestanding prescription drug plans. Available at: www.medpac.gov