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TRACKING MEDICARE HEALTH AND PRESCRIPTION DRUG PLANS
Monthly Report for April 2006

A Brief Summary of Selected Significant Facts and Activities This Month to Provide Background for Those Involved in Monitoring and Researching Medicare Advantage and Prescription Drug Plans

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PROGRAM STATUS: PRIVATE PLAN OFFERINGS, ENROLLMENT, AND CHANGE

NOTE: CMS HAS NOT RELEASED DATA FOR 2006. WE SHOW DECEMBER 2005 DATA IN THE PREVIOUS MONTH COLUMN.

From the CMS Medicare Managed Care Contract Report (http://www.cms.hhs.gov/HealthPlanRepFileData/)

Plan Participation, Enrollment, and Penetration by type	Current Month: April 2006	Change From Previous Month Column Shows December 2005	Same Month Last Year	
			April 2005	Change From April 2005 – 2006
Contracts				
Total	Not Available	459	320	Not Available
CCP		302	182	
PPO Demo		34	34	
PFFS		17	8	
Other*		77	96	
Enrollment				
Total	Not Available	6,121,678	5,693,625	Not Available
CCP		5,157,629	4,880,557	
PPO Demo		163,787	120,482	
PFFS		208,990	88,131	
Other*		269,719	496,883	
Penetration**				
Total Private Plan Penetration	Not Available	14.0%	13.1%	Not Available
CCP + PPO Only		12.1%	11.5%	

*Other includes Cost, Other Demo contracts, HCPP and PACE contracts.
NA = Data not available in 2006.
**Penetration rates for December 2005 are calculated using the number of eligible beneficiaries reported in the September 2005 State/County File. Penetration rates for April 2005 are calculated using the number of eligible beneficiaries reported in the December 2004 State/County File.

DEFINITIONS: Coordinated Care Plans, or CCPs, include health maintenance organizations (HMOs), provider-sponsored organizations (PSOs) and preferred provider organizations (PPOs). Data from the September 2005 Geographic Service Area File show that HMOs account for 80 percent of CCP contracts and 99 percent of CCP enrollment. 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.

Pending Applications

- No April 2006 data published from CMS.

Summary of new MA contracts announced in April:

- No April 2006 data published from CMS.

NEW ON THE WEB FROM CMS

Relevant to Both Medicare Advantage and Prescription Drug Plans

- CMS released new Part D enrollment information as of May 7, 2006. The information includes updated national totals for stand-alone prescription drug enrollment (8,865,927); MA-PD enrollment (5,852,745); and dual eligible enrollment (5,882,232). It also included enrollment numbers at the state and county level but no county-contract information on enrollment. This information is at http://www.cms.hhs.gov/prescriptiondrugcovgenin/02_enrollmentdata.asp?

- CMS also released enrollment data by firm for standalone drug plans and MA-PDs through April 27, 2006. The top 5 firms for standalone enrollment were United Healthcare/Pacificare (27%), Humana (18%), Wellpoint (7%), MemberHealth (7%), and Wellcare(6%). For MA-PD plan, the top five firms UnitedHealthcare/fPacificare (20%), Kaiser Permanente (14%), Humana (13%), Highmark (4%), and HealthNet (3%). http://www.cms.hhs.gov/prescriptiondrugcovgenin/02_enrollmentdata.asp?

- On April 3, 2006, CMS released a fact sheet titled "CMS Commitment to Continuous Quality Improvement Drives Requirements and Expectations for 2007 Prescription Drug Plans." The fact sheet details that CMS's evaluation of a prescription drug plan's contract renewal will continue throughout 2006. The evaluation will focus on customer satisfaction and delivery of the benefit including 1) effective data systems; 2) effective customer service; 3) transition guidance compliance; 4) strengthening relationships with providers through avoiding excessive burdens in the exceptions and appeals process; and 5) strengthening relationships with pharmacists through effective pharmacy support. The fact sheet states if CMS determines a PDP sponsor is substantially out of compliance with Part D requirements and is not taking steps to improve, CMS will take enforcement actions that may include termination of the contract. The fact sheet also provided some enrollment data information including that the majority of beneficiaries are choosing plans other than the standard option (84 percent for PDP enrollees and 95 percent for MA-PDs) This fact sheet is available at http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1826

- On April 4, 2006, HHS released a press release titled "New Progress Report Shows Millions of Beneficiaries Are Saving Money and Choosing Plans with Enhanced Coverage Options." The press release describes the third in a series of progress updates by Secretary Leavitt on the new Medicare Prescription Drug Benefit. The report details that the majority of seniors are choosing alternatives to the standard government-designed plan and that enrollment in the new benefit "has been accelerating." The progress report also provides action steps CMS will be taking in the final weeks of

the enrollment period including aggressive outreach and education to plans, providers and pharmacists so that beneficiaries are able to receive their appropriate medications during the transition period. This press release as well as more information on the progress updates is available at http://www.hhs.gov/news/press/2006pres/20060404.html.

- On April 5, 2006, CMS released a press release titled "Medicare Announces Funding for Health Insurance Counseling Programs for 2006: $30 Million to Continue Helping Beneficiaries Learn About and Enroll in Medicare Drug Coverage." The release states that CMS is providing State Health Insurance Assistance Programs (SHIPs) $30 million to help beneficiaries learn about and enroll in the prescription drug benefit (both through this May 15, 2006 and the enrollment period starting again in November 2006). CMS stated it is providing SHIPs will the funding to meet its overall goal of providing personalized face-to-face counseling. CMS provided 21 million to SHIPs in 2004 and 31 million dollars in 2005. The press release stated that providing this funding is just one step in increasing its outreach and educational assistance. CMS has also expanded and enhanced its 1-800-MEDICARE helpline and CMS regional offices are also working with other community-based organizations to provide a more personalized Medicare program by reaching beneficiaries on a more local level. This information is available at http://www.cms.hhs.gov/apps/media/press/release

    - On May 5, 2006, CMS released a related press release titled "Medicare Announces Supplemental Rural Funding For State Health Insurance Counseling Programs for 2006." The release states that CMS is providing SHIPs with an additional 500,000 to help beneficiaries in rural areas learn about and enroll in the prescription drug benefit for the next annual open enrollment period. The release states that this new funding in an addition to the $925,000 included in the original $30 million released in early April that was specifically for rural areas. The press release is available at http://www.cms.hhs.gov/apps/media/press/release

- On April 5 and 6, 2006, CMS held its annual bidding conference for all PDPs, MA-PDs and MA-only plans on how to design benefit packages and properly submit them to CMS. The call included information on 2007 changes on both MA and PDP requirements. The prescription drug benefits, Part D Formulary Review and Payment session also provided updates on formulary submission, notification status, guidelines, Part B drugs, over-the-counter drugs, and specialty drugs. The sessions also included a question and answer session with Abby Block, Director of the Center for Beneficiary Choices. The session agenda as well as conference material is available on CMS website at http://www.cms.hhs.gov/MedicareAdvPartDTrain/03_MeetingsConfences.asp

- On April 10, 2006, CMS held a training call for all MA, MA-PD, and PDP plans on 2007 Call Letters. The conference call included information on the Part D renewal/non-renewal; HPMS/enrollment crosswalk; bidding/payment; benefits; enrollment (including late enrollment penalties); marketing; compliance/monitoring; formulary; and grievances/appeals. Information on this conference call is available at http://www.cms.hhs.gov.

- CMS announced that it would be extending the enrollment deadline for some low-income Medicare beneficiaries without financial penalty the *Wall Street Journal* reported. The enrollment into prescription drug plans will be considered ongoing for those beneficiaries who qualify for a low-income subsidy. The article did not specify how long enrollment would be extended. (*Wall Street Journal*, April 14, 2006).

- The *Wall Street Journal* also reported that CMS announced that Medicare prescription drug plan sponsors will only be allowed to offer a maximum of two plans next year (as opposed to three plans which was the maximum limit in 2006). We were unable to confirm this with information from the CMS web site. (*Wall Street Journal, April 3, 2006).*

- On April 20, 2006, Secretary of Health and Human Services Mike Leavitt reported that Medicare has exceeded its enrollment goal for the drug benefit for 2006. The release states that their target was that between 28 and 30 million beneficiaries have drug coverage as of 2006 and that as of the end of March more than 30 million beneficiaries have drug coverage, however, the press release does not provide numbers on how many of these beneficiaries previously had drug coverage. The press release also provides information on the estimated numbers of prescription drugs filled from January 1, 2006 through March 31, 2006 for different Medicare Advantage plans as well as standalone prescription plans. The press release is available at http://www.hhs.gov/news/press/2006pres/20060420.html

- On April 24, 2006, CMS released creditable coverage guidance and model notices for use after May 15, 2006. The guidance provides information for entities disclosing creditable coverage status to beneficiaries during the open enrollment period. The MMA requires that drug plan sponsors notify potential beneficiaries to whether their drug coverage is considered 'credible' by CMS. The guidance is updated from prior disclosure requirements released in 2005. This information is available at https://www.cms.hhs.gov/CreditableCoverage/

- On April 25, 2006, CMS released a press release titled "CMS announces efforts to streamline and improve the Medicare enrollment process." In the press release, CMS describes a new rule issued this month on Medicare enrollment requirements. The release states the new rule will help standardize the process for the various Medicare contractors that process and pay Medicare claims. The release also states that the purpose of this rule is to help protect Medicare from fraud and abuse as well as bring the system one step closer to an electronic medical records. The press release is available at http://www.cms.hhs.gov.

Relevant to Medicare Advantage

- On April 3, 2006, CMS released a press release titled, "Medicare Advantage Plans Provide Lower Costs and Substantial Savings: CMS Announces Increased Payment Rates For Medicare Advantage Plans in 2007." The press release states that in 2007 there will be an average Medicare Advantage rate increase of approximately 4 percent. The press release states that much of this is due to the current year growth in costs for all Medicare beneficiaries. However, after adjusting for the fee-for-service normalization, the release states that plans can on average expect a 1.1 percent increase given their risk score in 2007 is the same as 2006. This press release is available on the CMS website at http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1825

    - CMS also released a 2007 Medicare Advantage payment rates fact sheet. The fact sheet provides more detail on how the annual rate increases were determined (including current year growth in Medicare costs for all beneficiaries and the phase out of the budget neutrality adjustment). This information is available on the CMS website at http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/.

Relevant to Prescription Drug Plans

- None

Relevant to Special Needs Plans Specifically

- None

ON THE CONGRESSIONAL FRONT

About Medicare Health and Drug Plans Specifically

- The Medicare Payment Advisory Commission (MedPAC) held a public meeting April 19-20, 2006. Three sessions focused on Medicare Advantage and prescription drug plans and described preliminary results of the analysis being prepared for the June 2006 report to Congress. More information on these sessions as well as the full transcript from the meeting are available at www.medpac.gov.

    - "Medicare Advantage and special needs plan." This session focused on MA benefit packages and findings from SNP site visits.

        - Scott Harrison discussed availability of plans with specific cost sharing characteristics that beneficiaries may find valuable. The study focused on two cost sharing characteristics-1) total out-of-pocket caps for Medicare non-drug services. They found that for regional PPOs, which are mandated to have such a cap, they ranged from $1,000 to $5,000 a year with $5,000 being most common.. They also found that many plans charge low enough cost sharing that the beneficiary would rarely reach the out-of-pocket cap. 2) The other cost sharing characteristic analyzed was expected cost sharing for an average inpatient hospital stay. Across all plans, they found that cost-sharing liability for an average hospital stay varied from 0 to 2,000 dollars. He also discussed urban and rural plan differences.

        - Jennifer Podulka summarized their work on special needs plans and discussed the future direction of the plans. She stated that based on the information they have gathered one key concern is a SNP's ability to better coordinate care. Since SNP's are not required to contract with states, they have found that few dual eligible SNPs receive payment from states to include additional services in the plan's package. She stated that since SNPs have just begun operating this year, it is too early to determine if improved quality and significant savings will occur however they plan to continue to study this in the future. In addition, they will be analyzing how the CMS HCC risk adjuster applies to special need beneficiaries.

    - "Part D Formularies." This session focused on both PDP and MA-PD formularies and included a description on plans' formulary structure, size and use of utilization management tools. Jack Hoadley described findings from his recent analysis on formularies (see also the summary in the recently released studies of this report) and how formularies differ by plan

type. Hoadley discussed the methodological challenges in defining a drug because of the different dosages, versions and other intricacies. He also discussed tier structures including specialty tiers. The most common pattern both on with MA-PDs and PDPs was a four-tier structure (three-tiers for generic, preferred brand and non-preferred and then the specialty tier). He also discussed utilization management tools such as prior authorization and step therapies. Prior authorization was used by nearly every plan and step therapy was less commonly used.

- "How beneficiaries learned about Part D and made choices." The session summarized key findings from three interrelated studies: 1) a telephone survey of Medicare beneficiaries between February 8 and March 2; 2) Six focus groups (three held in Richmond, Virginia and three held in Tucson, Arizona during March 2006); and 3) Interviews with 30 counselors in 14 different states. Key findings included that for beneficiaries signed up for a plan or are considering signing up for a plan, the decision making process has been long and for many of them rather difficult. They found that most beneficiaries have made their own decisions about whether or not to sign up for a plan however beneficiaries discussed their choices with family and friends. The majority believed they had enough information to make a decision and few used the Medicare help line or web site.

Broader Medicare Program (in Brief)

- None

FROM THE PERSPECTIVE OF BENEFICIARIES

General

- *Medicare Rx Education Network* released findings from a survey conducted March 15-20, 2006 on a nationally representative sample of 896 seniors enrolled in Medicare. The margin of error is plus or minus 3.27 percentage points. The survey findings include that four out of five seniors who voluntarily enrolled in the new prescription drug benefit are satisfied with their coverage. Other findings include: that the majority (58 percent) of seniors enrolled said that it was not difficult to sign up for a plan; and that 77 percent reported peace of mind knowing they have prescription drug coverage. The majority of beneficiaries enrolled in the new benefit that were surveyed also stated that having the medicines they need when they need them (93 percent) and being able to afford their medicine (91 percent) were the top reasons for singing up for the benefit. This information is available at www.medicarerxeducation.org

- The Kaiser Family Foundation released results from their latest tracking poll of a nationally representative sample of 517 seniors from April 6 to April 11 (margin of error plus or minus five percentage points). Findings from the poll indicate that while the majority of seniors enrolled in plans reported not having any trouble getting the drugs they needed, nearly 2 out of 10 did report a problem getting their drugs. Of all seniors polled, thirty-four percent say they don't know about the May 15th deadline and twenty-nine percent reported that they don't know about a late enrollment penalty. Other questions in the poll included seniors' understanding of the drug benefit (fifty-three percent reported not understanding the benefit at all or not too well), impressions of the benefit (forty-six percent of all seniors had an unfavorable impression), and sources of information about the benefit (most formed their opinion on the new benefit through what they had seen and heard on television,

newspapers or the radio). This tracking poll is the 12th in a series that comprises three large surveys and nine smaller tracking polls which are available online at http://www.kff.org

- The Kaiser Family Foundation also released a report titled, "Voices of Beneficiaries: Early Experiences with the Medicare Drug Benefit." The report details findings from in-depth interviews held in March 2006 in four cities (Baltimore, Maryland; Lincoln, Nebraska; Miami, Florida; and Sacramento, California) with 21 diverse beneficiaries (aged 47 to 85 years old with varying incomes and health conditions as well as use of prescription drugs). The purpose of the interviews was to better understand beneficiaries' decision-making process (including factors that influenced their decisions) about the new drug benefit, their experiences with the new drug benefit to date and future concerns. Some of the findings included that enrollment decisions varied: some beneficiaries say they are waiting until just before the enrollment period ends before enrolling; some beneficiaries who are already enrolled were eager to sign up while others felt pressured by the late enrollment penalty. For those beneficiaries already enrolled, choosing a plan was largely a group effort (getting help from a variety of sources such as Medicare representatives; plan representatives; family members or friends). Only a few beneficiaries felt comfortable to choose a plan on their own. Name recognition and prior experience with the organization were key factors for most in choosing a plan. As far as early experiences, choosing a plan appears to be the most problematic process so far and that using the plan so far has been largely satisfactory. However, many beneficiaries have only minimal experience so far with their plans and were not sure of the details of their plans. This report is available at http://www.kff.org/medicare/7504.cfm

- The Kaiser Family Foundation also released an update, online consumer guide titled, "Talking About Medicare". The guide provides basic information on Medicare for both beneficiaries and family members and includes information to help them understand the different choices involved in finding a drug plan as well as supplemental health insurance and long-term care. The consumer guide includes state-by-state specific information on other resources in their area. The consumer guide is available at http://www.kff.org/medicar/7067/index.cfm?RenderForPrint=1

Special Populations

- The Joint Center for Political and Economic Studies (JCPES) and Pfizer released results from an opinion poll conducted from November 28 through December 29, 2005 on about 1,120 individuals aged 65 and older (560 African Americans and 560 whites). The purpose of the poll was to assess their knowledge about and intentions on enrolling in the new benefit to help support better outreach efforts among African Americans. Some of the findings included that nearly half of African American seniors polled reported they had received no information on the new drug benefit (compared to 25 percent of white elderly). One-third (34 percent) of African American elderly and more than a fourth (27 percent) of white elderly were not aware that low-income subsidies were available under the new benefit. Nearly three out of every five African Americans (57 percent) and nearly two out of every five white elderly (38 percent) respondents did not know whether Medicare beneficiaries would lose their existing coverage if they failed to enroll in Part D. The full report as well as a power point presentation and a breakdown of the findings based on regions is available at http://www.jointcenter.org/Medicare/medicare.php

- An article in the *Philadelphia Inquirer* described how minority advocacy groups are encouraging

minority Medicare beneficiaries to enroll in the new prescription drug benefit. The news article reports how both the NAACP and the National Alliance for Hispanic health have promoted the Medicare prescription drug benefit to help enrollees receive information. Their goal is to help provide a source for the information that these populations tend to trust more than the federal government (Freking. *AP/Philadelphia Inquirer,* April 14, 2006*).*

FROM OTHER STAKEHOLDERS

- The National Association of Chain Drug Stores (NACDS); the National Community Pharmacists Association (NCPA); and America's Health Insurance Plans (AHIP) announced this month a new collaboration they have been working on to help simplify and standardize the electronic claims process. In their press release they state that this standardization will allow for better clarity in regards to coverage status of certain drugs. This information is available on AHIP website at http://www.ahip.org/content/default.aspx?docid=15886

NEWLY RELEASED RESEARCH STUDIES NOT PREVIOUSLY DESCRIBED

- **Hoadley, Jack; Hargrave, Elizabeth; Cubanski, Juliette; and Neuman, Tricia. (April 2006). "An In-Depth Examination of Formularies and Other Features of Medicare Drug Plans." Kaiser Family Foundation. (www.kff.org)**

In this issue brief, the authors examined the new prescription drug benefit by analyzing drug plans offered by 14 national and near-national organizations. They examined 35 unique prescription drug plans that account for 1,222 of the 1,429 packages available to beneficiaries. The authors used a sample of 152 drugs (some common drugs such as high blood pressure and high cholesterol medications and some less popular and more costly such as medications for osteoporosis). The authors conclude that the new prescription drug plans being offered to Medicare beneficiaries vary widely and it is therefore critical that the government monitor firms' offering these plans closely and also for beneficiaries to understand the importance of making good choices when selecting among the various plans to make sure they are choosing a plan that is correct for their unique needs. Other key findings include: 1) Of the 152 chosen drugs in the sample, none of the drug plans they analyzed covered all the drugs and those covered varied widely (ranging from 64 percent in the most restrictive case to 97 percent in the least restrictive); 2) Both formulary comprehensiveness and cost-sharing varied widely. 3) The most common cost-sharing arrangement was a three-tier system of copayments but many plans also have a 'specialty tier 'for biotechnology or injectable drugs; 4) Restrictions placed on beneficiaries in accessing certain drugs varies widely by plans (e.g. some use quantity limits while others used prior-authorizations and step-therapy provisions).

- **Gross, David, Gross, Leigh, Schondelmeyer, Stephen W., and Raetzman, Susan O. "Trends in Manufacturer Prices of Prescription Drugs Used by Older Americans-2005 Year-End Update**

In an update of prior work, this study reports on changes in the prices of generic and brand name drug manufacturers charge wholesalers and direct purchasers throughout 2005. The authors identified the most widely used prescription medications using sales data from the AARP Pharmacy Service. The authors identified the wholesale drug prices using costs published in the Medi-Span-Price-Check PC database.

The authors found that manufacturer list prices for a sample of 75 commonly used generic drugs fell by 0.8 percent in the 12-months ending in the last quarter (January 1 through December 31) of 2005 when measured as a 12-month rolling average and weighted by actual 2003 sales to Americans 50 years and older. The authors also measured "year-to-date" percentage changes through the last quarter in 2005. Six of the 75 generic drugs had an increase in price in 2005. The authors also analyzed brand name drugs and found that the manufacturer list prices for a sample of 193 commonly used brand name drugs increased by 1.0 percent in the fourth quarter of 2005. Annual trends included that manufacturer prices for the sampled brand name drugs rose 6.0 percent when measured as a 2-month rolling average and weighted by actual 2003 sales for Americans 50 and older.

OTHER SIGNIFICANT EVENTS

- Health Affairs announced upcoming grants this month in GrantWatch, which include several dealing with Medicare Part D. One with the Community Service Society (CSS) of New York involves monitoring the implementation of the new prescription drug benefit and its impact on low-income individuals living in New York. The grant is funded by the New York Community Trust; the Altman Foundation and the United Hospital Fund. A second grant funded the California Endowment and the California HealthCare Foundation is also focused on low-income beneficiaries and problems associated with enrollment in California. A third grant funded by Atlantic Philanthropies for the National Council on Aging (NCOA) also involves low-income beneficiaries with the goal of strengthening outreach and education efforts. More information on these recent grants is available at http://content.healthaffaris.org/cgi/content/full/25/2/546/DC2