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

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PROGRAM STATUS: PRIVATE PLAN OFFERINGS, ENROLLMENT, AND CHANGE

Enrollment and Penetration, by Plan Type	Current Month: August 2006	Change From Previous Month*	Same Month Last Year	
			August 2005	Change From August 2005- 2006
Enrollment				
Total Stand-Alone Prescription Drug Plans (PDPs):**	16,263,386	+50,229	Not Applicable	Not Applicable
Duals Auto Enrolled in PDPs	Not available	Not Available	Not Applicable	Not Applicable
All others Enrolled in PDP	Not available	Not Available		
Total Medicare Advantage (MA)	7,405,327	+131,028	5,793,667	+1,611,660
Medicare Advantage-Prescription Drug (MA-PD)	6,419,886	+141,866	Not Applicable	Not Applicable
Medicare Advantage (MA) only	985,441	-10,838	Not Applicable	Not Applicable
Medicare Advantage (MA) by Type				
MA Local Coordinated Care Plans	5,921,837	+108,619	4,943,668	+978,169
Health Maintenance Organizations (HMOs)	5,510,645***	+94,083	Not Available	Not Available
Provider Sponsored Organizations (PSOs)	91,083***	+3,294	Not Available	Not Available
Preferred Provider Organizations (PPOs)	320,100***	+11,242	Not Available	Not Available
Regional Preferred Provider Organizations (PPO)	89,492	+6,198	Not Applicable	Not Applicable
Private Fee For Service (PFFS)	802,068	+38,509	119,723	+682,345
Cost	298,902	+14,608	322,341	-23,439
Other****	293,028	-7,690	284,517	+8,511
General vs Special Needs Plans				
Special Needs Plan Enrollees	Not Available	531,507***	Not Available	Not Available
Other Medicare Advantage Plan Enrollees	Not Available	6,742,792	Not Available	Not Available
Penetration (as percent beneficiaries)*****				
Prescription Drug Plans (PDPs)	37.0%	0%	Not Applicable	Not Applicable
Medicare Advantage Plans (MA)	16.8%	+0.3%	13.5%	+3.3%
Medicare Advantage-Prescription Drug Plans (MA-PDs)	14.5%	+0.3%	Not Applicable	Not Applicable
Local Health Maintenance Organizations (HMOs),	12.5%	+0.2%	Not Available	Not Available
Preferred Provider Organizations (PPOs) or	0.7%	0%	Not Available	Not Available
Provider Sponsored Organizations (PSO)	0.2%	0%	Not Available	Not Available
Private Fee For Service (PFFS)	1.8%	+0.1%	0.3%	+1.5%

August 2006 data is from the 8.14.06 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 July 2006 data is from data released by CMS on 7.26.06 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 16,149,038).
*******The data for the breakdown of MA Local Coordinated Care Plans is from the 8.14.06 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). The SNP total is from the data released by CMS on 7.26.06. As with the CCP breakdown, enrollment numbers for SNP plans with less than 10 enrollees are not included in this total.
****Other includes Demo contracts, HCPP, and PACE contracts.
*****Penetration rates for August and July 2006 are calculated using the number of eligible beneficiaries reported in the December 2005 State/County File. Penetration rates for August 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). 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 (excluding SNPs) in August:

Plan Participation, by type	CURRENT MONTH: AUGUST 2006*	SAME MONTH LAST YEAR	
		AUGUST 2005	CHANGE FROM AUGUST 2005– 2006
MA Contracts (excluding SNPs)			
Total	512	426	+86
Local Coordinated Care Plan	367	274	+93
Health Maintenance Organizations (HMOs)	239	Not Available	Not Available
Preferred Provider Organizations (PPOs) (Includes Physician Sponsored Organizations (PSOs))	122** 6**	Not Available	Not Available
Regional Preferred Provider Organizations (rPPOs)	11	Not Applicable	Not Applicable
Private Fee For Service (PFFS)	25	16	+9
Cost	28	29	-1
Other***	81	69	+12

*Contract counts for August 2006 are from the 8.14.06 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**)
**Contract counts for the breakdown of the local coordinated care plans are from the 8.14.06 Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Organizations-Monthly Report by Contract also released by CMS on its website(see above).
***Other includes Demo contracts, Health Care Prepayment Plans (HCPP) and Program for all-inclusive care of Elderly (PACE) contracts.

Pending Applications

- No Information Available

Summary of new MA contracts announced in August:

- None

NEW ON THE WEB FROM CMS

Relevant to Both Medicare Advantage and Prescription Drug Plans

- This month, CMS released three new excel data files for Medicare Advantage, Cost, PACE, Demo, and Prescription Drug Plan Organizations, along with a note that it intends to release these reports monthly around the middle of the month. (This information is available at http://www.cms.hhs.gov/PrescroptionDrugCovGenIn/02_EnrollmentData.asp):

  1) Monthly Enrollment Report by Contract: This report provides a breakdown on enrollment by contract number and plan type (as well as the organization name and the date the contract became effective).

  2) Monthly Summary Report: This report summarizes national level data on the number of contracts, and number of enrollees (both MA only enrollees and drug plan enrollees) by type of plan.

  3) Contract Service Area by State Report: This report gives information on contract number, name and plan type for each state and whether or not the contract covers the entire state.

  Note: These reports will return to the practice of monthly reporting on MA enrollment nationwide. However, they do not provide the same information as the reports released pre-2006 about the distribution of enrollment across the nation. The first report includes enrollment by contract but not by contract/county, as CMS historically has provided. The second report shows the states served by contracts (and whether that includes all or only some counties). However, the files do not breakdown contract enrollment by county or state. As a result, the files do not support estimates at the sub-national level, including enrollment for urban versus rural beneficiaries, by state, and for major metropolitan areas. MPR analysis indicates that among MA enrollees, 78 percent are in contracts serving a single state. However, this reflects the heavy dominance of HMO enrollment in total enrollment. Ninety-three percent of HMO enrollees are in a contract serving a single state; whereas only 77 percent of enrollees are in local PPO contracts and 57 percent regional PPO contracts. Most strikingly, only 0.24 percent of PFFS enrollees are in contracts serving a single state. Instead, over 90 percent is in contracts serving 51 jurisdictions or more. Enrollment data by jurisdiction also is lacking for PDPs. Without enrollment at the contract/county level, it is not possible to estimate enrollment or penetration by plan type on many dimensions of long standing concern, like rural areas. (CMS released limited information in total enrollment by county on a one time only basis in June 2006. However, the MA data were only for MA-PDs and there was no breakdown by type of plan, something easy to do from enrollment at the contract/county level.)

- On August 15, 2006, CMS released a memorandum to Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors on the 2007 Part D national average monthly bid amount, the Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, and the Medicare Advantage regional benchmarks:

  1) **Medicare Part D national average monthly bid amount for 2007**: The national average monthly bid amount is a weighted average of the standardized bid amounts for

each PDP and for each MA-PD (excluding MSA, PFFS SNPs, Cost and PACE plans). The national average monthly bid amount for 2007 is $80.43.

2) **The Medicare Part D associated base beneficiary premium**: The base beneficiary premiums is $27.35 for 2007. This premium is then adjusted by the following factors: 1) the difference between the plan's standardized bid amount and the national average monthly bid amount; 2) an increase for any supplemental premium; 3) an increase for any late enrollment penalty; 4) a decrease for MA-PDs that apply MA A/B rebates to buy down the Part D premium.

3) **The Part D regional low-income premium subsidy amounts in 2007**: The premium subsidy amount is equal to the lesser of the following two amounts: 1) the plan's monthly Part D beneficiary premium for basic prescription drug coverage or 2) the greater of the low-income benchmark premium amount for a PDP region or the lowest monthly beneficiary premium for a prescription drug plan that offers basic prescription drug coverage in the PDP region.

4) **The final Medicare Advantage (MA) regional benchmarks for 2007**: These benchmarks are determined for each MA region based on a blend of two components: 1) a statutory component consisting of the weighted average of the county capitation rates; and 2) a competitive, or plan-bid, component consisting of the weighted average of all the standardized A/B bids for regional MA plans in the region. The statutory and plan-bid components, and the MA regional benchmarks for 21 of the 26 MA regions are currently available (as is the information on Part D bid amount; Part D base beneficiary premium and the low income premium subsidy amounts) on CMS's website at http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/RSD/list.asp#TopOfPage). The fact that CMS has released regional benchmarks only for the existing 21 MA regions suggests that CMS will not be approving contracts serving new regions in 2007.

- On August 14, 2006, the Department of Health and Human Services Office of Inspector General (DHHS, OIG) released a report titled "Medicare Advantage Marketing Materials for calendar year 2005." The goal of the report was to determine whether 2005 MA marketing materials met CMS's marketing requirements. OIG reviewed a total of 415 marketing materials from a random sample of 36 MA plans. Findings included that: 1) some marketing materials in OIG's sample did not include information that CMS required on the limitations of their prescription drug benefit; 2) some marketing materials in OIG's sample lacked elements required by CMS to ensure that beneficiaries can access plan information. For example, OIG found that 52% of advertisements did not provide customer service operating hours; and 3) some marketing materials did not clearly convey information concerning other aspects of MA plan coverage. For example, OIG found that 11% of enrollment forms contained unclear language. This report is available at http://oig.hhs.gov/w-new.html

Relevant to Medicare Advantage

- None

Relevant to Prescription Drug Plans

- This month, CMS released a fact sheet titled: "Strong Competition and Beneficiary Choices Result in Drug Coverage with Lower Costs than Predicted Last Year." The fact sheet describes the series of steps CMS has taken to promote strong competition and assist beneficiaries in choosing a plan. The fact sheet outlines these steps which have included, for example, using the

bid submission process and enforcing plan compliance by using warning letters, corrective action plans and other enforcement actions where necessary. CMS describes that it is continuing to promote strong competition and assist beneficiaries by updating the Medicare Prescription Drug Plan Finder and the Medicare Personal Plan Finder by early October 2006. For the Medicare Prescription Drug Plan Finder, the update includes a total monthly cost estimator that provides users with a month-by-month graph on cost share for each selected plan. This fact sheet is available at **http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1946**.

Relevant to Special Needs Plans Specifically

- This month, CMS sent out a letter to state Medicaid directors outlining new CMS policy on SNPs that applies to contract year 2008. This new policy allows SNPs that have integrated Medicare and Medicaid contract arrangements with states to serve the same "subset" of dual eligibles that the state serves in its programs (for example, those 65 years and older; those under 65 years that are disabled). Prior to this policy change, Medicare rules did not allow targeting or "subsetting" of special groups in a Medicare managed care organization and/or SNPs. The goal of the new policy is to help provide a more integrated delivery system of care for dual eligible beneficiaries. (**http://www.cms.hhs.gov/States/02_What's%20New.asp#TopOfPage**)