

TRACKING MEDICARE HEALTH AND PRESCRIPTION DRUG PLANS Monthly Report for August 2008

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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: August 2008	Change From Previous Month*	Same Month Last Year	
			August 2007	Change From August 2007- 2008
Enrollment				
Total Stand-Alone Prescription Drug Plans (PDPs):	17,390,836	+31,380	17,102,001	+288,835
Individual	16,502,500	+25,892	Not Available	Not Available
Group**	888,336	+5,488	Not Available	Not Available
Total Medicare Advantage (MA)	10,152,845	+33,507	8,865,325	+1,287,520
Individual	8,383,761	+18,901	Not Available	Not Available
Group	1,769,084	+14,606	Not Available	Not Available
Medicare Advantage-Prescription Drug (MA-PD)	8,457,712	+56,310	7,360,314	+1,097,398
Medicare Advantage (MA) only	1,695,133	-22,803	1,505,011	+190,122
Medicare Advantage (MA) by Type				
MA Local Coordinated Care Plans** *	7,150,777	+41,419	6,238,646	+912,131
Health Maintenance Organizations (HMOs)	6,461,776	+30,247	5,749,846	+711,930
Provider Sponsored Organizations (PSOs)	18,419	+177	78,573	-60,154
Preferred Provider Organizations (PPOs)	670,537	+10,983	410,202	+260,335
Regional Preferred Provider Organizations (PPO)	293,234	+4,418	182,931	+110,303
Medical Savings Account (MSA)	3,563	+11	2,272	+1,291
Private Fee For Service (PFFS)	2,284,639	+11,265	1,709,785	+574,854
Individual	1,674,554	+5,705	Not Available	Not Available
Group****	610,085	+5,633	Not Available	Not Available
Cost	272,429	+455	309,274	-36,845
Pilot*****	55,747	-23,990	115,889	-60,142
Other*****	92,456	-71	306,528	-214,072
General vs Special Needs Plans*****				
Special Needs Plan Enrollees	1,244,425	+26,012	989,112	+255,313
Dual-Eligibles	880,039	+11,697	709,665	+170,374
Institutional	132,087	-1,703	143,544	-11,457
Chronic or Disabling	232,299	+15,018	135,903	+96,396
Other Medicare Advantage Plan Enrollees	8,908,420	+7,495	7,876,213	+1,032,207
Penetration (as percent beneficiaries)*****				
Prescription Drug Plans (PDPs)	39.9%	No Change	38.8%	+1.1% points
Medicare Advantage Plans (MA)	22.7%	No Change	20.1%	+2.6% points
Medicare Advantage-Prescription Drug Plans (MA-PDs)	18.8%	No Change	16.7%	+2.1% points
Local Health Maintenance Organizations (HMOs), Local Preferred Provider Organizations (PPOs)	14.4%	No Change	13.0%	+1.4% points
Local Preferred Provider Organizations (PPOs)	1.4%	No Change	0.9%	+0.5% points
Private Fee For Service (PFFS)	5.1%	No Change	3.9%	+1.2% points

August 2008 data is from the 8.11.08 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/MCRAAdvPartDENrolData/>)

* The July 2008 data is from data released by CMS on 7.07.08 also on its website

**The breakdown by Group includes Employer/Union Only Direct Contract PDP (124,413)

***The data for the breakdown of MA Local Coordinated Care Plans is from the 8.11.08 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/MCRAAdvPartDENrolData/>)

**** The breakdown by Group includes Employer Direct PFFS (13,158)

*****CMS is now including Pilot enrollees in this count. The Pilots refer to contracts to provide care management services for fee-for-service beneficiaries with chronic condition. CMS reports that this data is being included in their monthly count since they are part of the total monthly Medicare payment. However, beneficiaries for whom such payments are made are in the traditional Medicare program. Hence, users probably should exclude these enrollees from analysis and trending.

*****Other includes Demo contracts, HCPP and PACE contracts.

*****The SNP total for August is from the SNP Enrollment Comprehensive Monthly Report released by CMS on 8.11.08 and includes counts of 10 or less. (See: (<http://www.cms.hhs.gov/MCRAAdvPartDENrolData/>).

*****Penetration for August and July 2008 is calculated using the number of eligible beneficiaries reported in the August and July 2008 MA State/County Penetration file respectively. August 2007 is 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 August:

Plan Participation, by type	CURRENT MONTH: AUGUST 2008*	SAME MONTH LAST YEAR	
		AUGUST 2007	CHANGE FROM AUGUST 2007-2008
MA Contracts			
Total	734	601	+133
Local Coordinated Care Plan	510	409	+101
Health Maintenance Organizations (HMOs)	369	290	+79
Preferred Provider Organizations (PPOs) (Includes Physician Sponsored Organizations (PSOs))	141	119	+22
Regional Preferred Provider Organizations (rPPOs)	14	14	0
Private Fee For Service (PFFS)	79	48	+31
General	77	47	+30
Employee Direct	2	1	+1
Cost	25	27	-2
Medicare Savings Account (MSA)	9	2	+7
Special Needs Plans	443	313	+130
Dual-Eligible	270	205	+65
Institutional	66	65	+1
Chronic or Disabling Condition	107	43	+64
Other**	86	88	-2

*Contract counts for August 2008 are from the 8.11.08 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/MCRAAdvPartDENrolData/>) and the SNP Comprehensive Monthly Report also released on its website at: (<http://www.cms.hhs.gov/MCRAAdvPartDENrolData/>)

**Other includes Demo contracts, Health Care Prepayment Plans (HCPP), and Program for all-inclusive care of Elderly (PACE)

NEW ON THE WEB FROM CMS

Relevant to Both Medicare Advantage and Prescription Drug Plans

- This month, CMS announced the 2009 national average monthly bid for Medicare Part D (which will be \$84.33) and the base beneficiary premium (which will be \$30.36), which are used to determine the maximum Medicare premium subsidy to Part D drug plans. The bid amount reflects Part D bids by free-standing PDPs and by MA plans. This year, in calculating the bid amount, CMS ended the transition from partially unweighted bids to fully enrollment weighted bids for the first time. (In 2008, 60 percent weight was given to enrollment weighted average bid amount; in 2007, it was 20 percent; and in 2006 it was unweighted). The low income subsidy amounts in 2009 will be lowest in Regions 28 (AZ, \$16.22), 29 (NV, \$20.20) 26 (NM, \$20.55) and 11 (FL \$21.47). It will be highest in Regions 38 (WI \$38.15), 32 (ID and UT, \$37.46) and 34 (AL. \$36). The 2009 Prescription drug rate information is available at: <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/RSD/list.asp>
- In a related press release (August 14, 2008, entitled “Lower Medicare Part D Costs than Expected in 2009: Beneficiary Satisfaction Remains High.”), CMS indicated that in 2009 the estimated average monthly PDP premium that beneficiaries will pay will be \$29, \$3 above 2008 but below the original estimate for 2009 of \$44, which was made when the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 was enacted. CMS also stated that approximately 97 percent of beneficiaries enrolled in PDPs in 2009 will have access to other drug plans that would cost them the same or less than their current coverage in 2008. CMS also stated that MA-PD premiums will be lower than those for PDPs by about 9 dollars per month (before rebates). This press release is available on CMS’s website at: http://www.cms.hhs.gov/apps/media/press_releases.asp

Relevant to Medicare Advantage

- CMS also announced the Medicare Advantage Regional benchmarks. The announcement shows an additional plan-bid component for 1 region for a total of 22 out of the 26 regions. Thus, it appears that there is one additional region (the Connecticut, Massachusetts, Rhode Island region) with a regional PPO in 2009 (previously- since 2006, only 21 of the 26 MA regions have had such plans available). The 2009 Medicare rate book and other prescription drug rate information including the regional low-income subsidy amounts as well as the CMS memorandum released on August 14, 2008 to all MA organization and PDP sponsors is at: <http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/RSD/list.asp>

Relevant to Prescription Drug Plans

- This month, CMS released guidelines for requesting Part D Prescription Drug Event (PDE) data. The guidelines include background information on the rulemaking process and the final Part D data rule as well as information about PDE data including the limitations for research and other purposes as well as the process for submitting a

PDE data request and CMS's process in reviewing and approving requests for the data. CMS states in the guidelines that the 2006 Part D data is likely to be ready for requesters in December 2008 but this date may change as the data files are built and tested. CMS continues to encourage requesters to regularly check the Research Data Assistance Center or ResDAC website for updates. (ResDAC is the CMS contractor assisting with requests for PDE data. The ResDAC website is located at: <http://www.resdac.umn.edu/>). The guidelines are available on CMS's website at: http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/08_PartDData.asp#TopOfPage

Of General Interest

- None

Relevant to Special Needs Plans Specifically

- None

OTHER ITEMS OF RELEVANCE

Briefings and Hearings:

- None

Other

- The Kaiser Family Foundation released a chart pack this month titled "Examining Sources of Coverage Among Medicare Beneficiaries: Supplemental Insurance, Medicare Advantage, and Prescription Drug Coverage." This chart pack examines the sources of supplemental and prescription drug coverage among Medicare beneficiaries in 2006, providing a detailed breakdown for income; age; racial and ethnic characteristics as well as other characteristics. The researchers found that most Medicare beneficiaries (89 percent) had some form of supplemental health coverage in 2006. Employer-sponsored plans were the most common (35 percent); Medicare Advantage plans were the second most common (19 percent); 18 percent had purchased Medigap policies; and 16 percent were covered by Medicaid. African Americans and Hispanic beneficiaries were less likely than white beneficiaries to have employer-sponsored supplemental coverage and nearly one in five African American beneficiaries lacked supplemental coverage. In regards to Medicare Advantage, Hispanics were more likely to enroll in an MA plan than in traditional Medicare (14 percent vs 6 percent) whereas African Americans represented about the same in both MA and traditional Medicare enrollment (both about 10 percent). White beneficiaries were less likely to be enrolled in MA than traditional Medicare (71 percent to 80 percent). In terms of prescription drug coverage, 88 percent of all beneficiaries had some source of PDP coverage in 2006 with the majority covered

through a part D plan (55 percent); some had coverage through an employer-sponsored plan (31 percent) and 11 percent did not have any coverage. The chart pack also provides information on the low-income subsidy (LIS). The researchers found that just over half (56 percent) of all Medicare beneficiaries with low incomes received the Part D low-income subsidy in 2006, with most being dual eligibles automatically enrolled in Part D plans and the LIS. Only 10 percent of LIS beneficiaries excluding dually eligible beneficiaries signed up for the subsidy. More than four in ten beneficiaries (6.2 million) qualifying for the LIS did not receive it in 2006. This chart pack is available on the Kaiser Family Foundation's website at: <http://www.kff.org/medicare/7801.cfm>

- The Kaiser Family Foundation also released a report this month titled: "The Medicare Part D Coverage Gap: Costs and Consequences in 2007." This report analyzes retail pharmacy claims data based on 4.5 million Medicare beneficiaries in Part D plans in 2007. The researchers used the data to determine the number of Part D enrollees in 2007 that reached the coverage gap and if so, how it affected their prescription drug use afterward. The researchers found that one in four (26 percent) of Part D enrollees who filled any prescription in 2007 reached the coverage gap. Of the 26 percent, 22 percent remained in the gap the remainder of the year and four percent ultimately received catastrophic coverage. The report also provides information on how patients changed their prescription drug use after reaching the coverage gap (15 percent stopping their drug therapy for that condition; five percent switching to another medication in the class; and one percent reducing the number of drugs they were taking). This report is available at: <http://www.kff.org/medicar/7811.cfm>.
- The Government Accountability Office (GAO) released a report this month titled "Medicare Part D: Some Plan Sponsors Have Not Completely Implemented Fraud and Abuse Programs, and CMS Oversight Has Been Limited." The GAO reviewed five of the largest Part D sponsors' fraud and abuse programs. The GAO also interviewed officials from CMS and reviewed CMS documents. The report summarizes findings from this analysis. The GAO found that the five Part D sponsors had not fully implemented all of CMS's requirements and in addition, that CMS's oversight of Part D sponsors' fraud and abuse programs has been limited. For example, CMS has helped Part D sponsors develop fraud and abuse programs but has not audited the implementation of any of the programs as of April 2008 (when the GAO conducted the discussions with CMS). The full report is available at www.gao.gov.
- MedPAC's next public meeting is scheduled for September 4-5, 2008 in the Ronald Reagan Building in Washington DC. The agenda as well as other information pertaining to the meeting is available at: www.medpac.gov. Two sessions in particular are relevant to Medicare Advantage and Prescription Drug Plans: On September 4th, there will be a session summarizing the Medicare Advantage sections of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA). On September 5th, there will be a session on the Part D program including a summary of the trends in enrollment, benefit design, formularies and premiums over the past three years.