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

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PROGRAM STATUS: PRIVATE PLAN OFFERINGS, ENROLLMENT, AND CHANGE

Enrollment and Penetration, by Plan Type	Current Month: October 2007	Change From Previous Month*	Same Month Last Year	
			October 2006	Change From October 2006- 2007
Enrollment				
Total Stand-Alone Prescription Drug Plans (PDPs):	17,179,743	+41,777	16,557,864	+621,879
General	17,055,298	+42,017	16,439,841	+615,457
Employer/Union Only Direct	124,445	-240	118.023	+6,422
Duals Auto Enrolled in PDPs**	Not Available	(Total Enrollees) 6,270,154	Not Available	Not Available
All others Enrolled in PDP		10,360,026		
Total Medicare Advantage (MA)	8,949,143	+29,433	7,611,200	+1,337,943
Medicare Advantage-Prescription Drug (MA-PD)	7,454,358	+37,493	6,596,135	+858,223
Medicare Advantage (MA) only	1,494,377	-8,468	1,015,065	+479,312
Medicare Advantage (MA) by Type				
MA Local Coordinated Care Plans** *	6,296,444	+28,985	6,070,318	+226,126
Health Maintenance Organizations (HMOs)	5,789,844	+22,266	5,645,053	+144,791
Provider Sponsored Organizations (PSOs)	78,757	+56	92,342	-13,585
Preferred Provider Organizations (PPOs)	419,952	-1,199	332,914	+87,038
Regional Preferred Provider Organizations (PPO)	216,660	+7,118	93,922	+122,738
Medical Savings Account (MSA)	2,260	-7	Not Applicable	Not Applicable
Private Fee For Service (PFFS)	1,703,980	-5,802	826,031	+877,949
General	1,693,242	-5,812	Not Available	Not Available
Employer Direct PFFS	10,738	+10	Not Available	Not Available
Cost	309,860	-224	317,574	-7,714
Pilot****	113,050	-995	Not Applicable	Not Applicable
Other*****	306,889	+358	303,355	+3,534
General vs Special Needs Plans******				
Special Needs Plan Enrollees	1,050,635	+28,835	Not Available	Not Available
Dual-Eligibles	737,125	+14,839	Not Available	Not Available
Institutional	144,748	+843	Not Available	Not Available
Chronic or Disabling	168,762	+13,153	Not Available	Not Available
Other Medicare Advantage Plan Enrollees	7,898,508	+598	Not Available	Not Available
Penetration (as percent beneficiaries)********				
Prescription Drug Plans (PDPs)	39.0%	+0.1%	37.6%	+1.4%
Medicare Advantage Plans (MA)	20.3%	+0.1%	17.3%	+3.0%
Medicare Advantage-Prescription Drug Plans (MA-PDs)	16.9%	+0.1%	15.0%	+1.9%
Local Health Maintenance Organizations (HMOs),	13.1%	+0.1%	12.8%	+0.3%
Preferred Provider Organizations (PPOs)	1.0%	No Change	0.8%	+0.2%
Provider Sponsored Organizations (PSO)	0.2%	No Change	0.2%	No Change
Private Fee For Service (PFFS)	3.9%	No Change	1.9%	+2.0%

October 2007 data is from the 10.22.07 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/MCRAdvPartDEnrolData/**)
* The September 2007 data is from data released by CMS on 9.11.07 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 10.22.07 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/MCRAdvPartDEnrolData/)**
****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 September is from the SNP Enrollment Comprehensive Monthly Report released by CMS on 10.22.07 and includes counts of 10 or less. (See: **(http://www.cms.hhs.gov/MCRAdvPartDEnrolData/)**
*******Penetration 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 October:

Plan Participation, by type	CURRENT MONTH: OCTOBER 2007*	SAME MONTH LAST YEAR	
		OCTOBER 2006	CHANGE FROM OCTOBER 2006– 2007
MA Contracts (excluding SNP only contracts)			
Total	601	513	+88
Local Coordinated Care Plan	408	367	+41
Health Maintenance Organizations (HMOs)	289	239	+50
Preferred Provider Organizations (PPOs) (Includes Physician Sponsored Organizations (PSOs))	119	128	-9
Regional Preferred Provider Organizations (rPPOs)	14	11	+3
Private Fee For Service (PFFS) General Employee Direct	48 47 1	25 Not Available Not Available	+23 Not Available Not Available
Cost	27	28	-1
Medicare Savings Account (MSA)	2	Not Available	Not Available
Special Needs Plans Dual-Eligible Institutional Chronic or Disabling Condition	312 204 65 43	Not Available	Not Available
Other**	89	82	+7

*Contract counts for October 2007 are from the 10.22.07 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/MCRAdvPartDEnrolData/**)) and the SNP Comprehensive Monthly Report also released on its website at: ((**http://www.cms.hhs.gov/MCRAdvPartDEnrolData/**)
**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

- CMS has begun mailing the 2008 "Medicare and You" handbook to beneficiaries this month. The handbook includes information on the various plan options for beneficiaries including the changes in options for Part D plans. This handbook is also available online at: http://www.medicare.gov/Publications/Pubs/pdf/10050.pdf

- CMS released two documents this month on corrective action information relevant to Medicare Advantage (MA) and Prescription Drug Plans (PDPs). The first is a Corrective Action Plan (CAP) overview report, which provides information on how CMS audits are determined. The second is a CAP summary report, which included information on the plans audited by CMS such as the organization name, the audit type (MA, MA-PD or PDP) as well as a short description on the audit findings. This information is available on CMS's website at: http://www.cms.hhs.gov/MCRAdvPartDEnrolData/CAP/list.asp#TopOfPage

Relevant to Medicare Advantage

- None

Relevant to Prescription Drug Plans

- CMS announced a design update for the 2008 Medicare beneficiary web site on October 10, 2007 (Press release title: "Enhanced tools will help Medicare beneficiaries with prescription drug plan choices for 2008.") The 2008 tool for Medicare prescription drug plan and health plans in 2008 will be available online October 11, 2007 through the Medicare Prescription Drug Plan Finder. CMS says they have added features to make the Plan Finder more user-friendly for the 2008 enrollment period, which begins November 15, 2007. The additional features include a link to allow beneficiaries to view provider network information as well as more information on benefits for people with End Stage Renal Disease among others. The press release also provides information on the CMS web site for beneficiaries who are eligible for the low-income subsidy (LIS). The web site includes general information as well as an annual LIS outreach toolkit. The press release, the Medicare Prescription Plan Finder tool and the CMS' LIS toolkit are available at the following web sites: See http://www.cms.hhs.gov/apps/media/press_releases.asp for the press release; http://www.medicare.gov/ for the Medicare Prescription Plan Finder tool and http://www.cms.hhs.gov/limitedincomeandresources/ for the LIS toolkit.

- CMS is beginning the initial reconciliation of payments to Part D plans for 2006 in accordance with the risk sharing provisions under which they operate. Under the Medicare Modernization Act (MMA), CMS must pay plans ahead of time based on plan bids to mitigate risk. The reconciliation process of these costs occurs only after the end of the calendar year, when all claims data are available. The risk sharing process was designed so that if a plan's drug spending is 2.5 percent or more than projected, Medicare makes the additional payments to cover a portion of the

unanticipated costs, however, if drug spending is 2.5 percent or more below the levels projected in the PDP's bid, Medicare recoups a portion of the unanticipated savings. In a press release on October 5, 2007, CMS stated that due to the fact that actual drug costs for almost all Part D plans were below expected levels in their 2006 bids, Medicare will be collecting funds from the plans—the headline highlights "Medicare expects to recover $4 billion from Part D plans following 2006 plan reconciliation." CMS stated that these risk corridors apply during the first two years of the PDP program and that as they have further experience with Part D program, the bid submissions will likely be more accurate. The reconciliation amounts and press release are available on CMS's web site. See: http://www.cms.hhs.gov/MCRAdvPartDEnrolData/Downloads/2006%20Part%20D%20Payment%20Recon.pdf for the reconciliation amounts for each of the Part D plans and see: http://www.cms.hhs.gov/apps/media/press_releases.asp for the press release.

Of General Interest

- None

Relevant to Special Needs Plans Specifically

- None

OTHER ITEMS OF RELEVANCE

Briefings and Hearings:

- On October 10, 2007, AARP/AMA convened a public briefing for the Senate Finance Committee staff on the Medicare Advantage in rural areas. To provide context for the discussion, Marsha Gold, Senior Fellow at Mathematica Policy Research, provided an overview of MA plans in rural areas since the MMA began and in particular the expansion of private fee for service plans rather than regional PPOs as intended. Marsha Gold's presentation is available on MPR's website at: http://www.mathematica-pr.com/about%20us/presentations07.asp
- On October 16, 2007, a joint hearing in the Committee on Ways and Means (with the subcommittees on Health and Oversight) was held discussing the statutorily required audits of the Medicare Advantage Plan bids as well as the CMS recent release of information on corrective action plans (CAPs). Witness list and testimony included: Panel 1: Jeffery Steinhoff, GAO; James Cosgrove, GAO; Timothy Hill, CMS; Panel 2: Paul Precht, Medicare Rights Center; Harry Hotchkiss, Humana; Cindy Polich, UnitedHealth Group; and Bart Asner, Monarch Healthcare in Irvine, California. More information on this hearing as well as testimony for each of the witnesses is available at: http://waysandmeans.house.gov/hearings.asp?formmode=detail&hearing=593

Other

- The Medicare Payment Advisory Commission (MedPAC) held a meeting on October 3-4, 2007, which included a session titled "Medicare Advantage: Special Needs Plans." In this session, Jennifer Podulka of MedPAC updated the commission on SNPs within the Medicare Advantage program and introduced a discussion of potential concerns the Commission staff perceived relevant for commission discussion. She indicated the issue of SNPs was particularly relevant since if all SNPs now pending were approved for 2008, there would be over 700 SNPs, versus 400 in 2007. In 2006, only 13 percent of the SNPs were offered by a parent focused specifically on SNPs. SNP enrollment, together with employer sponsored plans, were the only source of enrollment growth for local HMOs between 2006 and 2007. She highlighted three concerns for discussion: (1) Medicare has no requirements for SNPs to provide specialized care to their target populations, resulting in lack of accountability 2) the absence of such requirements raises questions about the value of the SNPs to Medicare (e.g. SNPs are not required to coordinate with state Medicaid contracts); and 3) many of the MA organizations offering SNPs are not specialized on subgroups in SNPs but instead are regular MA organizations that have chosen to add SNPs to their menu of plans; this raises questions about whether SNPs are a marketing strategies or a real investment in providing care to targeted populations. Podulka presented a number of potential policy options the Commissioners might consider related to whether or not SNP authority should be extended past the 2008 deadline. The options distinguished concerns related to alternative types of SNPs, with the concept being that some types of SNPs be permanent after making several changes such as having all dual eligible SNPs contract with states to cover Medicaid benefits within the next several years. Others, however, such as chronic care SNPs, might lend themselves more to a temporary extension to allow further study. The commissioners discussed the issues, with some suggesting that recommendations be made sooner rather than later to advise congress. More information on this session as well as the transcript is available at: http://www.medpac.gov.

    - The next MedPAC meeting will be held November 8-9, 2007 at the Ronald Reagan building in Washington DC. An agenda for this meeting is available on their website. Agenda items include several pertaining to MA and PDP issues:

        - "Part D benefit design: formulary analysis" by Jack Hoadely of Georgetown University.

        - "Part D benefit design: plan analysis" by Rachel Schmidt of MedPAC

        - "Medicare Advantage quality findings" by Carlos Zarabozo of MedPAC

        - "Special needs plans" by Jennifer Podulka of MedPAC

- This month, the Department of Health and Human Services Office of Inspector General released a memorandum report titled "Medicare Part D Prescription Drug Plan Sponsor Internet Web Sites: Content and Accessability" (OEI-06-06-00340). OIG summarizes in their memorandum to CMS their analysis of the web sites of all 84 PDP sponsors offering drug plans within the 50 states and the District of Columbia in 2007. Specifically, OIG reviewed each web site to determine whether the sponsor

met all required regulations and marketing guidelines. OIG found that 33 percent of the 84 PDP sponsors' web sited did not contain the federally required content. The most commonly omitted information was in regards to beneficiaries' disenrollment rights and responsibilities, the potential for PDP contract termination, and information related to the formulary. This memorandum is available online at: http://oig.hhs.gov/w-new.html

- On October 11, 2007, the Congressional Budget Office (CBO) released a letter to the House Committee on Ways and Means providing additional information on how Medicare Advantage (MA) plans would be affected by the Children's Health and Medicare Protection Act of 2007 (the Champ Act). This three-page letter states that enrollment would significantly decrease mostly due to the reduction in the plan benchmarks that would take place as stated in section 401 of the Act. CBO also states that the decrease in enrollment would be significant enough to affect all areas of the country with plans in counties with benchmarks at one of the two floor benchmarks (those counties generally in rural areas) having the most significant enrollment reductions. CBO also states that extra benefits would be reduced as well as plans participating—CBO states that some areas could potentially lose all or nearly all of their plans (again those areas paid according to the floor benchmark would be the areas likely to have the most plan reductions). This letter is available on CBO's website:http://www.cbo.gov/ftpdocs/86xx/doc8691/10-10-AProvisionsOfCHAMP-McCrery.pdf

- This month, the Kaiser Family Foundation released an updated fact sheet on state specific Medicare Drug Plan information. The fact sheet contains 2008 information as well as comparisons to 2007 for each state on: 1) the number of Part D plans; 2) the number of plans below the low-income benchmark; 3) the number of plans offering gap coverage (broken out by whether they have some gap coverage or no gap coverage); and 4) monthly premiums (broken out by the lowest premium and the highest premium for each state). This fact sheet is available at: http://www.kff.org/medicare/7426.cfm