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

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PROGRAM STATUS: PRIVATE PLAN OFFERINGS, ENROLLMENT, AND CHANGE

Enrollment and Penetration, by Plan Type	Current Month: November 2006	Change From Previous Month*	Same Month Last Year	
			November 2005	Change From November 2005- 2006
Enrollment				
Total Stand-Alone Prescription Drug Plans (PDPs):**	16,629,609	+71,745	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)	7,542,757	-68,443	6,058,667	+1,484,090
Medicare Advantage-Prescription Drug (MA-PD)	6,532,036	-64,099	Not Applicable	Not Applicable
Medicare Advantage (MA) only	1,010,721	-4,344	Not Applicable	Not Applicable
Medicare Advantage (MA) by Type				
MA Local Coordinated Care Plans***	5,991,058	-79,260	5,120,705	+870,353
Health Maintenance Organizations (HMOs)	5,560,868	-84,185	Not Available	Not Available
Provider Sponsored Organizations (PSOs)	92,237	-105	Not Available	Not Available
Preferred Provider Organizations (PPOs)	337,944	-5,030	Not Available	Not Available
Regional Preferred Provider Organizations (PPO)	96,251	+2,329	Not Applicable	Not Applicable
Private Fee For Service (PFFS)	835,074	+9,043	189,502	+645,572
Cost	317,616	+42	321,279	-116,144
Other****	302,758	-597	300,694	-2,064
General vs Special Needs Plans*****				
Special Needs Plan Enrollees	602,881	+71,374	Not Available	Not Available
Other Medicare Advantage Plan Enrollees	6,939,876	+197,084	Not Available	Not Available
Penetration (as percent beneficiaries)******				
Prescription Drug Plans (PDPs)	37.8%	+0.2%	Not Applicable	Not Applicable
Medicare Advantage Plans (MA)	17.1%	-0.2%	13.8%	+3.3%
Medicare Advantage-Prescription Drug Plans (MA-PDs)	14.8%	-0.2%	Not Applicable	Not Applicable
Local Health Maintenance Organizations (HMOs),	12.6%	-0.2%	Not Available	Not Available
Preferred Provider Organizations (PPOs) or	0.8%	No change	Not Available	Not Available
Provider Sponsored Organizations (PSO)	0.2%	No change	Not Available	Not Available
Private Fee For Service (PFFS)	1.9%	No change	0.4%	+1.5%

November 2006 data is from the 11.17.06 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 October 2006 data is from data released by CMS on 10.02.06 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 16,511,217).
***The data for the breakdown of MA Local Coordinated Care Plans is from the 11.17.06 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).
****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. (see: http://www.cms.hhs.gov/SpecialNeedsPlans) The SNP change is based on the last available SNP data MPR created by combining the Plan Finder with the July 2006 enrollment data released by CMS on 7.26.06 (which did not include plans with less than 10 enrollees).
******Penetration rates for November and October 2006 are calculated using the number of eligible beneficiaries reported in the December 2005 State/County File. Penetration rates for October 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 November:

Plan Participation, by type	CURRENT MONTH: NOVEMBER 2006*	SAME MONTH LAST YEAR	
		NOVEMBER 2005	CHANGE FROM NOVEMBER 2005– 2006
MA Contracts (excluding SNPs)			
Total	513	459	+54
Local Coordinated Care Plan	367	302	+65
Health Maintenance Organizations (HMOs)	239	Not Available	Not Available
Preferred Provider Organizations (PPOs) (Includes Physician Sponsored Organizations (PSOs))	128	Not Available	Not Available
Regional Preferred Provider Organizations (rPPOs)	11	Not Applicable	Not Applicable
Private Fee For Service (PFFS)	25	17	+8
Cost	28	29	-1
Other**	82	77	+5

*Contract counts for November 2006 are from the 11.17.06 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**)
**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 November:

- None

NEW ON THE WEB FROM CMS

Relevant to Both Medicare Advantage and Prescription Drug Plans

- CMS released a press release on November 16, 2006 titled "Medicare Announces the Start of 2007 Open Enrollment for Medicare Health and Drug Coverage: Expanded Options Provide More Comprehensive Coverage for Millions." The press release describes how the open enrollment period which began November 15, 2006 (and runs through December 31, 2006) had 16,000 beneficiaries enroll in drug plans online during the first 24 hours. The press release also states that the 2007 average monthly premium is $24, as it was in 2006 and that 83 percent of beneficiaries with stand-alone prescription drug plans will have access to plans costing less than their current coverage starting in 2007. In addition, the press release states that the average number of drugs included on plan formularies has increased by 13 percent. The press release states that this is due to continued competition and choice (http://www.cms.hhs.gov/apps/media/?media=pressr)

- The November 16, 2006 press release also states that CMS is adding a new consumer tool that will focus on Medicare Part D plan performance for 2006. Specifically, this tool rates plans on several areas of customer service including telephone customer service; complaints; appeals; and sharing information with pharmacists. The tool, which is titled the Medicare Part D Plan Performance metrics, is posted on the Plan Finder website at: http://www.medicare.gov/MPDPF

- CMS began mailing its "Medicare and You 2007" handbook to all Medicare households this month. The handbook includes a summary of Medicare benefits, rights, and protections; lists of health and drug plans available in the beneficiary's area; and lists answers to frequently asked questions about Medicare. More information on the handbook is available at www.medicare.gov.

- On November 17, 2006, CMS's Abby Block, Director, Center for Beneficiary Choices presented at a National Health Policy Forum session titled "The Medicare PDP Market: Build it and the Plans Will Come." In her presentation, she discussed differences in plan offerings for 2006 and 2007 **http://www.nhpf.org)**. Some of the key information she presented included:

    - **Medicare Advantage-Prescription Drug plans**: Beginning in January 2007, all beneficiaries in 50 states will have access to an MA-PD. In addition, in 2007 there are 95 $0 premium plans with basic alternative Part D coverage whereas in 2006

there were 65. Fifty-three percent of all MA-PDs will offer a low-cost premium ($0-$30) in 2007 compared with 51% in 2006 and 86% of beneficiaries in 2007 have access to a zero premium MA-PD plan compared with 67% in 2006. Block also provided a break down of MA-PD plan options by states. The highest number of plan options in Florida (320); Pennsylvania (238); New York (206); California (172); and Texas (125). All other states had less than 100 plan options with Alaska having the smallest number of options (8) followed by North Dakota (14); New Hampshire (14); Rode Island (15); Delaware (15); South Dakota (15); and Hawaii (16).

- **Medicare Prescription Drug Benefit:** The number of PDP sponsors for 2007 ranges from 20 to 29 per state, with national PDP sponsors up from 2006. The largest increase in plan offerings is enhanced coverage (there are now between 4 and 12 additional enhanced plans in each state, which represents 44%-50% of plans offered in each state). Block also provided a break down of PDP plan options by state: PDP options for 2007 ranged from a low of 45 (Alaska) to a high of 66 (Pennsylvania). Every state has at least one plan option with a premium less than $ 20; at least one plan available with no deductible; and several plans are available with coverage of generic formulary drugs in the coverage gap.

- **Low-income subsidy enrollment:** Block discussed 2 LIS provisions: Calculation of Regional LIS benchmarks and de Minimis Premium Policy (which eliminates the need to move LIS beneficiaries to new plans if their current plan's premium exceeds the regional LIS benchmark of 2 dollars or less). She stated that approximately 247,000 beneficiaries were re-assigned randomly to new PDP sponsors because of premium increases but that letters were mailed to individuals on blue paper starting November 6, 2006. She also discussed several special enrollment periods (SEP) such as for individuals impacted by Hurricanes.

- **2008 timeline:** Block also discussed the 2008 timeline for MA-PD and PDP plans. Notices of intent to apply are due December 1, 2006; applications are due March 2007 and bids are due June 4, 2007.

- Other presenters at the Forum Session included John Bertko, Vice President and Chief Actuary, Humana, Inc; Jack Hoadley, Research Professor, Health Policy Institute, Georgetown University; and Marisa Scala-Foley, Associate Director, Access to Benefits Coalition, National Council on Aging. (More information on this session as well as Ms. Block's presentation slides and the other presenters' slides are available at the National Health Policy Forum's website. (See **http://www.nhpf.org/index.cfm?fuseaction=Details&key=628)**

Relevant to Medicare Advantage

- On November 30, 2006, CMS's David Lewis, Acting Director of the Medicare Advantage Group and Brenda Tranchida, Deputy Director, Employer Policy and Operations Group released a memorandum to current and future Medicare Advantage Organizations. The memorandum announced that draft Medicare Advantage applications for 2008 are posted on the CMS website for public comment. (Draft

applications included: CCP; RPPOs; PFFs; MSAs). Any comments on the application materials must be received via email no later than cob December 11, 2006. (see CMS website for applications and email information to post comments: http://www.cms.hhs.gov/MedicareAdvantageApps)

- CMS has released at long last the much demanded MA "State County Contract File". This file is necessary to produce detailed estimates, beneath the national level, of the share of beneficiaries enrolled in various types of plans, including urban versus rural estimates, state estimates, MSA, and county estimates. The last time CMS released this file was December 2005. While there was one time data released to support MA-PD estimates these did not include MA only plans nor allow breakdowns by type of MA-PD plan. CMS has said nothing about its future plans but as these data are posted with their routine reports, they hopefully will be available monthly. (http://www.cms.hhs.gov/PrescriptionDrugCovGenIn/02_EnrollmentData.asp)\

Relevant to Prescription Drug Plans

- See Block discussion above in NHPF Session

Relevant to Special Needs Plans Specifically

- This month CMS posted information on SNP enrollment by SNP type and state on its website (**http://www.cms.hhs.gov/SpecialNeedsPlans**). As of September 2006 the total number of contracts offering SNPs is 165; the total number of SNPs is 276; and the total number of beneficiaries enrolled in SNPs (including counts of 10 or less) is 602,881 (with 491,877 enrolled in dual-eligible SNPs; 71,635 enrolled in chronic or disabling SNPs; and 39,323 enrolled in institutional SNPs). The majority of SNP contracts continue to be dual eligible SNP plans at 115 (including 13 demos; 3 Regional CCPs and the remaining local CCP); there are 13 chronic or disabling contracts (including 2 demos and the remaining local CCPs) and 37 institutional SNP contracts (including 5 demos and the remaining local CCPs).

- CMS has added a new column to the Medicare Prescription Drug Plan Finder for Special Needs Plans. The column is titled "Special Rules for Enrolling and provides beneficiaries with more information on the special needs plans by type of plan (dual eligible, chronic condition, or institutional). The information is also now displayed for 2006 plans so comparisons on types of plan offering can be made at the state-county level from 2006 to 2007. See the Medicare Prescription Plan Finder at: http://www.medicare.gov/MPDPF/Public/Include/DataSection/Questions/SearchOptions.asp)

OTHER ITEMS OF RELEVANCE

- On November 8 and 9, 2006, Medicare Payment Advisory Commission (MedPAC) held a public meeting to discuss a variety of topics including Medicare Advantage and the Part D program (www.medpac.gov).

- In the session titled "Update on Medicare plans and review of past recommendations" Scott Harrison, Carlos Zarabozo, and Rachel Schmidt reviewed the issues surrounding past recommendations the Commission has made on Medicare Advantage and the Part D program as the program begins the bidding process for the second year. The staff also provided an update on information on Medicare Advantage plan payment rates, and information on plan participation and beneficiary access to plans for both 2006 and 2007. The transcript for this session is available on MedPAC's website at: http://www.medpac.gov/public_meetings/transcripts.cfm?sid=3&subid=0
  These were among the key findings presented:

    - Updating their previous analysis with July 2006 enrollment data, MedPAC calculates that the enrollment weighted MA benchmarks are 116 percent of traditional Medicare FFS. MedPAC's previous analysis with December 2006 enrollment data yielded a figure of 115 percent and payments based on plan bids as 112 percent of traditional Medicare FFS. The one percent increase in the two sets of figures reflects the growth in enrollment in MA PFFS plans. PFFS are paid 119 percent of traditional Medicare and almost 90 percent are in floor counties In contrast, HMO payments are closer to traditional Medicare spending levels.

    - In 2007, 81 percent of Medicare beneficiaries will have a local HMO or PPO operating in their county, up from 80 percent in 2006 and 67 percent in 2005. Less than half of rural beneficiaries however have access to such a plan. While no additional regions will have a regional PPO, PFFS availability will rise from 45 percent in 2005 and 80 percent in 2006 to virtually 100 percent in 2007.

    - Seventy-seven beneficiaries will have access to an MSA plan in 2007.

    - The number of SNPs will increase from 276 to 400 from 2006 to 2007. The share of beneficiaries with such a plan will increase from 59 percent in 2006 to 76 percent in 2007. CMS used its demonstration authority in 2007 to limit the number of dually eligible or LIS beneficiaries that would have to switch plans. CMS's actuary estimates that these two demonstrations will cost $1 billion; they reduce the estimated number of beneficiaries that have to change plans from 3.3 million to 500,000.

    - MedPAC discussed its previous recommendations to Congress and what it might recommend this year. Issues of likely concern include overpayment to MA relative to the traditional program and use of CMS demonstration authority to make program changes, particularly when they cost money and do not include a clear research design to enhance knowledge.

  - The next MedPAC meeting will be held December 7-8, 2006. This meeting will take place at the Ronald Reagan Building in Washington, DC. An agenda is available on MedPAC's website and transcripts are made available approximately 3-5 business days after the meeting ends.

- In November 2006, AARP's Public Policy Institute released a report by Marsha Gold, Maria Cupples Hudson and Sarah Davis of Mathematica Policy Research on "2006 Medicare Advantage Benefits and Premiums" (#2006-23). (see www.aarp.org or www.Mathematica-MPR.com).