December 5, 2008

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

Prepared by Stephanie Peterson and Marsha Gold, Mathematica Policy Research Inc.
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: November 2008	Change From Previous Month*	Same Month Last Year	
			November 2007	Change From November 2007- 2008
Enrollment				
Total Stand-Alone Prescription Drug Plans (PDPs):	17,469,663	+30,947	17,212,953	+256,710
Individual	16,573,552	+29,541	Not Available	Not Available
Group**	896,111	+1,406	Not Available	Not Available
Total Medicare Advantage (MA)	10,257,562	+33,496	8,982,041	+1,275,521
Individual	8,464,964	+27,264	Not Available	Not Available
Group	1,792,598	+6,232	Not Available	Not Available
Medicare Advantage-Prescription Drug (MA-PD)	8,590,631	+35,615	7,495,364	+1,095,267
Medicare Advantage (MA) only	1,666,931	-2,119	1,486,269	+180,662
Medicare Advantage (MA) by Type				
MA Local Coordinated Care Plans** *	7,240,594	+19,745	6,321,499	+919,095
Health Maintenance Organizations (HMOs)	6,525,669	+12,007	5,807,188	+718,481
Provider Sponsored Organizations (PSOs)	19,428	+465	78,576	-59,148
Preferred Provider Organizations (PPOs)	695,461	+7,281	435,297	+260,164
Regional Preferred Provider Organizations (PPO)	311,527	+8,463	227,856	+83,671
Medical Savings Account (MSA)	3,636	+26	2,272	+1,364
Private Fee For Service (PFFS)	2,305,344	+5,599	1,702,611	+602,733
Individual	1,688,543	+3,275	Not Available	Not Available
Group****	616,801	+2,324	Not Available	Not Available
Cost	276,825	+619	309,778	-32,953
Pilot*****	27,153	-943	111,446	-84,293
Other******	92,483	-13	306,579	-214,096
General vs Special Needs Plans***** **				
Special Needs Plan Enrollees	1,309,393	+13,930	1,080,593	+228,800
Dual-Eligibles	905,701	+3,814	751,784	+153,917
Institutional	128,531	-2,289	144,928	-16,397
Chronic or Disabling	275,161	+12,405	183,881	+31,280
Other Medicare Advantage Plan Enrollees	8,948,169	+19,566	7,901,448	+1,046,721
Penetration (as percent beneficiaries)********				
Prescription Drug Plans (PDPs)	39.9%	No Change	39.0%	+0.9% points
Medicare Advantage Plans (MA)	22.8%	+0.1% points	20.3%	+2.5% points
Medicare Advantage-Prescription Drug Plans (MA-PDs)	19.0%	+0.1% points	17.0%	+2.0% points
Local Health Maintenance Organizations (HMOs),	14.5%	No Change	13.2%	+1.3% points
Local Preferred Provider Organizations (PPOs)	1.5%	No Change	1.0%	+0.5% points
Private Fee For Service (PFFS)	5.1%	No Change	3.9%	+1.2% points

November 2008 data is from the 11.03.08 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/MCRAdvPartDEnrolData/**)
* The October 2008 data is from data released by CMS on 10.13.08 also on its website
**The breakdown by Group includes Employer/Union Only Direct Contract PDP (125,267)
***The data for the breakdown of MA Local Coordinated Care Plans is from the 11.03.08 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/MCRAdvPartDEnrolData/**)
**** The breakdown by Group includes Employer Direct PFFS (13,257)
*****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 November is from the SNP Enrollment Comprehensive Monthly Report released by CMS on 11.03.08 and includes counts of 10 or less. (See: (**http://www.cms.hhs.gov/MCRAdvPartDEnrolData/**).
*******Penetration for November and October 2008 is calculated using the number of eligible beneficiaries reported in the August 2008 MA State/County Penetration file. September 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 November:

Plan Participation, by type	CURRENT MONTH: NOVEMBER 2008*	SAME MONTH LAST YEAR	
		NOVEMBER 2007	CHANGE FROM NOVEMBER 2007– 2008
MA Contracts			
Total	735	605	+130
Local Coordinated Care Plan	509	408	+101
Health Maintenance Organizations (HMOs)	368	289	+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) General Employee Direct	79 77 2	48 47 1	+31 +30 +1
Cost	25	27	-2
Medicare Savings Account (MSA)	9	2	+7
Special Needs Plans Dual-Eligible Institutional Chronic or Disabling Condition	441 269 65 107	312 204 65 43	+129 +65 No Change +64
Other**	93	93	No Change

*Contract counts for November 2008 are from the 11.03.08 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/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

- On November 10, 2008, CMS issued revised compensation requirements for MA and PDP sales agents and brokers. This new interim final rule revises parts of the September 18, 2008 regulation. Specifically, the new interim rule requires plans to submit to CMS their compensation structures for the previous three years plus their compensation structure for 2009. In addition, CMS stated that to try to prevent churning, the new rule will also require plans to retroactively pay agents and brokers compensation above their 2009 renewal rate compensation for any initial year compensation. This additional compensation will only be paid after CMS identifies that an initial compensation was warranted. A comment period for this rule is available through December 15, 2008. The rule and as well as instructions to submit comments is available on CMS's website at: http://www.cms.hhs.gov/HealthPlansGenInfo/. CMS also issued a press release summarizing these changes titled "CMS Issues Agent Compensation Requirements for Medicare Advantage and Prescription Drug Programs," which is also on CMS's website at: http://www.cms.hhs.gov/apps/media/press_releases.asp

- This month, CMS released new information regarding the open enrollment for Medicare Advantage and Prescription Drug Plans which began on November 15, 2008 and runs through December 31, 2008 (available on CMS's website at: http://www.cms.hhs.gov/center/openenrollment.asp). CMS provides information on beneficiary outreach activities that will be held such as local open enrollment events as well as outreach and education activities specifically for individuals qualifying for the low income subsidy. CMS released a press release as well which summarizes the information available to beneficiaries regarding the open enrollment period. This press release, titled "2009 Open Enrollment for Medicare Advantage and Prescription Drug Plans Begins November 15" is available on CMS's website at: http://www.cms.hhs.gov/apps/media/press_releases.asp

Relevant to Medicare Advantage

- On November 17, 2008, CMS released a press release titled "CMS Issues Improper Payment Rates for Medicare, Medicaid, and SCHIP." For calendar year 2006, Medicare Advantage improper payment rate was 10.6 percent or $6.8 billion. CMS stated that this was mostly due to health plan errors in documenting members' diagnoses and that such improper payments are routinely resolved and payment adjustments are made over time. CMS also stated it expects the improper payment rate to decline over the next few years as the program matures-similar to the Medicare FFS rate which has declined from 14 percent in improper payments in 1996 to a 2008 rate of 3.6. This press release is available on CMS's website at: http://www.cms.hhs.gov/apps/media/press_releases.asp

Relevant to Prescription Drug Plans

- None

Of General Interest

- None

Relevant to Special Needs Plans Specifically

- This month, the Special Needs Plan Chronic Condition Panel released their final report. Within the report, the SNP chronic condition panel determined fifteen chronic conditions that meet the definition of severe or disabling, which applicants must therefore meet for enrollment in SNPs. The fifteen chronic conditions are as follows: 1) chronic alcohol and other drug dependence; 2) certain autoimmune disorders; 3) cancer excluding pre-cancer conditions; 4) certain cardiovascular disorders; 5) chronic heart failure; 6) dementia; 7) diabetes mellitus; 8) end-stage liver disease; 9) end-stage renal disease requiring dialysis; 10) certain sever hematologic disorders; 11) HIV/AIDS; 12) certain chronic lung disorders; 13) certain chronic and disabling mental health conditions; 14) certain neurologic disorders; and 15) stroke. This final report is available at: http://www.cms.hhs.gov/SpecialNeedsPlans/

OTHER ITEMS OF RELEVANCE

Briefings and Hearings:

- On November 12, 2008, Senator Baucus (D-Montana) released a health reform proposal. Several provisions involve Medicare Advantage and prescription drug plans. Baucus' health plan proposal recommends that CMS enact and implement pay-for-performance (P4P) to the Medicare Advantage program. The proposal states that the MA plans have been reporting a standard set of valid performance measures to CMS for over a decade and therefore plans should be required to move beyond reporting so that payments reflect plan performance. Baucus also recommends that CMS develop valid performance measures for prescription drug plans and begin P4P for these plans as well. In addition, the Baucus plan recommends that Medicare Advantage payments be set equal to traditional Medicare at a national level but that changes be introduced to how funds are distributed across areas. The Baucus plan recommends that MA payments be a blend of local and national level Medicare costs, which he states would reduce MA payments in high-use areas and increase payments in low-use areas. Other recommendations include that MA payments be based on whether or not MA plans provide coordinated care that meets NCQA's medical home criteria. MA plans that do not meet the criteria would have their payments reduced overtime. More information on Baucus' proposal is available on the Senate Finance website at: http://finance.senate.gov/healthreform2009/home.html

Other

- This month, the Kaiser Family Foundation released several new data spotlights and a fact sheet on the 2009 Medicare Part D plan options:

    - "Medicare Part D 2009 Data Spotlight: Low-Income Subsidy Plan Availability." This data spotlight provides an update on the availability of drug plans for beneficiaries receiving the low-income subsidy (LIS) in 2009 as well as changes since 2006. The spotlight examines enrollment in the LIS; provides information on how the LIS benchmark is calculated and examines the availability of benchmark plans for LIS beneficiaries in 2009 and annual variation in the number of these plans from 2006-2009. For example, in 2009, just 18 percent of all PDPs qualify for automatic or facilitated enrollment of LIS beneficiaries, which is the lowest share since the Part D program began in 2006. (In 2008, 24 percent qualified; in 2007 26 percent qualified and in 2006, 29 percent qualified). While the number of plans available to LIS beneficiaries has steadily declined, the spotlight reports it has been more dramatic in some regions than others (New Hampshire and Maine have had the largest decrease in no monthly premium plans at 13 while Texas had the least with one less plan available). The spotlight also reports that only 23 percent of plans that qualified in 2006 have continued to qualify each year through 2009, meaning that the majority of individuals receiving the LIS have had some disruption in their drug coverage over time. The spotlight provides options that CMS could take to help stabilize these benchmark plans from one year to the next to make drug coverage more continuous for this population and that also takes into account individual beneficiary drug needs since the random assignment system currently does not. This spotlight is available at: http://www.kff.org/medicare/7836.cfm

    - "Medicare Part D 2009 Data Spotlight: The Coverage Gap." This data spotlight examines the coverage gap or "doughnut hole" in 2009 prescription drug plans as well as changes in the coverage gap since the program began in 2006. The spotlight reports that similar to 2008 nearly all Part D plans have coverage gap but with 25 percent of PDPs offering some type of gap coverage (down from 29 percent in 2008). The spotlight reports that the generosity of gap coverage in 2009 has however become more limited with most not covering brand-name drugs in the gap. This spotlight is available at: http://www.kff.org/medicare/7834.cfm

    - "Medicare Part D 2009 Data Spotlight: Premiums." This data spotlight examines PDP premiums in 2009 and changes since 2006. The spotlight reports that the majority of beneficiaries enrolled in a PDP (not including LIS beneficiaries) face an increase in their monthly premium if they choose not to switch plans. For example, one in four (or 27 percent) of PDP enrollees will see a premium increase of at least $120 per year. In particular, premiums in Humana's plans have risen substantially (although their major appeal to beneficiaries originally was low monthly premiums).

For example, Humana's PDP Standard plan quadrupled in monthly premium price, from $9.51 in 2006 to $40.83 in 2009. This spotlight is available at: http://www.kff.org/medicare/7835.cfm

- "Medicare Part D Prescription Drug Plan (PDP) Availability in 2009." This two page fact sheet is an update on state specific data for 2009 PDP options available. Information includes: 1) the number of PDPs offered in each state (ranging from a low of 45 PDPs in Alaska to a high of 57 PDPs in Pennsylvania/West Virginia region); 2) the number of PDPs below the LIS benchmark (ranging from 1 in Nevada to 16 in Wisconsin); 3) the number of PDPs offering gap coverage; and 4) the range in 2009 monthly premiums for each state (with a low of $10.30 per month for a PDP in New Mexico to a high of $136.80 per month for a PDP in New York). This spotlight is available at: http://www.kff.org/medicare/7426.cfm

- A briefing this month was held by *Health Affairs*, titled "Medicare Advantage: Where is it now and where is it going?" Susan Dentzer, Editor-in-Chief of *Health Affairs* was the moderator. Presenters included 1) Marsha Gold of Mathematica; 2) Bryan Dowd of the University of Minnesota; 3) Simon Stevens of Ovations; and 4) Liz Fowler and Kristen Bass, Senate Finance Committee staff members. More information is available at: www.healthaffairs.org

  - Concurrent with this briefing, *Health Affairs* released three articles on Medicare Advantage: 1) "Medicare's Private Plans: A Report Card on Medicare Advantage" by Marsha Gold of MPR, which describes what MA has-and has not-accomplished since its inception. 2) "Medicare Advantage Plans At a Crossroads-Yet Again" by Robert Berenson and Bryan Dowd and 3) "Payment Policy and The Growth of Medicare Advantage" by MedPAC staff members Carlos Zarabozo and Scott Harrison. These reports are available at: www.healthaffairs.org

- The Department of Health and Human Services Office of Inspector General (OIG) has released three reports pertaining to the Medicare Part D program recently (http://oig.hhs.gov/w-new.asp):

  - "Centers for Medicare & Medicaid Services Audits of Medicare Part D Bids" (OEI-05-07-00560). This report provides an assessment on CMS's use of bid and financial audits to oversee the Part D bidding process as well as to assess the overall results of the bidding process. The OIG found that one-quarter of all bid audits completed for plan years 2006 and 2007 identified at least one 'material finding' (such as nonpharmacy costs and methodology errors) and that bid audits are not designed to result in adjustments to bid amounts (i.e. CMS does not use the audit process to adjust a plan sponsors' bid amounts or payments to plan sponsors) or take any sanctions against plan sponsors. The bid process is instead solely used to influence the submission, review and audit of future bid amounts. The OIG also found that CMS has not started more than a few of the required financial audits for plan year 2006. OIG provides recommendations including modifying the bid audit process to hold plan sponsors more accountable to findings.

- "Medicare Drug Plan Sponsors' Identification of Potential Fraud and Abuse" (OEI-03-07-00380). In this report, the OIG examines the extent to which Medicare PDP plan sponsors identified potential fraud and abuse and the type identified as well as the extent to which these plan sponsors conducted further investigation. OIG found that the majority of plan sponsors identified some type of fraud and abuse incidents with inappropriate billing being the most prevalent type. However, not all of these plans conducted further investigation. The OIG provides several recommendations to CMS including that Part D plans have more requirements placed on them to maintain and routinely report such information to CMS.

- "Oversight of Prescription Drug Plan Sponsors' Compliance Plans" (OEI-03-08-00230). In this report, the OIG examined what oversight CMS conducted on PDP sponsors' compliance plans finding that CMS only conducted one audit of a PDP sponsor's compliance plan in 2007. The OIG recommends that CMS conduct more audits to verify that PDP sponsors' compliance plans meet all Federal requirements.

- MedPAC held a public meeting on November 6 and 7, 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. Three sessions in particular were relevant to Medicare Advantage and Prescription Drug Plans:

  - "Part D enrollment, benefit offerings and plan payments." In this session, MedPAC staff member, Rachel Schmidt reviewed information about the numbers of stand-alone and MA PDP plans participating in Part D for 2009 and the types of benefit designs they offer. Schmidt also discussed trends in Part D premiums.

  - "MIPPA Medicare Advantage Payment Report." In this session MedPAC staff members, Scott Harrison and Dan Zabinski, continued their discussion from last month on their analysis currently being done on the correlation between MA plan costs to deliver the Parts A and B benefits and county-level per capita spending under Medicare FFS.

  - "Medicare Advantage Quality Update." In this session, MedPAC staff Carlos Zarabozo provided an update on the analysis to-date comparing quality in Medicare Advantage to quality in Medicare FFS. Zarabozo presented preliminary results of MedPAC's analysis on health plan quality from two data sources: 1) HEDIS scores from a recently released NCQA report and 2) the Health Outcomes Survey (HOS) data.