BETTER BENEFITS – MORE CHOICES

Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!

Competitive Bidding for Local Medicare Advantage (MA) Plans:

- Providing a **wider range of private plan approaches** to Medicare beneficiaries, the Medicare Modernization law will use a more market-based approach through competitive bidding. For example, by tying benchmark amounts to the increased capitation rates provided for in the law, private plans should have more resources. More resources will help make Medicare contracting a more viable line of business.

The new law creates both regional and local Medicare Advantage plans.

- Today, Medicare managed care plans serve particular counties and may choose to provide reimbursement only for services furnished by providers with whom they contact.

- The new law creates the Medicare Advantage program. Under MA, organizations are required to provide at least one plan with prescription drug coverage. Plans may continue to participate on a local basis, however, beginning in 2006, plans may also elect to serve an entire region of the country.

- Regional MA plans must serve all parts of a geographic region; must have a network of providers; and also must provide reimbursement for the services of non-network providers. Although the exact boundaries of MA regions are yet to be decided, there must be at least 10 and no more than 50 regions covering the 50 states and the District of Columbia.

- An MA plan may also offer plans with no drug coverage for beneficiaries who choose not to enroll in Part D of Medicare. With respect to Part D coverage, the rules for prescription drug coverage in MA plans, including those for bidding and payment, are similar to those for stand-alone prescription drug plans (PDPs).

Benchmarks

- Beginning with the 2006 contract year, local MA plans will be required to use a competitive bidding system for Part A and Part B benefits. The law allows for competitive bidding that compares benchmarks and bids to calculate beneficiary rebates, premiums and plan payment amounts. The Secretary will determine benchmark amounts for Part A and Part B benefits in geographic areas based on the M+C capitation rates. The Secretary will announce benchmark amounts, risk adjustment factors, and related information by the first Monday in April of each year.

Plan Bids

- Plans submit a 3-part bid by the first Monday in June addressing (1) Medicare Part A and B benefits (with cost sharing required for Part A and B services or an actuarially equivalent amount), (2) Part D (basic prescription drug) benefits, and (3) supplemental benefits (i.e., reduction in cost sharing for Part A and B benefits,

enhancement to the basic drug package, and additional health care benefits). Bids must also include information on the actuarial bases for bids.

The Secretary may accept only bid amounts that are supported by the actuarial bases provided by the MA organization. The Secretary has negotiating authority similar to the authority of the Director of the Office of Personnel Management under the Federal Employees Health Benefits Program (this authority does not apply to bids from private FFS plans).

Beneficiary Rebates

- Partial rebates for high drug costs are included in the law. The Secretary determines rebate amounts (if any) by comparing the plan's bid for Part A and B benefits to a benchmark. If the risk-adjusted bid is lower than the risk-adjusted benchmark, a rebate of 75% of the difference is available to the plan to provide supplemental benefits or a reduction in the prescription drug, supplemental, or Part B premium.

Beneficiary Premiums

- Beneficiary premiums will be determined through bids to keep costs down. These premiums may be withheld from their Social Security checks, paid through an electronic funds transfer mechanism, or paid by an employer. Premiums must be the same for all enrollees within the same plan and region, except if an employer or union negotiates a different benefit package on behalf of its enrollees.

Medicare Plan Payments

- Medicare plan payments are based on competitive bids measured against benchmarks and risk profiles and variation in capitation rates among the different local areas included in the region or service area to ensure coverage of beneficiaries. Medicare Advantage plans will receive payments similar to stand-alone prescription drug plans including: direct subsidy, reinsurance, subsidies for low-income beneficiaries, and protections provided by risk corridors. However, Medicare Advantage plans are not allowed to modify the standard risk corridor [Note: this bullet has brought up MA reinsurance and risk corridors without explaining them. Authors may wish to make the above bullet less specific or add info about them].

Other Provisions

- The competitive bidding provisions do not apply to Medical Savings Accounts.

- The Secretary may not require a Medicare Advantage organization to contract with any specific entity or individual nor can he or she require any particular price structure for payment by plans to entities or individuals.

- The new law allows the Secretary to waive or modify provisions that hinder the design of, offering of, or enrollment in Medicare Advantage plans offered by employers, labor organizations or the trustees of funds established by employers or labor organizations.

- The Secretary may not approve a plan if he or she determines that the plan's design is likely to substantially discourage enrollment by certain beneficiaries.