Provisions of the Medicare Modernization Act

Medicare Prescription Drug Modernization and Improvement Act of 2003 (MMA)

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Highlights of New Act

- New Rx Benefit in 2006
- New Prescription Discount Drug Card
- New Medicare Advantage program
- Regional PPOs
- Provider Payment Reform & Rural Health Provisions
New Rx Benefit in 2006

- Member has $250 deductible
- Member pays 25% of cost from $251 to $2,250
- Member pays 100% of costs from $2,251 - $5,100 (total payout up to $2,850)
- Member pays 5% of costs over $5,100
New Rx Benefit in 2006

- CMS estimates $35 average premium
- Each Medicare Advantage (MA) plan must offer Part D benefit (or an actuarially equivalent plan) with one of its plan options in each county
- Employers eligible for 28% CMS reimbursement
- Beneficiary premium based on plan bids
- Risk corridors
- Low-income assistance
  - Cost-sharing and premium assistance for those up to 150% of poverty with no gap in coverage
New Rx Benefit in 2006

- **Retiree Coverage**
  - Retiree plans offering actuarially equivalent coverage also receive 28% subsidy (excludable from taxation)
  - Qualified retiree plans have **maximum flexibility** on plan design, formularies, and networks
  - Potential for FAS 106 liability savings of 28% if benefits at least as rich as Medicare
Medicare Prescription Discount Drug Card

- Starting in May 2004, Medicare beneficiaries (except for those with Medicaid drug coverage) can enroll in a Medicare-approved prescription drug discount card.
- Cards primarily intended for individuals without prescription drug insurance.
- Medicare contracts with private companies.
Medicare Prescription Discount Drug Card

- Discount from retail price savings are estimated to be 10-25%
- Cards offered until December 31, 2005
  - when program ends
  - new comprehensive prescription drug benefit begins
- Enrollment fee $\leq 30$ per year
- Plan sponsors must provide convenient access to pharmacies
Medicare Prescription Discount Drug Card

- For those with lower incomes
  - Medicare will put $600 credit on card
  - No annual enrollment fee
- If person already has a discount card that is not Medicare-approved
  - They don’t have to give up that card
  - They can still choose a Medicare-approved Drug Discount Card
  - They can use both cards
- CMS has a detailed website comparing card sponsors costs by county and drug
New Medicare Advantage program

- Medicare + Choice (M+C) changed to Medicare Advantage (MA) program
- Local and regional plans bid in 2006
  - If Bid ≥ Benchmark
    - Bid = Benchmark
  - If Bid < Benchmark
    - Bid = Benchmark for Medicare covered services
    - For non-Medicare covered services
      - 75% of the savings to beneficiaries as extra benefits/reduced copays
      - 25% to the government
New Medicare Advantage program

- Increases payment to MA plans to the greater of
  1. 100% of county FFS cost projection (new option)
  2. Blended rate (national and local blend)
  3. Floor rate (urban and rural floors)
  4. Previous year’s rate increased by greater of
     - 2%
     - National per capita Medicare growth percentage
New Medicare Advantage program

Special Needs Plans

- Section 231 of the MMA allows “special needs” plan designation
- Special Needs plans **exclusively** cover
  1. Institutionalized
  2. Dual eligibles
     - those entitled to Medical Assistance/Medicaid under Title XIX
- Prior to MMA
  1. Needed a CMS demonstration
  2. could not prevent a non-special needs member from enrolling in the plan
Regional PPOs in 2006

- Begin in 2006
- Beneficiaries will be able to choose from:
  1. Local plans (HMOs, PPOs, MSAs, or PPFS)
  2. Regional PPO plans
Regional PPOs in 2006

For 2006 and 2007:

- No new local PPO plans may enter the MA program
- Local PPOs already in operation may not expand service area
Regional PPOs in 2006

Regional PPO plans

1. Service area will be all of one or more regions predetermined by CMS
2. CMS to determine the number and size of regions by 1/1/05
3. There will be between 10 and 50 regions
4. Minimum size of region will be one state
Regional PPOs in 2006

Regional PPO Characteristics

- Network of providers paid at contracted prices
- Covers in-network and out-of-network providers
- Single deductible for Part A and Part B benefits
- Separate out-of-pocket limits
  - In-network services
  - All services
Regional PPOs in 2006

Same rules as local plans, except:

1. Special payments to essential hospitals
   - treating regional plan enrollees
2. One-time incentive / bonus payments
3. Risk corridors

Target Costs
- 108%
- 103%
- 97%
- 92%

Sharing:
- 80% share of loss
- 0% Share
- 50/50
Provider Payment Reform

- Part A payments to ‘rural’ providers increased
- Increases to skilled nursing facilities for AIDS patients
- Ambulatory Surgical Centers
  - 1% reduction in payments beginning April 2004
  - 5 year freeze in payment rates, 2005-2009
Provider Payment Reform

- Home health payments based on market basket less 0.8% for ‘04-06
  - 5% rural bonus payment for one year
  - 2.3% increase for 2005
- 5 year freeze on laboratory payments
Provider Payment Reform

- Increases physician update to +1.5% in 2004 and no lower than +1.5% in 2005
  - vs. a 4.5% decrease under current regulations
- Physician scarcity 5% bonuses (2005-2007)
- Screening tests for early detection of cardiovascular disease
- Laboratory screening tests for those at high risk for diabetes
Provider Payment Reform

- Durable medical equipment rates frozen from ‘04-06
- Increases in outpatient hospital mammography
- Average Wholesale Price (AWP) Reform
  - AWP minus 15% in 2004
  - Average sales price (ASP) plus 6% beginning in 2005
Questions?