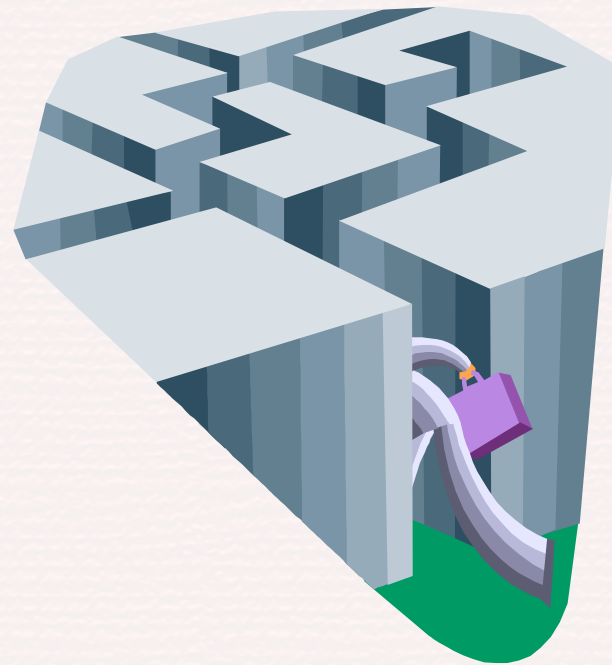


**Medicare Prescription Drug, Improvement,
and Modernization Act of 2003
Managed Care Issues**

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It's really very simple



Besides creation of new drug benefit,

- Medicare Advantage program replaces Medicare + Choice
- “Immediate improvements”
- Establishment of regional MA plans
- Competitive bidding program
- And more

- Starting 2004, rates go up at least equal to increase in fee-for-service Medicare costs
- Cap removed
- Plans can withdraw notice of termination
- Higher rates in effect 3/1/04, with catch up for January and February
- Plans can revise premiums, cost sharing or benefits after January 1

Regional Medicare Advantage Plans

- Starting in 2006, regional MA plans will be available along with traditional Medicare + Choice plans, now to be known as local Medicare Advantage plans
- Intended to make coordinated care Medicare coverage available in rural and other areas where Medicare + Choice has exited or not entered

- Secretary to establish 10 – 50 regions to cover whole country
- Plan must have network for whole region
- Plan must include out-of-network benefit
- Single deductible for Medicare Parts A and B, but deductible can vary for in-network and out-of-network
- Catastrophic limit required on both in-network and total out-of-pocket cost

Transition risk sharing for regional plans

- For 2006-2007, government will share risk
- Plan at risk for allowable costs between 97% and 103% of target
- For next five percent in either direction, government and plan share 50-50
- After that, government takes 80% of surplus or loss

- \$10 billion Stabilization Funds available from 2007 – 2013
- First crack to MA organization that opens regional plan in every region, if any region didn't already have a plan. \$\$ up to 3% of benchmark rates.
- If no national bonus, then regional bonus paid to each regional plan if no plan served region in year before
- Retention payments paid to discourage quitting

More opportunities for regional plans

- If licensed in one state, temporary waivers from other state licensing, once state application on file
- Extra funding for “essential” hospitals where plan not able to secure contract, if regular Medicare Part A rates do not cover hospital’s costs

- Local and regional plans must bid competitively starting in 2006 (but not Medicare Savings Account plans)
- Winning is not required for contract, but losers' premiums or benefits will be less attractive to beneficiaries.

- Plan bids will be matched against other bids via formula that in regions uses bids and other data to set benchmark, and for local plans sets benchmark off Medicare payment rates
- Bidders below benchmark will be paid bid rate plus 75% of difference between their bid and benchmark, and must provide additional benefits or reduce premiums equal in value to extra payment
- Higher bidders will have to collect amounts above benchmark from beneficiaries as premium

- Plans must offer one plan with new drug benefit, other plan designs need not include drugs
- Physician incentive plan restrictions relaxed
- Plans can offer “specialized” plans for special needs beneficiaries
- Provision preempting state laws is strengthened, so new standards supersede “any” state law enactments, except for “licensing” and “solvency” laws
- Controversial “Comparative Cost Adjustment” demonstration commences in 2010

- Reasonable cost contracts can continue
- Medicare Savings Account demonstration is made a permanent option, and non-contract providers will be required to accept balanced billing limitations
- PACE balance billing protections on services by non-participating providers
- Subsidies available for FQHCs; and plans can't pay them less

Notable managed care changes in other titles

- Medigap insurance may not cover the drug coverage “gap”
- Any willing provider requirements for pharmacy are only for free-standing drug benefit (PDP) plans, not Medicare Advantage plans, and seem to permit different benefits for in-network and out-of-network participating pharmacies
- Chronic care improvement programs in Title VII