DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850

CENTER FOR DRUG AND HEALTH PLAN CHOICE

MEMORANDUM

DATE: April 28, 2009

TO: Medicare Advantage Organizations
Medicare Advantage-Prescription Drug Organizations

FROM: Jonathan Blum /s/
Acting Director

RE: Multiple and Low Enrollment Plan Offerings by Medicare Advantage Organizations (MAOs)

This letter provides further guidance on our objective of reducing the number of multiple and low enrollment plans, as set forth in the 2010 Call Letter. The large number of plan options can make it difficult and confusing for beneficiaries to understand, evaluate, and choose the best option to meet their needs.

MAOs should undertake efforts to eliminate plan offerings for 2010 that have little or no enrollment, and duplicative plan offerings that are not easily distinguished by beneficiaries. In early May, CMS will evaluate marketplace data and notify MAOs with low enrollment plans and multiple benefit offerings that may not have meaningful differences. This process is intended to inform MAOs of how CMS will apply the Call Letter guidance to bid submissions, and to assist MAOs in avoiding the submission of plan bids that are inconsistent with the objectives set forth in this guidance. In our analysis, CMS will focus only on MA plans that are not Employer Group Health Plans (EGHP), MSAs, Chronic and Institutional SNPs, and Dual Eligible SNPs with State contracts. Following are the immediate areas of our focus.

Low Enrollment Plans: There are presently a large number of plans with fewer than 100 enrollees. MAOs will be contacted by CMS in early May and asked to eliminate and/or consolidate plans that have been in existence for two or more years with 100 or fewer enrollees. CMS recognizes there may be reasonable factors, such as specific populations served and geographic location, which lead to low enrollments. We will take such information into account when evaluating whether specific plans should be terminated.

Multiple Benefit Options: MAOs offering more than one plan in a given service area should ensure plan differences are readily discernable to beneficiaries and provide the highest value at the lowest cost. Examples of meaningful differences in plan benefit

design include, but are not necessarily limited to, plan type (e.g., HMO, Regional or Local PPO, PFFS, non-state contracted dual eligible SNP type), whether the Part D benefit is included, cost-sharing features, and premium levels. CMS will identify and contact MAOs offering multiple plans that do not reflect such differences for purposes of consolidating such plans in early May.

2010 Plan Growth: CMS will closely scrutinize 2010 bids that result in an increased number of benefit options for an MAO in existing markets or a high number of plans in a new market area. Although there may be legitimate reasons for increasing the number of plans, CMS reviewers will contact MAOs and request a meaningful difference in plans that would justify such new bids.

In addition to the CMS efforts described above, MAOs are invited to work with CMS to explore other plan reduction or consolidation opportunities prior to June 1 for the 2010 bid review process. Please send an email request to MA_Benefits@cms.hhs.gov before May 6, and a CMS specialist will contact you to discuss the evaluation process and develop a strategy.

In order to facilitate the reduction and consolidation of plans as outlined in this letter, CMS will authorize the transition of beneficiaries enrolled in plans that will be terminated to another plan offered by the same MAO under appropriate circumstances. An example of such a circumstance includes when a sponsoring organization has another MA plan with a similar benefit plan, formulary, premium, and network rules. If the organization does not offer such a plan, beneficiaries enrolled in a plan that the MA organization terminates will be disenrolled from the MA organization and enrolled in Original Medicare absent an active election of a different plan. We note that these individuals will have a special election period (SEP) to change plans, consistent with our existing non-renewal policy.

CMS is committed to working with MAOs to achieve the goal of approving plan offerings that represent genuine choice and high value health care options for Medicare beneficiaries. I encourage MAOs to contact CMS to discuss the appropriateness of plan offerings in advance of the bid filing deadline to facilitate a successful bid process.