

## **Annual Contracting (New Mid-Year Plans & SAEs) in the MA Program**

We are doing as much as possible to ensure a fair yet competitive bidding process. We recognize that there will be many uncertainties since this is a new program. Several payment mechanisms will reduce the uncertainty in the bidding process: risk corridor payments for regional PPOs, the geographic ISAR adjustment, and risk adjustment to pay accurately for enrollee health status.

However, the MMA structured the new bidding methodology to foster competition by: (1) establishing an annual bidding process; (2) requiring that certain benchmarks are based on an average of plans bids; and (3) requiring that the basic A/B bid be structured in a way that allows an “apples to apples” comparison across bids (i.e., the requirement that the basic A/B bid reflect cost sharing that is actuarially equivalent to Medicare cost sharing). Allowing organizations to enter markets “outside” of the annual bidding cycle and allowing mid-year benefit enhancements (MYBEs) throughout the year would undermine the integrity of the bidding process and create an uneven playing field.

Accordingly, there are two basic criteria informing our policy on entry of new mid-year plans and mid-year service area expansions (SAEs) offered by current contractors to the individual market:

1. An MA organization may offer a new mid-year plan or SAE only if that plan’s bid is not included in a competitive benchmark calculation required by the MMA.
  - For the original Medicare benefits, all regional PPO plan bids in a region are included in the MA regional benchmarks.
  - For the Part D benefit, most approved Part D bids are included in the national average bid.
2. An MA organization may offer a new mid-year plan or SAE only if there are no competitors in the geographic area(s) the new plan would serve.

Several rules for the individual market flow from these criteria:

1. Regional PPO MA plans. MA organizations cannot offer new mid-year regional PPO plans because all regional plan A/B bids in a region are included in the regional benchmark. This includes special needs plans (SNPs) that are regional PPO plans.
2. Local MA-PD plans. An MA organization may offer a new mid-year local MA-PD plan or SAE if the Part D bid is not included in the national average bid and if the plan will be offered in counties where there are no other Prescription Drug Plans (PDPs) other than fallback plans and where there are no other MA-PD plans.

Plans whose Part D bids are not included in the national average bid are Special Needs Plans (SNPs), PFFS and cost plans not offering Part D, and PACE organizations.

**For example, if CMS approves a national PDP for a contract year, then CMS cannot approve any new mid-year MA-PD plans or any mid-year SAEs for MA-PD plans.**

3. MA plans without Part D benefits. An MA organization may offer a new mid-year local MA plan or SAE without Part D coverage if the plan will be offered in counties where there are no other MA plans (either MA-PD or MA-only plans).

This applies to PFFS plans not offering Part D and MSA plans. Similar considerations will be applied to cost plans not offering Part D coverage.

Coordinated care plans (CCPs) would not fall under this exception because they must offer MA-PD plans in all geographic areas where they offer MA plans. SNPs are CCPs, and SNPs must always offer Part D.

4. Timing of bid submission for mid-year new plans or SAEs. MA organizations may not submit bids for new mid-year plans or SAEs until after contracts for the upcoming contract year have been signed. CMS must determine which service areas do not have MA offerings before entertaining mid-year plan proposals.

Exceptions. PACE organizations are allowed to expand service areas mid-year.

Initial contracts. In general, we will not allow mid-year entry of new MA organizations. New contracts with MA organizations for MA plans will be effective only on January 1 of each year beginning on January 1, 2006. Exception: new PACE organizations will be allowed to enter mid-year. There also may be exceptions for employer or union group health plans.