

**Medicare Administrative Contractor Award
for Jurisdiction 15 Part A/Part B
(J15 A/B MAC)
--HIGHMARK MEDICARE SERVICE, INC.--**

Background Sheet

January 2009

- On January 7, 2009 the Centers for Medicare & Medicaid Services (CMS) announced that Highmark Medicare Services, Inc. (HMS) has been awarded the contract for the combined administration of Part A and Part B Medicare fee-for-service claims in Jurisdiction 15 (J15) comprised of Kentucky and Ohio.
- HMS' contract also includes the home health and hospice claims administration responsibilities for workload Colorado, Delaware, District of Columbia, Iowa, Kansas, Maryland, Missouri, Montana, Nebraska, North Dakota, Pennsylvania, South Dakota, Utah, Virginia, West Virginia and Wyoming.
- The award of the J15 Part A/Part B Medicare Administrative Contractor (A/B MAC) contract is another step toward improved service to providers, physicians and practitioners as well as greater administrative efficiency and effectiveness for fee-for-service Medicare.
- This award is indicative of the efforts underway to significantly reengineer the Medicare claims administration process and change from the "business as usual" of the past 40 years.

Background

- Section 1874A of the Social Security Act, as added by Section 911 of the Medicare Modernization Act of 2003 (MMA) requires the Secretary to take needed steps by 2011 to implement Medicare Contracting Reform and thereby replace all current intermediaries and carriers with MACs through full and open competition as regulated under federal contracting statutes.
- The new MACs are being selected through full and open competitions, and will lead to more efficiency and greater accountability of our fee-for-service contractors in the new environment.
- CMS completed selection activities for the 15 A/B MACs by the end of calendar year 2008 and made award in January 2009.
- The geographical jurisdictions for the MACs were made public on February 22, 2005. The jurisdictions are distinct geographically and non-overlapping.

- When contracting reform is fully implemented, beneficiaries and providers will have separate single points of contact with the Medicare program that will allow for higher quality services to each group.
- In accordance with section 1874A(b)(1)(B) of the Social Security Act, MAC contracts will have to be recompeted no less frequently than once every 5 years.

The J15 A/B MAC Award

- On August 31, 2007, the Centers for Medicare & Medicaid Services (CMS) released the solicitations for the jurisdictions included in Cycle Two. After careful evaluation that weighed technical qualifications and past performance and considered cost and other factors, CMS established the competitive range. Of those in the competitive range, CMS is awarding the J15 A/B MAC contract to HMS whose proposal offered the best overall value to the government.
- The J15 A/B MAC contract is a cost-plus-award-fee contract.
- The J15 A/B MAC will be working with other functional contractors with responsibility for specific administrative activities.
- As the J15 A/B MAC, HMS will immediately begin implementation activities and will assume full responsibility for the work no later than March 2010.
- CMS has significant experience overseeing the implementation of new claims processing contracts and will work to ensure that the hospitals and health care providers, physicians, and the beneficiaries who receive service from the current fiscal intermediaries and carriers in this jurisdiction experience a smooth transition to the new MAC.

Information Concerning the J15 A/B MAC

- J15 is comprised of Kentucky and Ohio.
- J15 also includes the home health and hospice claims administration responsibilities for workload in Colorado, Delaware, District of Columbia, Iowa, Kansas, Maryland, Missouri, Montana, Nebraska, North Dakota, Pennsylvania, South Dakota, Utah, Virginia, West Virginia and Wyoming.
- The J15 A/B MAC contract has a total estimated value of approximately \$255 million over five years.
- The following are the current fiscal intermediaries (FIs) and carriers administering the program in J15 and the states that they serve:
 - Cahaba GBA -- Blue Cross and Blue Shield of Alabama (RHHI for Colorado, Delaware, District of Columbia, Iowa, Kansas, Maryland, Missouri, Montana,

- Nebraska, North Dakota, Pennsylvania, South Dakota, Utah, Virginia, West Virginia and Wyoming)
 - National Government Services (FI for Kentucky and Ohio; carrier for Kentucky)
 - Palmetto GBA (carrier for Ohio)
 - Wisconsin Physicians Service Insurance Corporation (FI for some providers in Kentucky and Ohio)
- HMS will implement the J15 A/B MAC by taking over the work from the FIs and carriers on an incremental basis.
 - HMS will be reaching out to providers and state medical associations to provide education and information about the implementation. For more details, visit HMS' website at <http://www.highmarkmedicare services.com/>.
 - HMS will have the following subcontractors:
 - West Virginia Medical Institute will perform home health & hospice related functions;
 - FCG Solutions will provide mailroom and document imaging services; and
 - Holloway & Company will conduct the CMS required SAS-70 audits.
 - HMS operations are headquartered in Camp Hill, PA. Some operations will also be performed in Pittsburgh, PA, Williamsport, PA, Johnstown, PA, Fort Washington, PA, Hunt Valley, MD and Parkersburg, WV.
 - With the award of the contract, one contractor will be performing the work that had been distributed among four. In general, this consolidation of claims administration activities results in an overall reduction in the number of staff that the A/B MAC will need to employ, in comparison to the current FIs and carriers, resulting in reduced costs.

Statistics regarding the J15 A/B Workload

- As of July 2007, approximately 2,512,529 Medicare Fee-for-Service beneficiaries are located in this jurisdiction.
- As of July 2007, approximately 66,027 physicians and other medical professionals provided services in this jurisdiction.
- As of December 2007, approximately 339 Medicare hospitals are located in this jurisdiction.
- As of September 2007, approximately 6.1% of the national Medicare claims workload is in this jurisdiction.

Statistics regarding the JB RHHI Workload

- As of July 2007, approximately 7,921,394 RHHI beneficiaries are located in this jurisdiction.
- As of December 2007, approximately 1,593 Home Health Agencies and 751 Hospices are located in this jurisdiction.
- As of September 2007, approximately 13.6% of the national RHHI workload is in this jurisdiction.