



Medicare: Today's Issue

January 26, 2004

BETTER BENEFITS – MORE CHOICES

Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!

Prescription Drug Benefit: Choice of Plans:

- ✧ The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) uses private plans to provide the new Part D prescription drug benefit. This **will give beneficiaries a choice of plans and help them to find a benefit that fits their needs.** The MMA also **guarantees that the new drug benefit will be available throughout the country.** If at least two private plan options are not available in an area, the government will hire a “fallback” contractor to run the drug plan.
- ✧ There will be **two types of drug plans available to beneficiaries.** The choice will depend on where beneficiaries would like to receive the rest of their medical benefits.
 - Beneficiaries who choose to stay in the traditional Medicare fee-for-service program can select a stand-alone drug plan, called a PDP (prescription drug plan). These plans will bid to serve entire regions, and the regions are expected to include multiple states.
 - Beneficiaries who choose one of the new integrated private plan options (called Medicare Advantage or MA plans) will receive all their Medicare benefits through one consolidated plan, including the new drug benefit.
- ✧ The MMA and its implementing regulations have several provisions to encourage as many plans as possible to enter the program to ensure maximum beneficiary choice. There are three ways that the PDPs can participate in Medicare: as full-risk plans, as limited-risk plans, or as fallback plans. The difference is how much insurance risk the plans bear. The Medicare program will approve as many full-risk plans in an area as possible. It will then approve as many limited risk plans as are necessary to meet the following conditions:
 - An area has at least two PDPs, or
 - An area has at least one PDP and one Medicare Advantage Plan with basic drug coverage.
- ✧ If a region (or part of a region) does not have two PDPs or one PDP and one MA plan with basic drug coverage available, then Medicare will solicit and approve a fallback contractor to administer the benefit. The fallback contractor will largely function like a private plan, but it will not bear insurance risk. Rather, its payments from the government will be tied to performance goals such as quality customer service and how efficiently the plan operates. The fallback plan will charge a beneficiary premium that is similar to the premiums charged by risk-bearing plans, based on the government's estimates of the cost of providing the drug benefit in that region.