

## **CMS Announces that Regional Medicare PPOs and PDPs Established**

On December 6, the Centers for Medicare and Medicaid Services (CMS) announced the establishment of 26 Medicare Advantage Preferred Provider Organization (PPOs) health plan regions and 34 regions for prescription drug plans (PDP) beginning in 2006. Since individuals who qualify for both Medicare and Medicaid (also known as dual eligibles or Qualified Medicare Beneficiaries, QMBs) will be automatically enrolled into prescription drug plans, this subset of the Medicaid population will be impacted by the new regions.

The creation of regions fulfills the requirements under the Medicare Modernization Act (MMA) for PPOs and PDPs. The Health and Human Services Secretary has the discretion, under the MMA, to choose between 10 and 50 regions. The law also required that, to the extent practicable, PDP regions are to be the same as the Medicare Advantage (PPOs) regions. All except eight of the PPO and PDP regions are identical but those eight PDPs are within PPO regions.

Health and Human Services Secretary Tommy G. Thompson said that “Medicare beneficiaries will be able to save on their health care and prescription drug costs by joining a Medicare health plan that offers a drug benefit with the extra benefits that the plans have to offer, or they can stay in fee-for-service Medicare and enroll in a stand-alone prescription drug plan.”

Heavily populated states such as New York, California, Texas, and Florida are their own regions. Less populated states have been grouped together. The largest grouping for PPOs and PDPs is Montana, Wyoming, North Dakota, South Dakota, Nebraska, Minnesota, and Iowa.

In determining the regions for the Medicare Advantage and prescription drug plans, the CMS said that it relied on input from beneficiary and consumer groups, along with health plans and organizations experienced in providing drug coverage, including pharmacy benefits managers, physicians, hospitals, pharmacists and other interested parties. Based on comments received, the CMS considered several factors in setting up Medicare Advantage regions -- the eligible population, plan entrants, limited cost variations, and preserving current Medicare patient flows across state lines to receive care. Similar factors were considered in determining the PDP regions including providing beneficiaries with the most choices and selecting regions with the most price competition in order to keep beneficiary costs down.

According to the Bureau for National Affairs (BNA) “Health Care Daily Report,” the two major companies representing health plans, Blue Cross and Blue Shields Association and America’s Health Insurance Plans (AHIP), have urged the government to have 50 state-based regions because of the difficulty they would have in forming joint ventures to cover multi-state regions. In contrast, Humana Inc. commended CMS on the number and design of the regions.

The BNA also reported that the agency announced that Medicare will reimburse the plans at a higher level in high cost counties. Beneficiaries, however, would receive the same package and pay the same premium.

Maps and fact sheet of the regions are available at  
<http://www.cms.hhs.gov/medicarereform/mmaregions/>

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