

FOR IMMEDIATE RELEASE
Monday, Dec. 6, 2004

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**HHS ANNOUNCES REGIONS TO ADMINISTER NEW MEDICARE
PRESCRIPTION DRUG BENEFIT AND MEDICARE ADVANTAGE PROGRAM
Multi-State Plans Will Provide More Choices and Savings
To Medicare Beneficiaries**

HHS Secretary Tommy G. Thompson announced today that Medicare is taking another step in bringing more choices, better benefits and more savings to millions of Medicare beneficiaries by establishing the regions for prescription drug plans and Medicare Advantage Preferred Provider Organization (PPOs) health plans beginning in 2006.

To help ensure that all Medicare beneficiaries have the opportunity to take advantage of the Medicare prescription drug benefit, the Centers for Medicare & Medicaid Services (CMS) established 26 regions for Medicare Advantage Preferred Provider Organizations and 34 regions for prescription drug plans.

“Seniors and people with disabilities are now one step closer to the prescription drug coverage created by President Bush and Congress,” Secretary Thompson said. “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.”

Secretary Thompson said the new regions were designed based on extensive public input and expert analysis in order to help people with Medicare get the best health care coverage options possible.

Beginning in 2006, Medicare beneficiaries will be able to receive drug coverage through a prescription drug plan, if they wish to remain in traditional fee-for-service Medicare, or through a Medicare health plan. In either case, Medicare pays about 75 percent of the beneficiary’s premium. The prescription drug benefit will rely on market competition to make sure Medicare beneficiaries have the greatest possible access to the drugs they need at the lowest possible cost. Beneficiaries who are enrolled in an employer-sponsored plan will be able to remain in that plan if they wish.

“Our decisions about regions reflect our goal of making sure that all 42 million Medicare beneficiaries will have access to high-quality, affordable drug coverage and health plan choices,” said CMS Administrator Mark B. McClellan, M.D., Ph.D. “These regions provide us with the strongest foundation possible to get affordable and comprehensive new coverage in place quickly, so seniors and people with disabilities can get the most from Medicare’s new, up-to-date benefits.”

CMS also announced that in its final rule it expects to announce how the adjustment will be made to regional health plans based on the county of residence of beneficiaries who actually enroll in the plan. Thus payments made to plans would be higher in high-cost counties.

“This step ensures regional health plans will work smoothly, whether their enrollees come disproportionately from high-cost or low-cost areas,” Dr. McClellan said.

In determining the regions for the Medicare Advantage and prescription drug plans, CMS 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. CMS held a series of public meetings and calls, and reviewed hundreds of written comments.

“We particularly wanted to make sure that there will be plenty of opportunities for beneficiaries who live in rural communities to have access to lower-cost health plans, something that didn’t happen with the Medicare + Choice program,” Dr. McClellan said.

With this extensive feedback and input, CMS considered the following factors in setting up Medicare Advantage regions:

- **Eligible Population:** The goal is to make sure **all** Medicare beneficiaries have the opportunity to enroll in a PPO, including those in small states and rural areas. The regions need to be large enough to support strong networks, yet small enough to support plans entering right away;
- **Plan Entrants:** The goal is to provide beneficiaries the greatest amount of choice by encouraging the largest number of insurers possible to participate. A region needed to have potential plan entrants, especially some with a history in multi-state regions. Also important was the potential availability of plans that already have insurance licenses and already providing regional services for federal employees or other Americans.
- **Limited Cost Variations:** Lower variations in costs among the states within a region will encourage more plans to participate.
- **Preserving current Medicare patient flows:** In many areas, Medicare beneficiaries cross state lines to seek health care. The Medicare Advantage regions preserve this patient flow as much as possible. Those who enroll in Medicare PPOs will still be able to access providers out of the region in which they reside.

Many of the same factors went into defining Prescription Drug Plan (PDP) regions. Those regions were also geared to providing beneficiaries the greatest amount of choice as well as the greatest amount of price competition possible among PDPs in order to keep costs for beneficiaries down. In addition, pairing the PDP regions with the PPO regions was a priority.

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