

FACT SHEET

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Preliminary 2012 payment policies for Medicare drug and health plans would maintain beneficiary choice, improve quality, and lower Part D costs

Combined Advance Notice and Draft Call Letter now open for public comments

The Centers for Medicare & Medicaid Services (CMS) today proposed changes to Medicare Advantage (Part C) and Medicare prescription drug (Part D) plans for 2012. These proposed changes will help hold insurance companies accountable, improve the quality of care, and ensure Medicare Advantage remains affordable. At the same time, these changes provide a healthy payment update for insurance plans that will ensure that people with Medicare will continue to have a choice of affordable, high-quality plan options.

This year's proposed updates, detailed in what is known as the Advance Notice and Call Letter, also include several important changes the Affordable Care Act is making to strengthen and improve Medicare Advantage and Medicare Part D, including:

- **Lower drug costs:** Improvements to the Medicare prescription drug benefit by taking further steps to close the Part D coverage gap, or "donut hole." In 2012, seniors who hit the donut hole will receive a 50 percent discount on their brand name drugs and coverage of generic drugs in the gap will increase from 7 to 14 percent.
- **Higher quality care:** A stronger Quality Bonus Payment demonstration will give financial incentives to Medicare Advantage plans to improve quality of care for people with Medicare; and
- **Rate review in Medicare:** Insurance companies will not be allowed to raise costs for seniors by more than 10 percent. This will hold Medicare Advantage plans to a similar level of accountability and transparency as those serving individuals and firms with private health insurance.

These new tools add to others in the Affordable Care Act that contributed to a 6 percent decrease in Medicare Advantage premiums, 6 percent increase in MA enrollment, and an increase in benefits, on average, in 2011.

Program proposals highlighted in today's Advance Notice and draft Call Letter include:

- A preliminary estimate of 0.7 percent change in the National Per Capita Medicare Advantage Growth Percentage ("Growth Percentage"). This metric measures the estimated growth in per capita expenditures for Medicare beneficiaries and will help determine the benchmarks for Medicare Advantage plans. This will help ensure Medicare payment rates keep pace with medical costs and beneficiaries maintain a choice of plans.
- CMS is soliciting comments on how to enhance the Quality Bonus Demonstration to create an even stronger incentive for Medicare Advantage plans to improve the quality of care being provided to members. One proposal is to apply the plans quality bonus percentage to the full benchmark amount. We are also considering changes to the legislative constraint that quality bonus benchmarks cannot be higher than benchmarks under the previous law.

- New guidance on a special enrollment period in 2012 to enable a beneficiary to switch to a Medicare Advantage plan with a 5-star-quality rating at any time during the year.
- New cost-sharing thresholds for Medicare Advantage and Prescription Drug Plan benefit packages that help CMS to ensure plan benefit designs do not discriminate against beneficiaries in poor health.
- The same adjustment of 3.41% as in 2011 that would apply to all plans' Part C risk scores for differences in coding patterns between Medicare Advantage plans and Medicare Part A and Part B providers, improving the accuracy of payment to plans.
- Statutory updates to the annual benefit parameters for the defined standard Part D prescription drug benefit.

Part D Benefit Parameters	2011	2012
Defined Standard Benefit		
Deductible	\$310	\$320
Initial Coverage Limit (Total drug costs after deductible before hitting coverage gap)	\$2,840	\$2,930
Out-of-Pocket Threshold (Total amount beneficiary pays before hitting catastrophic phase)	\$4,550	\$4,700
Minimum Cost-sharing for Generic/Preferred Multi-Source Drugs in the Catastrophic Phase	\$2.50	\$2.60
Minimum Cost-sharing for Other Drugs in the Catastrophic Phase	\$6.30	\$6.50
Retiree Drug Subsidy		
Cost Threshold (Amount the RDS sponsor must spend before they can claim the RDS subsidy.)	\$310	\$320
Cost Limit (Amount after which the RDS sponsor can claim no RDS subsidy.)	\$6,300	\$6,500

(Note: The changes from 2011 to 2012 are rounded to the closest appropriate level.)

The final 2012 Rate Notice and Call Letter will be published on April 4, 2011.

The Advance Notice and draft Call Letter may be viewed using the following link:

<http://www.cms.hhs.gov/MedicareAdvdtgSpecRateStats/>

Comments on the Advance Notice and draft Call Letter are invited from the industry and other stakeholders and must be submitted by 6 p.m. Eastern Standard Time on Friday, March 4, 2011. Comments may be submitted by e-mail to AdvanceNotice2012@cms.hhs.gov.

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