

Medicare Advantage Medical Savings Account (MSA) Plan Demonstration Proposal

The demonstration would modify the MA MSA plan design to allow entities to offer competitive products that more closely resemble high-deductible health plans (HDHPs) that are used with health savings accounts (HSAs). In addition, there are certain refinements to improve the product for Medicare beneficiaries.

1. HSA-like Plan Design and Flexibilities for the Demonstration

DEDUCTIBLE AND OUT-OF-POCKET MAXIMUM. The demonstration product would have a cost sharing structure in which there is a deductible and a separate limit on out-of-pocket expenditures. For 2007 MSA demonstration plans, the minimum deductible for the HDHP would be set at not less than \$2000.

LEVEL OF DEPOSIT IN RELATION TO THE DEDUCTIBLE. The deductible must exceed, by at least \$500, the yearly deposit into the enrollee's savings account.

COST SHARING FOR NETWORK PLANS. HDHPs that are network plans would be allowed to have different cost sharing for in-network versus out-of-network services, including the option of separate out-of-pocket caps for in-network and out-of-network services.

FULL COVERAGE OF CERTAIN SERVICES BEFORE THE DEDUCTIBLE IS MET. Before the deductible is met, there could be coverage of preventive services up to the IRS limits. Other services that promote improved health and cost-effective care could also be covered before the deductible is met.

TRANSPARENCY. In line with the best practices of HSA/HDHP plans, demonstration sponsors would be required to provide information to enrollees on the cost and quality of individual practitioners and providers, and offer a program to assist enrollees in the use of that information.

2. Service Area and Uniform Benefit Package Requirement

The service area of the demonstration product must consist of at least an entire State or territory. The benefit package or packages offered by an organization must be uniform throughout the State and available in the entire State. (In the case of the District of Columbia, an organization must also include in its service area at least one contiguous State.)

3. Payment Levels

The total payment on behalf of each enrollee will be the same as under the current MA MSA provisions. That is, the beneficiary-level monthly capitation payment (the deposit plus plan payment) will equal the plan benchmark adjusted by the individual enrollee's risk score. (The uniform MA MSA deposit reflects the plan-level projected risk profile and is the difference between the plan A/B benchmark and the plan A/B "bid" for the HDHP.)

4. Options for Beneficiary Deposits

PERIODIC DEPOSITS. Generally there would be a yearly deposit paid in one sum in advance. Plans may propose variations on this approach, such as semi-annual deposits; such proposals should address cases in which health care costs are incurred early in the year that exceed amounts deposited, but not the amount that would be deposited at the beginning of the year under a regular MSA plan.

VARIABLE DEPOSITS. While one option is to have a uniform deposit for each enrollee, CMS is soliciting proposals for ways in which deposits to beneficiary accounts can be greater for beneficiaries with higher expected health care costs. For example, an organization could propose the creation of annual tiers of deposits (where “higher risk” tiers are assigned higher deposits), and identification of a method for assigning enrollees to a tier. CMS also is examining whether there might be other options that could result in increased deposits for individual beneficiaries.

DISTRIBUTION OF DEPOSITS. CMS would make necessary changes to ensure effective administration of the new product. For example, if there are variable deposit levels, CMS could send the entire payment to the plan, and the plan would be responsible for distributing the appropriate portion into each enrollee’s MSA. CMS would develop reporting requirements for the deposits.

RECOVERY OF DEPOSIT. Because some plans have expressed concerns regarding the recoupment of current-year deposit funds for members who die or move outside the plan’s service area, CMS will be exploring ways to simplify the recoupment process and would welcome proposals for simplification. CMS will work with plans in the demonstration to ensure a timely and effective recoupment process.

5. Other Issues

EMPLOYER-ONLY PRODUCTS. Under this demonstration, plans will be allowed to offer the demonstration product in the employer group market only. CMS will not apply its usual policy of requiring an MA organization to offer an MA plan to non-employer group members in an area where the organization provides a plan that is limited to employer group members.

RELATIONSHIP TO PART D DRUG COVERAGE. MSA plans may not include Part D benefits. However, plans may design a stand-alone PDP product that would be attractive to enrollees in the demonstration product while being offered to the general Medicare population. For employer-group only plans, the stand-alone PDP may be an employer-group only product.

LOCK-IN. As with the MA MSA, enrollees would be locked in for the entire calendar year, unless they move out of the plan’s service area for more than six months.