

**Medicare Administrative Contractor Award
for Jurisdiction 1 Part A/Part B
(J1 A/B MAC)
-- Palmetto GBA --
Background Sheet**

March 2008

- On October 25, 2007, the Centers for Medicare & Medicaid Services (CMS) announced that Palmetto GBA (Palmetto) had been awarded the contract for the combined administration of Part A and Part B Medicare fee-for-service claims in Jurisdiction 1 (J1).
- The states/territories included in J1 are American Samoa, California, Guam, Hawaii, Nevada and Northern Mariana Islands.
- On November 13, 2007, National Heritage Insurance Company (NHIC) filed a protest with the Government Accountability Office (GAO) of the contract award made to Palmetto.
- On February 12, 2008, CMS received notification from GAO of its decision concerning the bid protest. GAO denied NHIC's protest of the award to Palmetto. As a result of this decision, CMS authorized Palmetto to resume work as of February 14, 2008.
- CMS anticipates that Palmetto will be able to assume full responsibilities for the work no later than October 1, 2008.
- The award of the J1 Part A/Part B Medicare Administrative Contractor (A/B MAC) contract is another step toward improved service to providers, physicians and practitioners as well as greater administrative efficiency and effectiveness for fee-for-service Medicare.
- This award is indicative of the efforts underway to significantly reengineer the Medicare claims administration process and change from the "business as usual" of the past 40 years.

Background

- Section 1874A of the Social Security Act, as added by Section 911 of the Medicare Modernization Act of 2003 (MMA) requires the Secretary to take needed steps by 2011 to implement Medicare Contracting Reform and thereby replace all current intermediaries and carriers with MACs.

- Implementation of the Medicare Contracting Reform portion of MMA requires that CMS apply the Federal Acquisition Regulation (FAR) when conducting procurements for the MACs.
- The new MACs are being selected through full and open competitions, and will lead to more efficiency and greater accountability of our fee-for-service contractors in the new environment.
- CMS' implementation plans intend that there will be 15 A/B MACs awarded by 2009.
- The geographical jurisdictions for the MACs were made public on February 22, 2005. The jurisdictions are distinct geographically and non-overlapping.
- When contracting reform is fully implemented, beneficiaries and providers will have separate single points of contact with the Medicare program that will allow for higher quality of services to each group.
- In accordance with section 1874A (b) (1) (B) of the Social Security Act, MAC contracts will have to be recompeted no less frequently than once every 5 years.

The J1 A/B MAC Award

- CMS is awarding the J1 A/B MAC contract to Palmetto GBA whose proposal offered the best overall value to the government.
- The J1 A/B MAC contract is a cost-plus-award-fee contract.
- The J1 A/B MAC will be working with other functional contractors with responsibility for specific administrative activities.
- Neither the providers, physicians, nor the beneficiaries who receive service from the current fiscal intermediaries and carriers in this jurisdiction will be adversely affected by the transition of their work to the J1 A/B MAC.

Information Concerning the J1 A/B MAC

- The J1 A/B MAC contract has a total estimated value of approximately \$358 million over five years.
- The following are the current fiscal intermediaries (FI) and carriers administering the program in J1 and the states they serve:
 - Mutual of Omaha Insurance Company (FI for some providers in American Samoa, California, Guam, Hawaii, Nevada and Northern Mariana Islands)
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 - National Heritage Insurance Company (carrier for California)

- Noridian Mutual Insurance Company (carrier for American Samoa, Guam, Hawaii, Nevada, and Northern Mariana Islands)
 - United Government Services, LLC (FI for American Samoa, California, Guam, Hawaii, Nevada, and Northern Mariana Islands)
- Palmetto GBA will implement the J1 A/B MAC by taking over the work from the FIs and carriers on an incremental basis.
- Palmetto GBA has the following subcontractors:
 - First Coast Service Options will provide audit and reimbursement and provider enrollment
 - PSS Info Tech, LLC will provide quarterly release testing
 - TrailBlazer Health Enterprises will provide provider customer service.
- Palmetto GBA operations will be headquartered in Columbia, South Carolina.
- As of March 31, 2007, approximately 4,730,532 Medicare beneficiaries and 498 Medicare hospitals are located in this jurisdiction.
- As of March 31, 2007, approximately 127,579 physicians and other medical professionals provided services in this area.
- Approximately 8.3% of the national Medicare claims workload is in this jurisdiction.