

**Medicare Administrative Contractor Award  
for Jurisdiction 2 Part A/Part B  
(J2 A/B MAC)**

**-- National Heritage Insurance Corporation --**

**Background Sheet**

May 2008

- On May 6, 2008, the Centers for Medicare & Medicaid Services (CMS) announced that National Heritage Insurance Corporation (NHIC) has been awarded the contract for the combined administration of Part A and Part B Medicare fee-for-service claims in Jurisdiction 2 (J2), comprising the states of Washington, Alaska, Idaho and Oregon.
- The award of the J2 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 through full and open competition as regulated under federal contracting statutes.
- 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 will award 15 A/B MACs 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 J2 A/B MAC Award***

- On December 15, 2006, the Centers for Medicare & Medicaid Services (CMS) released the solicitation for the four jurisdictions included in Cycle One, RFP 2. After careful evaluation that weighed technical qualifications and past performance and considered cost and other factors, CMS established the competitive range. Of those in the competitive range, CMS is awarding the J2 A/B MAC contract to NHIC whose proposal offered the best overall value to the government.
- The J2 A/B MAC contract is a cost-plus-award-fee contract.
- As the J2 A/B MAC, NHIC will immediately begin implementation activities and will assume full responsibility for the work by the end of December, 2008.
- CMS has significant experience overseeing the implementation of new claims processing contracts and will work to ensure that the hospitals and health care providers, physicians, and the beneficiaries who receive service from the current fiscal intermediaries and carriers in this jurisdiction observe a smooth Medicare contract transition.

### ***Information Concerning the J2 A/B MAC***

- The states included in J2 are Alaska, Idaho, Oregon and Washington.
- The J2 A/B MAC contract has a total estimated value of approximately \$148 million over five years.
- The following are the current fiscal intermediaries (FI) and carriers administering the program in J2 and the states they serve:
  - CIGNA Government Services (carrier for Idaho)
  - Mutual of Omaha Insurance Company (FI for some providers in Alaska, Idaho, Oregon and Washington)
  - Noridian Administrative Services (FI and carrier for Alaska, Oregon and Washington; FI for Idaho)
- NHIC will implement the J2 A/B MAC by taking over the work from the FIs and carriers on an incremental basis.
- NHIC has the following subcontractors:
  - National Government Services will provide claims processing, provider customer service, appeals, medical review and audit and reimbursement services

- NHIC is headquartered in Hingham, MA and is a subsidiary of EDS. Most of the J2 MAC operations will be performed in Marysville, CA with approximately 200 employees.
- As of March 31, 2007, approximately 1,602,223 Medicare beneficiaries and 233 Medicare hospitals are located in this jurisdiction.
- As of March 31, 2007, approximately 54,876 physicians and other medical professionals provided services in this area.
- Approximately 2.9% of the national Medicare claims workload is in this jurisdiction.
- With the award of the contract, one contractor will be performing the work that had been distributed among three. In general, this consolidation of claims administration activities results in an overall reduction in the number of staff that the A/B MAC will need to employ, in comparison to the current FIs and Carriers, resulting in reduced costs.