

CMS to Delay Further Medicare Administrative Contractor (MAC) Jurisdiction Consolidations

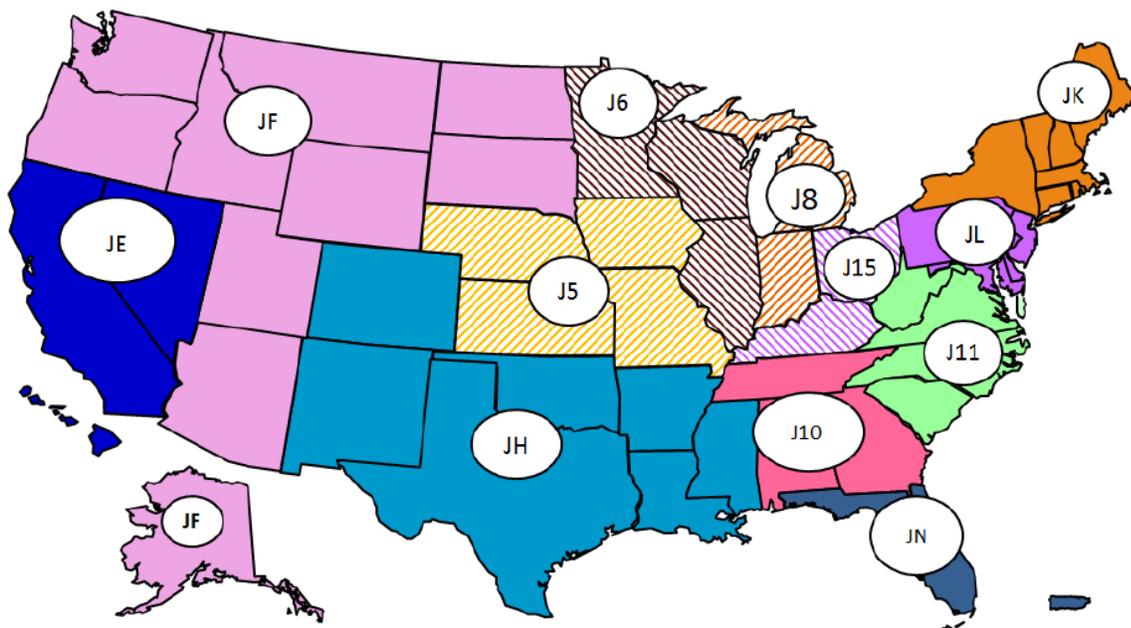
Decision: CMS Will Postpone Two Part A/Part B (A/B) MAC Contract Consolidations Planned for Midwestern States

In 2010, CMS announced that it would consolidate the original 15 A/B MACs contract areas into 10 contracts. In essence, CMS's plan called for consolidating 10 of the A/B MAC contract areas to 5 contract areas, and for maintaining 5 other A/B MAC contract areas as they existed in 2010.

At this time (February 2014), there are 12 A/B MAC contract areas. CMS has accomplished this by consolidating three pairs of A/B MAC contract areas (six A/B MACs) into three jurisdictions: Jurisdiction F (formerly Jurisdictions 2 and 3); Jurisdiction H (formerly Jurisdictions 4 and 7); and Jurisdiction K (formerly Jurisdictions 13 and 14).

CMS had planned to integrate the present Jurisdictions 8 and 15 to form "Jurisdiction I" in 2015-2016 and to integrate the present Jurisdictions 5 and 6 to form "Jurisdiction G" in 2016-2017. After appropriate consideration of Medicare program trends, CMS has determined to postpone these final two remaining A/B MAC contract area consolidations for up to five years.

This decision will affect the scope of MAC contracts that serve most of the Medicare providers in the following states: Kentucky, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, and Wisconsin. It has no impact for other MAC contracts. In the following map, the affected MAC contract states (encompassed by today's A/B MAC Jurisdictions 5, 6, 8 and 15) are highlighted with diagonal shading.



Reasons for Delaying the Final Two Consolidations:

The Medicare business and operational environment has been radically altered by the implementation of Medicare contracting reform. Prior to 2005, several dozen companies administered Medicare claims under no-bid contracts. CMS has changed this landscape dramatically through the implementation of Medicare contracting reform. After appropriate consideration of several trends, CMS has determined that it needs time to evaluate whether or not the MAC business and operational environment is sufficiently stabilized to minimize risk and successfully proceed with the final two consolidations. Specifically, CMS based its “time out” decision on the following considerations:

- *Uncertain Cost Benefits* – It appears that the first three consolidations have generated some operational cost reductions. However, these savings appear to be smaller than expected. Since these contracts have two or more years to run, the magnitude of the final savings is unclear.
- *Potential Performance Issues* – CMS’s experiences with recent MAC consolidations that were similar in size and scope to the upcoming consolidations suggests that jurisdictional size, at some threshold, may have an adverse impact upon contractor agility and performance in key areas including provider customer service.
- *Home Health and Hospice (HH&H)* - Each of the proposed final two consolidated jurisdictions include the highly specialized and challenging Medicare HH&H workload. Implementing the Medicare HH&H workload along with the increase in workload overall inherent in a consolidation may create undue program risk.
- *The Evolving Business Environment* – Consideration needs to be given to the impact that further consolidations may have on competition among the MACs, and how these issues intersect with broader Medicare fee-for-service business landscape concerns such as conflict-of-interest.

CMS needs time to evaluate all these issues.

Impact of This Decision on MAC Procurement Activities:

From an overall program perspective, this decision will have limited impact on upcoming MAC procurement activities. CMS is still moving forward with MAC contract competitions in the affected areas and the rest of the nation as required by current law, which establishes a five-year procurement cycle for MAC contracts. The estimated schedule for upcoming A/B MAC contract solicitations is depicted in the following table. CMS will also continue to apply a contract award limitation policy established in 2010, which restricts the extent of A/B MAC contracts that may be held by any one company and/or set of affiliated companies.

Estimated Schedule for A/B MAC Procurements:

A/B MAC	JN	JJ	JM	J15	JF	J8	JH	J5	JE	J6	JL	JK
Estimated RFP Release ¹	Award 2/2014	Award pending	5/2014	7/2014	5/2015	9/2015	11/2015	4/2016	9/2016	9/2016	10/2016	11/2016

¹ RFP Release dates with delayed consolidations (12 A/B MACs). Under current law, CMS will issue the solicitations for the next Jurisdiction N and J contracts approximately four (4) years following their award (i.e., approx. 2018).