

Medicare Contracting Reform

Sue Lathroum
Director, MAC Information Exchange Staff

*Medicare Provider Feedback Group Town Hall Meeting
September 20, 2006*

Medicare Modernization Act, section 911: Medicare Contracting Reform

- Integrates Medicare Part A and B contracting into a new single authority, Medicare Administrative Contractors (MACs)
- Federal Acquisition Regulation applies to MAC contract acquisitions
- 6 years (10/2005-10/2011) for CMS to competitively bid and transition all Medicare FFS contract workloads
- MAC contracts must be recompeted every 5 years

Goals Of Medicare Contracting Reform

- Provide flexibility to CMS and its contractors to work together more effectively and better adapt to changes in the Medicare program
- Promote competition, leading to more efficiency and greater accountability
- Establish better coordination and communication between CMS, contractors, and providers
- Promote CMS' ability to negotiate incentives to reward Medicare contractors that perform well

Benefits to the Medicare Program

- Improved efficiency in program administration
- Reduced Medicare payment error rate
- Sets platform for information technology improvements
- Better able to meet future programmatic challenges and changes

Benefits to Providers from Implementing Medicare Contracting Reform

- Improved provider education and training
- Interfacing needs for claims processing are simplified with a single A/B MAC serving as the point-of-contact for both Part A and Part B claims.
- CMS' continued use of competition to select MACs will encourage MACs to deliver better service to providers.
- CMS' increased focus on financial management by MACs will mean increased payment accuracy and consistency in payment decisions.
- Providers will have input in evaluation of MACs' performance through satisfaction surveys.

Providers- Single Point-of-Contact

- MACs will serve as the single point-of-contact for providers
- Call your MAC about:
 - Claims
 - Payment
 - Bill submission guidance, etc.
- MACs are required to be responsive

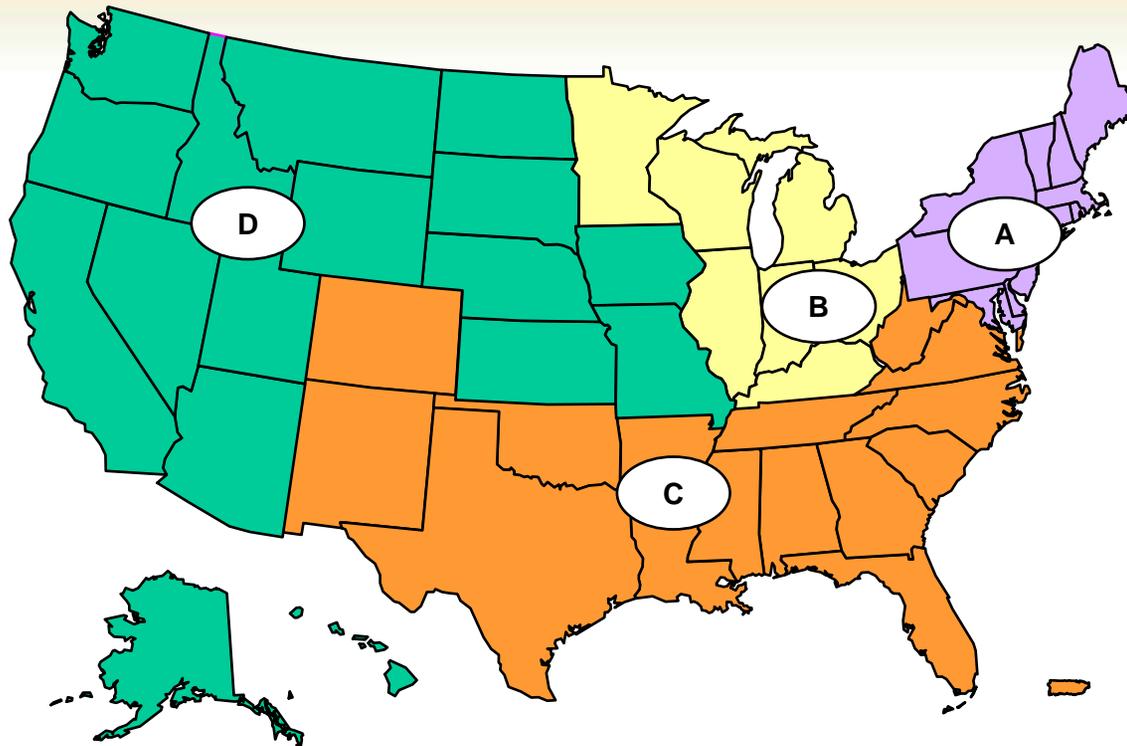
Plan for Implementing Medicare Contracting Reform

- CMS will competitively bid and transition all current Medicare FFS contractor workloads to 23 MACs by 2010
- Three cycles of competitive acquisitions:
 - Start-up Cycle
 - 4 Durable Medical Equipment (DME) MACs and 1 Part A/Part B (A/B) MAC
 - Cycle One
 - 7 A/B MACs
 - Cycle Two
 - 7 A/B MACs and
 - 4 Home Health/ Hospice MACs
- MAC contracts must be recompleted every 5 years

Approach to Establishing MAC Jurisdictions

- The new jurisdictions:
 - Reasonably balance the number of FFS beneficiaries and providers
 - Are substantially more alike in size than existing fiscal intermediary and carrier jurisdictions
 - Will promote much greater efficiency in administering Medicare's billion claims a year

4 Specialty MAC Jurisdictions



Request for Proposal Issuance

DME: April 15, 2005

HHA/Hospice: September 2007

Award Date

January 6, 2006

September 2008

DME MAC Implementation Status

- Durable Medical Equipment (DME) MACs awards made January 6, 2006
 - Jurisdiction A: National Heritage Insurance Company
 - Jurisdiction B: AdminaStar Federal, Inc.
 - Jurisdiction C: award made, but successfully protested
 - CMS reopened discussions with offerors in competitive range
 - Proposal revisions being evaluated; award in few weeks
 - Jurisdiction D: Noridian Administrative Services
 - Award for JD was protested, but denied by GAO on May 8, 2006
- DME MAC Implementations
 - DME MACs JA and JB successfully implemented July 1, 2006
 - DME MAC JD will be implemented September 30, 2006

A/B MAC Award & Implementation Status

- First Part A/Part B MAC (A/B MAC) award
 - Jurisdiction 3 (J3) A/B MAC award made July 31, 2006 to Noridian Administrative Services
 - Implementation will be incremental
 - Providers in J3 serviced by Mutual will remain with Mutual for now, until HIGLAS is implemented at Noridian
- Next major acquisition's Request for Proposal is scheduled for release September 28, 2006

Transfer of Claims Related Work to MACs from Current DMERCs, FIs & Carriers

- CMS has extensive experience overseeing and managing successful transfers of claims processing work
- CMS will work with DMERCs, FIs and carriers to assure smooth transfer of records and information to MACs
- CMS will ensure continuity, accuracy, and timeliness of claims processing and payments
- MAC contractors will do extensive communication with the provider community throughout implementation period

Status of Acquisitions for Cycle One and Cycle Two

- Acquisitions of 7 A/B MAC Jurisdictions during Cycle One
 - Will issue two Requests for Proposal
 - For J4, J5, & J12 in September 2006
 - For J1, J2, J7, & J13 in December 2006
- Acquisitions for Cycle Two include:
 - A/B MAC Jurisdictions: J6, J8, J9, J10, J11, J14 & J15, and
 - 4 Home Health/Hospice MAC Jurisdictions
 - Anticipate releasing Requests for Proposal in September 2007; contract awards planned in September 2008

Provider Nomination and Assigning Providers to MACs

- Authority permitting provider nomination by group or association of providers was eliminated with enactment of MMA (section 911(d)(2)(A) of MMA). The prior authority sunset September 30, 2005
- Proposed rule concerning manner of assigning providers and suppliers to MACs was published August 23, 2006
 - Published with proposed rule on Outpatient Prospective Payment System
 - Comments accepted until October 10, 2006; final rule will be published later this fall

Provider Chains and Specialty Providers

- Chain Providers may choose one of two options for submittal of claims:
 - To MAC serving their home office, or
 - To MAC(s) serving area where each provider is located
- Specialty Provider Types
 - Some provider types currently have their Medicare claims administered by one or a limited number of FIs
 - CMS is reviewing the policy for administering the workload of each type of specialty provider to determine whether to include it as part of MACs' base work

MAC Medical Directors and Contractor Advisory Committees

- MAC must have at least one Medical Director, but CMS is not stipulating how many
- MACs will follow Program Integrity Manual (PIM) requirements for CACs
 - Modifications to PIM being considered
 - Separate part A advisory committees similar to current Part B committees or combining Part A and Part B committees
 - Utilization of telephonic and videoconference meetings to broaden communication
- A/B MACs will be expected to consolidate Local Coverage Determinations (LCDs) in a jurisdiction and educate providers, as necessary
- LCDs should be more streamlined with minimal variance between policies

Continued Work by Functional Contractors

- MACs will work cooperatively with functional contractors (current and future)
 - Enterprise Data Centers
 - Beneficiary Call Center
 - Qualified Independent Contractors
 - Coordination of Benefits Contractor
 - MSP Recovery Contractor
 - Healthcare Integrated General Ledger and Accounting System
 - Program Safeguard Contractors
 - Medical Review – DME MACs only
- All interact/share data to serve FFS Medicare beneficiaries

Closing Comments

- Look for updates and additional information on Medicare Contracting Reform on the Medicare Contracting Reform Website:

www.cms.hhs.gov/medicarecontractingreform/

- Formal procurement documents will be posted to the federal acquisitions website:

www.fedbizopps.gov