

**Award of
Part A/B (A/B) Medicare Administrative Contractor (MAC)
Contract for Jurisdiction H**

- On November 8, 2011, the Centers for Medicare & Medicaid Services (CMS) announced that Highmark Medicare Services (HMS) has been awarded the contract for the administration of Medicare Part A and Part B fee-for-service claims in the newly-formed A/B MAC Jurisdiction H.
- CMS is forming Jurisdiction H by consolidating A/B MAC Jurisdictions 4 and 7. This change reflects the CMS MAC jurisdiction strategy, announced in 2010, to consolidate from 15 (fifteen) Part A/B MAC jurisdictions to 10 (ten) by 2016.
- When the new MAC contract is fully implemented, HMS will serve Medicare beneficiaries in Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma, and Texas as reflected below.



- Over 4.9 million Medicare fee-for-service beneficiaries reside in Jurisdiction H. The new MAC, HMS, will serve approximately 1,300 Medicare hospitals and 147,000 physicians and other Part B providers. This jurisdiction comprises approximately 13.2% of the overall national Medicare fee-for-service Part A and Part B claims volume. CMS issued the solicitation for this contract in March 2011.
- The A/B MAC Jurisdiction H contract includes a base year and four option years, for a maximum duration of five years. The contract is a “cost plus award fee” contract; the award fee will be earned only if HMS exceeds the base requirements of the contract. Inclusive of all options, the awarded contract has a value of \$406 million.
- In addition to processing Part A and Part B claims in Jurisdiction H, HMS will perform other critical Medicare operational functions, including enrolling, educating, and auditing Medicare providers. HMS will also be responsible for some key specialty functions, including processing Indian Health Service facility claims for the entire country and serving as the designated A/B MAC to support centralized billing by immunization clinics.

- Over the next several months, CMS will oversee the transfer of Medicare work from the incumbent contractors noted below to HMS.
 - TrailBlazer Health Enterprises (TrailBlazer) is the incumbent contractor for A/B MAC Jurisdiction 4 (Colorado, New Mexico, Oklahoma, and Texas).
 - Pinnacle Business Solutions (Pinnacle) holds the Part A Fiscal Intermediary contracts for Arkansas, Louisiana, and Mississippi.
 - Pinnacle also holds the Part B carrier contracts for Arkansas and Louisiana.
 - Cahaba Government Benefits Administrators holds the Part B carrier contract for Mississippi.

- Barring any unforeseen delays, CMS expects to complete the transfer of the Medicare claims workloads for Arkansas, Louisiana, and Mississippi to HMS in early 2012. CMS expects to complete the transfer of the Colorado, New Mexico, Oklahoma, and Texas workloads (as well as Indian Health Service facilities) administered by TrailBlazer to the A/B Jurisdiction H MAC contract by late July 2012.

- CMS anticipates that implementation of the new contract will go smoothly, with few, if any, disruptions in service for Medicare beneficiaries and providers.

- Questions about the contract award should be directed to Kathy Markman in CMS' Office of Acquisition and Grants Management. Ms. Markman may be reached at 410-786-8916 or at Kathy.Markman@cms.hhs.gov .

Background on Medicare Contracting Reform

- In 2003, Congress mandated that CMS award contracts for Medicare fee-for-service claims administration services through competitive federal contracting processes.

- In 2005, CMS announced it would consolidate Medicare Part A and Part B fee-for-service claims administration into 15 (fifteen) regional jurisdictions. Eleven of these regional MAC jurisdictions are fully implemented, and the remaining four MACs are in progress.

- The competitive contracting provisions of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 require that the MAC contracts be re-competed every five years. The award of MAC Jurisdiction H concludes the second re-competing of an A/B MAC contract. Further re-competitions of the initial set of MAC contracts are currently underway.

- In 2010, CMS announced the further consolidation of MAC jurisdictions from 15 (fifteen) Part A/B MAC jurisdictions to 10 (ten) by 2016. The first stage of this consolidation, to 13 (thirteen) MACs, will be accomplished in 2011. The Jurisdiction H A/B MAC contract is part of this consolidation strategy.

- CMS has stringent standards for contract performance on the MAC contracts and measures performance through a variety of processes, including on-site oversight, data reviews and protocol-driven quality assurance reviews, as well as independent audits.

- As CMS continues to use the competitive process to select claims administration contractors, the offerors' technical proposals as well as the past performance track records of the offerors are major evaluation factors. In the Jurisdiction H A/B MAC solicitation, CMS also designated implementation as an evaluation factor.