

Q: How may PDP sponsors retain their CY2006 enrollees in CY2007 to the extent that they experience a net loss of plans in a particular region as a result of consolidation of existing plans resulting from either individual plan decisions or bid negotiations with CMS?

A: As stated in our PDP Call Letter for the 2007 contract year, CMS intends to negotiate with PDP sponsors to ensure that each bid they submit represents a meaningful variation based on plan characteristics that will provide beneficiaries with substantially different options. In general, we expect that more than two bids from a sponsoring organization will not provide meaningful variation – unless one of the bids is an enhanced alternative plan that provides coverage in the coverage gap.

As a result of either individual PDP sponsor business decisions or bid negotiation with CMS, some PDP sponsors may experience a net loss of plans in particular regions. In addition – and also as a result of bid negotiations – some PDP sponsors may experience a net loss of auto-enrollment-eligible plans (e.g., from two auto-enrollment-eligible plans to one auto-enrollment-eligible plan). We believe that the consolidated plan renewal option – as outlined in our call letters for the 2007 contract year – ensures that PDP sponsors may retain most current enrollees of plans that will be reduced through the CY2007 bid and negotiation process. In other words, PDP sponsors will be permitted to combine two or more prescription drug plans offered in CY2006 into a single renewal plan so that all beneficiaries in the combined plans are offered the same benefits in CY2007.

It is important to note that, when consolidating two existing plans into a single renewal plan, it is permissible to move current enrollees: (1) from a basic benefit design (meaning either defined standard, actuarially equivalent standard, or basic alternative benefit designs) to another basic benefit design; or (2) from an enhanced alternative benefit design to a basic benefit design. We will not, however, permit consolidation of two existing plans into a single renewal plan when it involves moving enrollees from a basic benefit design to an enhanced alternative benefit design.

As outlined in the call letters, current PDP sponsors will be required to complete the HPMS plan crosswalk (see Attachment 1) when uploading their CY2007 bids. This crosswalk will designate the relationships between plans offered in CY2006 and those being submitted for CY2007, the enrollment system actions to be performed by either the PDP sponsor or CMS, whether and which type of enrollment application is required, and the requirements for beneficiary notifications.

As noted in Attachment 1, PDP sponsors combining two or more prescription drug plans into a single renewal plan for CY2007 must designate which of the consolidating plan IDs will be retained in CY2007 after consolidation; the sponsor's designated renewal plan ID must remain the same in order for CMS to

consolidate the beneficiary's election by moving him or her into the designated renewal plan ID. This is particularly important to minimizing beneficiary confusion when plan consolidation affects a large number of enrollees. Enrollees of a plan or plans being consolidated into a single renewal plan will not be required to take any enrollment action. The PDP sponsor will be responsible for sending an annual notice of change (ANOC) to any enrollees whose CY2006 prescription drug plans are being consolidated into a renewal plan. CMS is in the process of finalizing a separate model ANOC for enrollees affected by plan consolidation. This model ANOC will indicate a plan name change in addition to any benefit changes for CY2007, and it will emphasize the need to review formulary and benefit changes. Based on their review of the ANOC, beneficiaries whose enrollment has been consolidated into a renewal plan may then opt out of that consolidated renewal plan by electing another plan offered by either the same or another PDP or MA sponsor during the Annual Coordinated Election Period.

Attachment 1 - Contract Year 2007 Guidance for PDP Sponsor Renewals/HPMS Plan Crosswalk

Contract Year 2007 Guidance for PDP Sponsor Renewals						
	Activity	Guidelines	HPMS Plan Crosswalk	System Enrollment Activities Submitted to CMS	Enrollment Procedures	ANOC
1	New Plan Added		A new 2007 plan with no link to a 2006 plan.	The PDP Sponsor must submit election transactions.	Beneficiaries are required to complete an enrollment form. Beneficiaries who are already enrolled in another plan with the same PDP Sponsor can complete the short enrollment form.	None.
2	Renewal Plan	If a PDP Sponsor continues to offer a CY2006 prescription drug plan in CY2007, it must retain the same Plan ID number in order for all currently enrolled beneficiaries to remain in the same prescription drug plan in CY2007.	A 2007 plan that links to a 2006 plan.	The renewal plan ID must remain the same so that beneficiaries will remain in the same plan ID. The plan sponsor does not submit any transactions.	No enrollment election is required.	Beneficiaries are sent an ANOC.
3	Consolidated Renewal Plan	If a PDP Sponsor combines two or more prescription drug plans offered in CY2006 into a single renewal plan so that all beneficiaries in the	Two or more 2006 prescription drug plans that consolidate into one 2007 plan.	The PDP Sponsor's designated renewal plan ID must remain the same so that CMS can consolidate the beneficiary's election by moving them	No enrollment election is required.	Beneficiaries are sent an ANOC.

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		combined plans are offered the same benefits in CY2007, the PDP Sponsor must designate which of the renewal Plan IDs will be retained in CY2007 after consolidation.		into the designated renewal plan ID. The PDP Sponsor does not submit any transactions.		
4	Renewal Plan with an SAE (applicable only to employer/union-only group waiver plans (EGWPs))	If a PDP Sponsor continues to offer a CY 2006 prescription drug plan in CY 2007 and expands its EGWP service area to include additional regions, it must retain the same Plan ID number in order for all currently enrolled beneficiaries to remain in the same prescription drug plan in CY 2007.	A 2007 prescription drug plan that links to a 2006 plan and retains all of its plan service area from 2006, but also adds one or more new regions.	The renewal plan ID must remain the same so that beneficiaries in the current service area will remain in the same plan ID. The PDP Sponsor does not submit any transactions for these members. However, the PDP Sponsor must submit election transactions for new enrollees.	Employers/unions who wish to enroll their retirees in a PDP EGWP have the option of group enrolling its beneficiaries (<i>see</i> PDP Eligibility, Enrollment and Disenrollment Guidance) or having its retirees complete an individual enrollment election.	Only existing beneficiaries are sent an ANOC.
		Model ANOCs will be available on the CMS Web site at: http://www.cms.hhs.gov/PrescriptionDrugCovContra/07_RxContracting_Marketing.asp#TopOfPage..				
5	Terminated		A 2006 plan that is no	If the beneficiary elects to	Beneficiaries are	No ANOC

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	Plan		longer offered in 2007.	enroll in another plan with the same plan sponsor, the PDP Sponsor must submit transactions to enroll the beneficiary in another plan with the PDP Sponsor;	required to complete an enrollment election if they choose to enroll in another plan.	sent. Beneficiaries are sent a termination notice and receive a written description of options for obtaining prescription drug coverage in the service area.

* Note: See the nonrenewal instructions for a contract nonrenewal or service area reduction.