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TO: Medicare Advantage and Prescription Drug Plan Employer/Union-Sponsored Group Health Plans

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SUBJECT: Update to Parts C and D Employer Group Waiver Plan (EGWP) Waivers

This memorandum provides Medicare Advantage (MA) organizations and Part D sponsors with updated information regarding employer group waiver plan (EGWP) waiver activity and policies. Specifically, this memorandum discusses:

- New EGWP Waivers
- Revisions to Existing EGWP Waivers
- Declined Waiver Requests
- EGWP Policy Updates

New EGWP Waivers

Consistent with our authority at sections 1857(i) and 1860D-22(b) of the Social Security Act to waive or modify requirements that hinder the design of, the offering of, or the enrollment in, employer/union sponsored MA and MA-PD plans and prescription drug plans (PDPs), CMS has approved two new waivers. Any similarly situated MA organization or PDP sponsor of EGWPs may take advantage of these waivers as long as they meet the conditions of the waiver.

Allow Offering of 800-series Network Private Fee-For-Service (PFFS) Plans Exclusive to Employers

In 2006, CMS granted a waiver of the “nexus” test (that requires that an MAO offering an 800-series EGWP also offer an individual market MA plan under the same contract) for non-network private-fee-for service plans (PFFS) effective CY 2008 (refer to Chapter 9, section 20.2.1.2, of the Medicare Managed Care Manual). Given the prohibition on non-network employer PFFS plans beginning in CY 2011, as provided under the Medicare Improvements for Patients and

Providers Act of 2008 (MIPPA), this waiver is no longer available as of CY 2011. However, in response to a waiver request from an MA organization exclusively serving the employer market, CMS has agreed to create a new one year waiver for those MAOs that in 2010 are offering a non-network PFFS plan exclusively to the employer market and are converting from a non-network to a network PFFS 800-series plan in 2011. The purpose of this waiver is to allow those EGWPs exclusively serving the employer program to make an orderly transition by either adding an individual plan in 2012 or by ending their employer contracts. Therefore, the waiver of the requirement that MA organizations offer an individual market MA plan under the same contract as an 800-series EGWP is only applicable to MA organizations that in 2010 are offering a non-network 800 series PFFS plan exclusively to employers but will offer a network-based PFFS plan exclusively to employers in CY 2011. This waiver will expire at the end of CY 2011, or in 2012 in the case of a non-calendar year plan. As previously noted, after this waiver ends in the 2011-2012 time frame, in order to offer an employer PFFS or coordinated care MA plan (i.e., HMO, PPO, RPPO) an organization will also have to offer an MA plan of the same type for individual (i.e., non-employer) Medicare enrollment. However, as described in Chapter 9, section 20.2.1.2 of the Medicare Managed Care Manual, organizations will still be able to offer Medicare medical savings account (MSA) plans exclusively to employers.

Revisions to Existing EGWP Waivers

Revised EGWP Waiver of Bid Submission Requirements

As required of individual market PDPs, the value of supplemental benefits provided under a Part D enhanced benefit plan must be calculated prior to the application of the Medicare manufacturer coverage gap discount. This requirement also applies to Part D benefits provided by sponsors of employer group health and waiver plans (EGWPs). In our most recent guidance on the coverage gap discount, we detail how EGWP sponsors must apply supplemental coverage in the coverage gap (see http://www.cms.gov/PrescriptionDrugCovContra/Downloads/MemoCoverageGapAdditionalGuidance_09.10.10.pdf). This guidance provides information regarding the application of the discount for those sponsors with EGWPs that do not have an initial coverage limit (ICL), and explains further the application of the coverage gap discount for non-calendar year plans.

Since EGWP sponsors do not submit bids for their Part D EGWP benefit packages (because they are paid the national Part D bid amount), CMS does not require sponsors of EGWPs to submit Part D benefit information, including Part D supplemental (enhanced) benefit information. Absent the supplemental information collection, CMS cannot validate that the application of the coverage gap discount has been calculated correctly by the Part D sponsor. Therefore, beginning in 2011, a Part D sponsor of EGWPs will be required to attest, as part of its contract with CMS, that if the sponsor provides supplemental coverage via any of its enhanced benefit plans, it will apply the manufacturer coverage gap discount only after the plan's supplemental benefits have been applied.

We note that if EGWP benefits are restructured to provide commercial (non-Part D) wrap-around coverage that supplements a basic Part D benefit package, sponsors would be permitted to apply the manufacturer coverage gap discount **before** any coverage or financial assistance is provided by the other commercial payer (see §1860D-14A(c)(1)(A)(v) of the Act).

Extending Waiver of Prohibition on Simultaneous Enrollment in an MA Coordinated Care Plan and a Stand-Alone PDP

Effective June 1, 2010, members of 800-series Regional PPO EGWPs may enroll in 800-series stand-alone PDPs, provided that separate medical and prescription drug vendors work closely together with the employer/union sponsor to provide coordinated care and disease management services between the MA and the PDP portion of the benefit. Prior to extending this waiver to Regional PPO EGWPs, simultaneous enrollment in MA plans and PDPs was limited to local coordinated care plan enrollees (see Chapter 9, section 20.1.10, of the Medicare Managed Care Manual).

However, we note that this waiver, for **both** local coordinated care plans and regional PPOs, is time limited and will sunset for calendar year plans at the end of 2011 and for non-calendar year plans starting in 2011 when their contracts end in 2012. We have time limited this waiver to allow organizations using this waiver the option of transitioning to a coordinated care plan with Part D. We have also decided to not extend this waiver beyond contract year 2011, as we have concluded that allowing an MA coordinated care plan's to receive their prescription drug benefits under a separate PDP is inconsistent with Congressional intent that coordinated care plans that offer Part D do so as a single integrated package of Part C and Part D coverage.

Continuation of Waiver of Service Area Extension

Section 3207 of the Affordable Care Act extended the waiver described in Chapter 9, section 20.2.1.4. of the Medicare Managed Care Manual ("Waiver of Service Area Extension for Certain MA Local Coordinated Care Plans") to direct contracting (described at section 1857(i)(2) of the Act) PFFS EGWPs that had enrollment as of October 1, 2009. This waiver sets conditions under which direct contracting (i.e., network based) PFFS EGWPs can serve an employer if the plan has a direct contracting network available to at least 51% of an employer group's retirees.

Declined Waiver Requests

Requests to Waive the MA Maximum Out-of-Pocket (MOOP) and Cost Sharing Limits

CMS has received requests that it use its waiver authority under section 1857(i) of the Act to exempt EGWPs from the MOOP and cost sharing limits (see 42 CFR 422.100(f)(4) and (5)). While requestors have argued that applying a MOOP to all employer plans introduces a new feature that some employers are not familiar with, they have not convincingly made the case that the existence of a MOOP is a significant barrier to employer contracting. As stated in the preamble to our final regulation published on April 15, 2010 (75 FR 19712) both the MOOP and the cost sharing limits for Parts A and B services are important new beneficiary protections. We believe that beneficiaries enrolled in employer plans are no less deserving of these protections than enrollees in individual MA plans. Therefore, we decline to waive this requirement for EGWPs.

EGWP Policy Updates

Associations as Employers

As stated in Chapter 9, sections 10.2 and 20.1.1, of the Medicare Managed Care Manual, employer/union group health plan enrollment in EGWPs and individual MA plans is only available to beneficiaries who are Medicare eligible and part of an employer/union sponsored group health plan. Thus, a beneficiary's enrollment in one of these MA plans must be based on receiving "employment-based" health coverage from an employer/union group health plan sponsor that has entered into a contractual arrangement with an MA organization to provide coverage or that has contracted directly with CMS to provide coverage for its Medicare eligible members.

Chapter 9, section 20.1.1, of the Medicare Managed Care Manual clarifies that coverage obtained through a professional or other type of group association would not make a beneficiary eligible for enrollment into EGWPs, except to the extent that the coverage obtained through the association can properly be characterized as "employment-based group health plan coverage." That is, the individuals are direct employees of the association. Since CMS policy regarding what is "employment-based group health plan coverage" is not clear, organizations' interpretation of this term has not been applied consistently across the program, especially when the health plan coverage is obtained through associations. CMS intends to clarify in regulation what constitutes employment-based group health plan coverage for MA organizations. Such a clarification would be effective no earlier than for CY 2012.

Future Waivers Requests

We remind MA organizations and Part D sponsors that waiver requests should be submitted to their regional office account manager. Requests for waivers of Parts C and D requirements must be consistent with our authority at sections 1857(i) and 1860D-22(b) of the Social Security Act to waive or modify requirements that hinder the design of, the offering of, or the enrollment in, employer/union sponsored MA and MA-PD plans and PDPs. The waiver authority cannot be used by CMS to permit restriction of Parts C and D benefits, to circumvent Medicare-required beneficiary protections, or expand the definition of an employer/union group.

If you have further questions regarding the memorandum, please contact:

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