

**Medicare Administrative Contractor Award
for Jurisdiction 12 Part A/Part B
(J12 A/B MAC)
-- Highmark Medicare Services, Inc. --**

Background Sheet

March 2008

- On October 24, 2007, the Centers for Medicare & Medicaid Services (CMS) announced that Highmark Medicare Services, Inc., (HMS) has been awarded the contract for the combined administration of Part A and Part B Medicare fee-for-service claims in Jurisdiction 12 (J12).
- The states included in J12 are Delaware, District of Columbia, Maryland, New Jersey and Pennsylvania.
- On November 5, 2007, Palmetto GBA (Palmetto) filed a protest with the Government Accountability Office(GAO) of the contract award made to HMS.
- CMS notified GAO that the agency would take corrective action on certain aspects of the award action. As a result, GAO dismissed the protest.
- CMS has completed it's corrective action and has restored the contract award to HMS. With the completion of the corrective action, the stay is now lifted and contract implementation will begin immediately.
- CMS anticipates that HMS will be able to resume full responsibilities for the work by the end of 2008.
- The award of the J12 Part A/Part B Medicare Administrative Contractor (A/B MAC) contract is another step toward improved service to providers, physicians and practitioners as well as greater administrative efficiency and effectiveness for fee-for-service Medicare.
- This award is indicative of the efforts underway to significantly reengineer the Medicare claims administration process and change from the "business as usual" of the past 40 years.

Background

- Section 1874A of the Social Security Act, as added by Section 911 of the Medicare Modernization Act of 2003 (MMA) requires the Secretary to take needed steps by 2011 to implement Medicare Contracting Reform and thereby replace all current intermediaries and carriers with MACs.

- Implementation of the Medicare Contracting Reform portion of MMA requires that CMS apply the Federal Acquisition Regulation (FAR) when conducting procurements for the MACs.
- The new MACs are being selected through full and open competitions, and will lead to more efficiency and greater accountability of our fee-for-service contractors in the new environment.
- CMS' implementation plans intend that there will be 15 A/B MACs awarded by 2009.
- The geographical jurisdictions for the MACs were made public on February 22, 2005. The jurisdictions are distinct geographically and non-overlapping.
- When contracting reform is fully implemented, beneficiaries and providers will have separate single points of contact with the Medicare program that will allow for higher quality of services to each group.
- In accordance with section 1874A(b)(1)(B) of the Social Security Act, MAC contracts will have to be recompeted no less frequently than once every 5 years.

The J12 A/B MAC Award

- CMS is awarding the J12 A/B MAC contract to Highmark Medicare Services, Inc., whose proposal offered the best overall value to the government.
- The J12 A/B MAC contract is a cost-plus-award-fee contract.
- The J12 A/B MAC will be working with other functional contractors with responsibility for specific administrative activities.
- Neither the providers, physicians, nor the beneficiaries who receive service from the current fiscal intermediaries and carriers in this jurisdiction will be adversely affected by the transition of their work to the J12 A/B MAC.

Information Concerning the J12 A/B MAC

- The J12 A/B MAC contract has a total estimated value of approximately \$466 million over five years.

- The following are the current fiscal intermediaries (FI) and carriers administering the program in J12 and the states they serve:
 - Blue Cross and Blue Shield of Tennessee (FI for New Jersey)
 - National Government Services (FI for Delaware; carrier for New Jersey)
 - Highmark, Inc. (FI for District of Columbia, Maryland, and Pennsylvania ; carrier for Pennsylvania)
 - Mutual of Omaha Insurance Company (FI for some providers in Delaware, District of Columbia, Maryland, New Jersey and Pennsylvania)
 - TrailBlazer Health Enterprises, LLC (carrier for Delaware, District of Columbia and Maryland)

- HMS will implement the J12 A/B MAC by taking over the work from the FIs and carriers on an incremental basis.

- HMS has the following subcontractors:
 - TerraHealth, Inc., will provide claims and appeals processing
 - Merit Health Consulting, Inc., will provide services to augment HMS's internal audit staff and perform desk reviews
 - FCG Solutions, Inc., will provide mail office activities
 - Holloway & Company, PLLC will provide SAS 70 audits

- HMS' operations will be headquartered in Camp Hill, Pennsylvania

- As of March 31, 2007, approximately 4,269,000 Medicare beneficiaries and 433 Medicare hospitals are located in this jurisdiction.

- As of March 31, 2007, approximately 137,350 physicians and other medical professionals provided services in this area.

- Approximately 10.9% of the national Medicare claims workload is in this jurisdiction.