



## MEMORANDUM

**TO:** Health Care Commission  
Steve Dechant  
Sandy Praeger  
Nancy Ruoff  
John Staton  
Dennis Taylor

**FROM:** Mike Michael

**DATE:** May 23, 2011

**SUBJECT:** Medicare Advantage Plan Renewals

Renewal proposals for Plan Year 2012 for both Medicare Advantage plans have been received. Medicare Advantage plans are another Medicare health plan choice sometimes called “Medicare Part C” or “MA” plans. For a member enrolled in a Medicare Advantage plan, the plan will provide all of the Medicare Part A (Hospital Insurance) and Part B (Medical Insurance) coverage and may include prescription drug coverage. Medicare pays the companies offering Medicare Advantage plans a fixed amount every month for each member enrolled. These companies must follow rules set by Medicare and have the option to provide different levels of benefits and member cost sharing. The Medicare Advantage plans are for direct bill members only and are fully-insured contracts. The entire premium for these plans is paid by the member.

Direct bill members currently have the option of selecting a Medicare Advantage (Part C) option with either Coventry Health Care (CHC) or Humana, Inc. Both companies currently offer Preferred Provider Organization (PPO) options. PPO plans have a defined territory (regional or local) in which they have network providers available. Services can be received from a non network provider; however, the member will incur higher out-of-pocket costs for these services.

### **2012 Coventry Advantra Renewal Proposal**

Coventry is offering members who live in the CHC Kansas Advantra service area their Preferred Provider Organization (PPO) Advantage plan option. In their renewal proposal, Coventry offered an alternative plan design option for 2012. For Plan Year 2012, the cost for medical only coverage will remain \$75. Members electing to purchase their Medicare Part D program through Coventry may do so for an additional \$64 for a total premium of \$139 per member per month, the same as 2011. A summary of the proposed CHC Advantra PPO Plan design is attached. Coventry’s proposed offering includes the following benefit changes for 2012:

- Adding an office visit copay of \$10 for a primary care provider and \$25 for a specialist

- Increasing the member copay for the first five (5) days of a hospital stay from \$100 to \$150 per day
- Increasing the member copay for preferred brand name drugs from \$25 to \$30
- Increasing the member copay for non preferred generic and brand name drugs from \$50 to \$60
- Increasing the member cost share for specialty drugs from 25 percent to 33 percent
- The copay for preferred generic drugs will remain \$5.

Coventry indicates increased utilization combined with a decrease in reimbursements from the Centers for Medicare and Medicaid Services (CMS) prompted these plan changes and they are not out of line with other Advantage plan products.

### **2012 Humana Advantage Plan Renewal Proposal**

The Humana Advantage Plan offering is also a PPO option. Members electing to enroll in medical only coverage in 2011 paid \$79 per month and will pay \$70 per month in 2012, and those electing medical and drug coverage paid \$160 per member per month this year and the proposed 2012 rate is \$184 per member per month. In addition to the premium changes, there are also plan design changes for 2012, including:

- Adding a \$100 network deductible for all services other than preventive services, emergency room, and diabetic monitoring supplies
- Decreasing the Primary Care Provider (PCP) office visit copayment from \$15 to \$10
- Decreasing the chiropractic office visit copay from \$35 to \$20
- Decreasing the Inpatient Hospital copay from \$175 (days 1-5) to \$165 (days 1-5)
- Decreasing the radiation therapy outpatient hospital copay from \$75 to \$60
- Increasing the Outpatient Hospital therapies (cardiac, occupational, physical, respiratory, audiology and speech) copay from \$35 to \$75
- Decreasing the Outpatient Hospital mental health and substance abuse copay from \$75 to \$40
- Increasing the emergency room copay from \$50 to \$65
- Decreasing the PCP surgical procedures copay from \$15 to \$10
- Decreasing the PCP mental health/substance abuse office visit copay from \$15 to \$10
- The pharmacy benefit will be a closed formulary four-tier plan instead of an open formulary five-tier plan for 2012:
  - Tier 1 Preferred Generic
  - Tier 2 Preferred Brand
  - Tier 3 Non Preferred Brand
  - Tier 4 Specialty

Humana indicates that these changes will bring the State's offering in line with their standard Advantage plan offering. The 2012 plan will use both their local PPO as well as their regional PPO networks to enhance the availability of providers. The above benefits are subject to approval by CMS. Attached is a copy of the proposed health and pharmacy plan design summaries.

### **Recommendation:**

Staff recommends extending the contracts with Coventry and Humana for one year and approval of the 2012 plan designs.