

**Testimony of**  
**Mark B. McClellan, MD, Ph.D.**  
**Administrator, Centers for Medicare & Medicaid Services**  
**Before the Subcommittee on Oversight of Government Management, the Federal**  
**Workforce, and the District of Columbia**  
**Of the Senate Committee on Homeland Security and Governmental Affairs**  
**Hearing on**  
**Monitoring CMS' Vital Signs: Implementation of the Medicare Prescription Drug Benefit**  
**April 5, 2005**

Chairman Voinovich, Senator Akaka, distinguished members of the Subcommittee, thank you for inviting me here today to discuss CMS' progress in implementing new Medicare prescription drug coverage. Beginning in 2006, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) provides for new Medicare Advantage (MA) plan options and makes voluntary Medicare prescription drug coverage available to all 43 million Medicare beneficiaries. These important new benefits will provide beneficiaries with additional choices and substantial help in paying for prescription drugs, greatly enhancing their quality of life. The law also gives Medicare the ability, for the first time in the program's 40-year history, to provide additional comprehensive help to those in greatest need—beneficiaries with very high prescription drug costs and people with low incomes. Under the MMA, millions of low-income beneficiaries will receive comprehensive prescription drug coverage at little or no cost.

CMS has already done a significant amount of work to implement all of the provisions of this legislation in a timely manner and in such a way that the new benefits are easily understood and accessed by beneficiaries. And I know, Mr. Chairman, you are particularly interested in how we plan to address the challenges the Agency will face as it rolls out the drug coverage to our Medicare beneficiaries. These new programs will only be successful if we can educate our beneficiaries, providers, and other partners about the impact MMA will have on them. We are developing and implementing a comprehensive education and outreach campaign including grassroots participation to ensure beneficiaries have the information and support they need to select a plan that best fits their needs. We also have worked extensively with potential sponsors

and providers to ensure we are responsive to their concerns in our regulations and guidance and they know what to expect.

In addition, to ensure we have the right people to carry out the new programs required by MMA we have revamped our entire human capital management plans and hiring process. I recognize that this Subcommittee, and you Chairman Voinovich, in particular, have been instrumental in providing CMS with the flexibilities needed to quickly and effectively hire individuals with the skills necessary to implement this important new benefit. I thank you for those efforts and I trust you will be pleased to see how CMS and the millions of Americans we serve have benefited from them.

### **Expanding the Talent Pool to Meet the Challenges of MMA**

We appreciate that Congress recognized CMS would require resources and flexibility to secure new talents to meet the challenges of implementing the MMA. With these resources and flexibilities Congress provided, CMS has hired a significant new talent pool, including individuals with expertise in pharmacy benefits management, clinical matters, disease management and prevention, and retiree benefit package structures. CMS has aggressively recruited IT professionals experienced with the types of payment systems contemplated by the law. We also hired individuals experienced with government contracting, as much of the work under MMA, as with other aspects of Medicare, will be contracted out. In addition, we found it necessary to expand and restructure several organizations within the Agency to fulfill our new responsibilities.

After filling the most critical staffing needs based on the highest priority work, CMS developed a more comprehensive, longer-range hiring plan, covering all our personnel needs for implementing the MMA. This hiring plan played a significant role in helping the Agency ensure that we hired the right people with the right skill sets. Through this plan we especially want to make certain that CMS is doing everything possible to ensure a smooth transition to the new Medicare prescription drug coverage.

### *CMS Develops Comprehensive MMA Hiring Plan*

CMS' new hiring plan incorporates a global Agency vision with a set of precise strategic goals designed to transition CMS from a traditional, bill-paying organization to a modern, patient-centered, competition-driven dynamic entity that works more closely and effectively with our private-sector partners to improve the health of our beneficiaries and the efficiency of our health system. The plan also identifies the need to hire staff with specialized skills and a sound knowledge of our new business partners, which include the pharmacy industry, employer groups, and Medicare prescription drug coverage managers. CMS' MMA hiring plan includes workload analysis and associated staffing requirements broken down by lines of business including the prescription drug coverage; MA; education and outreach; contracting reform; disease management; IT modernization; program integrity; demonstrations; Medicare payment, policy, and systems; and competitive bidding. The plan also includes a two-pronged recruiting strategy that combines the re-deployment of highly skilled CMS employees with the hiring of key external experts with diverse backgrounds. As a result of implementing the various provisions of this hiring plan, CMS has commitments to date for approximately 400 new MMA hires, with 345 highly qualified individuals already on board. We will fill remaining positions over the next several months.

### *CMS Takes Innovative Steps to Manage the Recruitment and Hiring Process*

In addition to developing a comprehensive hiring plan, CMS took the opportunity to dramatically improve the hiring process. Along with two other Federal agencies, CMS is participating in a special initiative with the Partnership for Public Service (PPS) to introduce creative and innovative solutions to the current hiring process. PPS is a nonpartisan, nonprofit organization that works with private and public sector hiring experts to help agencies attract and quickly hire top applicants. This important initiative is referred to as "Extreme Makeover." The objective is to help specific agencies meet their goals and create effective hiring models for the rest of government.

An expert faculty of recruiting consultants is working with CMS to address our hiring needs, including finding talent sources, marketing and branding recruiting efforts, and reducing the time to hire. CMS' Deputy Administrator serves as the Agency's executive sponsor for the Extreme

Makeover. Additionally, the Deputy Chief Operating Officer serves as the project manager, marshalling resources to participate in the diagnostic and solution phases and communicating with the internal leadership team. The CMS team includes human resources staff, hiring managers, the Agency's Chief Administrative Officer, program managers, and the Deputy Chief Financial Officer. The Extreme Makeover project launched on July 22, 2004 and is expected to last through December 2005. Although some solutions will likely go into effect during FY 2005, CMS expects to implement many of the solutions in FY 2006.

To better enable us to recruit and retain talent that is critical to the successful implementation of MMA, CMS has used a number of new approaches to recruiting and managing our talent pool. In September 2004, CMS hosted a targeted, invitation-only, job fair on the CMS campus. To prepare for this critical job fair, we reviewed thousands of resumes and then identified and invited those who appeared to possess the most relevant skills and experience. We developed resource books of impressive resumes for managers to review before the event and provided booths for on-the-spot interviews. We also used this event as an opportunity to make on-the-spot job offers for our positions with Direct Hire Authority (DHA), which the Office of Personnel Management (OPM) provided exclusively for the MMA implementation. DHA allows agencies to make rapid hiring decisions. For example, CMS invited 576 individuals to this job fair, 384 candidates participated, 62 individuals received on-the-spot interviews, and approximately 25 individuals were hired as a direct result of this event. The Agency believes that extensive evaluation and outreach activities like this one are essential to acquiring the highest qualified staff to meet the Agency's vital new challenges.

To monitor and track our progress against our strategic hiring goals, CMS developed a database, referred to as Strategic Tracking Analysis and Report System (STARS). STARS is a planning, evaluation and reporting tool that includes specific information on individuals' job experience, skill grouping, education level and academic discipline, as well as the source of recruitment.

#### *CMS Makes Extensive Use of Valuable Hiring Flexibilities*

In addition to the DHA, CMS could not have been successful at hiring critical staff without the use of "Management Staff" authority provided in Section 900 of the MMA. The Management

Staff authority provided CMS with the flexibility to pay key staff with expertise in areas critical to the implementation of the Medicare prescription drug coverage that are in high demand in the private sector at rates more commensurate with their expertise and experience. Although we are being very prudent in using the “Management Staff” authority as strictly as the legislation intended, we have found this authority to be a very valuable tool in the success we have had implementing the MMA.

CMS has also made extensive use of the flexibilities provided by the Federal Career Intern Program (FCIP). The FCIP program is designed to help agencies recruit exceptional individuals into a variety of occupations at the GS-5, 7, and 9 grade levels. It allows appointment of individuals to a 2-year internship that provides formal training and developmental assignments as established by the Agency. Upon successful completion of the program, the interns may be eligible for non-competitive permanent placement within the Agency.

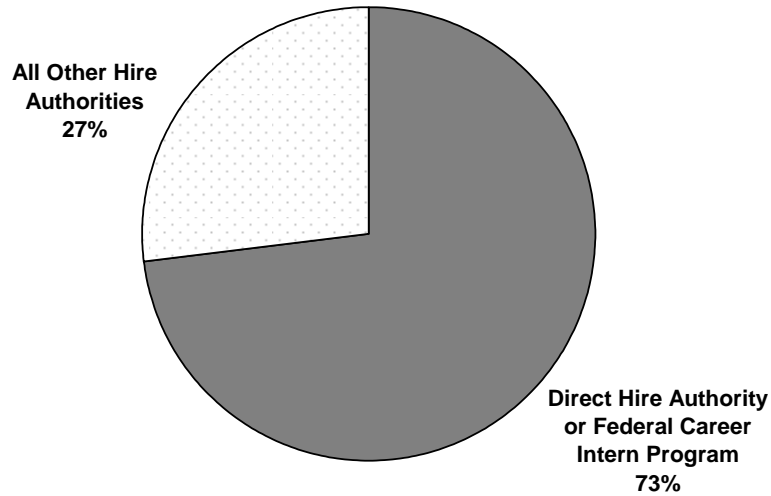
DHA, “Management Staff” authority, and FCIP are simplified and streamlined processes that have enabled the Agency to rapidly identify and hire highly qualified individuals. Furthermore, these authorities have been particularly valuable in helping us meet first and second-year MMA implementation priorities. Table 1 illustrates the number of individuals hired under these authorities (by occupation) through March 30, 2005.

**Table 1 – MMA Hires Using Flexible Authorities (By Occupation)**

<b>DIRECT HIRE AUTHORITY (DHA)</b>		
<b>(CMS-Specific Authority)</b>		
Health Insurance Specialist (GS-09 thru GS-15)	Actuary (GS-12 thru GS-15)	Economist (GS-12 thru GS-15)
190	3	4
		<b>CMS DHA Total: 197</b>
<b>DIRECT HIRE AUTHORITY</b>		
<b>(Government-Wide Authority)</b>		
Medical Officer (GS-09 thru GS-15)	Nurse (GS-09 thru GS-15)	Pharmacist (GS-09 thru GS-15)
7	3	10
		<b>Govt.-Wide DHA Total: 20</b>
<b>FEDERAL CAREER INTERN PROGRAM (FCIP)</b>		
<b>(Excepted Service Authority)</b>		
Health Insurance Specialist (GS-09)	Contract Specialist (GS-09)	Other (GS-09)
20	5	9
		<b>Total FCIP Hires: 34</b>
		<b>Total (DHA and FCIP): 251</b>

The 251 hires recruited through the use of DHA and FCIP represent a majority of CMS’ MMA hires to date, as outlined in Chart 1. Another 94 individuals have been employed through more typical hiring authorities, for a total of 345 new hires through March 30, 2005. The extensive use of the flexible hiring mechanisms has allowed CMS to fill the bulk of our core MMA positions and allowed us to concentrate our valuable administrative resources on hiring candidates for non-MMA positions simultaneous with MMA recruitment, and without significant delays in the standard hiring process.

**Chart 1 – Use of DHA or FCIP vs. Traditional Authorities for MMA Hires**



*New Employees Have Key Competencies*

As a result of the recent MMA hiring process, CMS has acquired employees with a wide range of competencies, skills, and knowledge that will allow us to implement and administer the many facets of the MMA. As a result, we have significantly improved the competence of the entire CMS workforce. In conjunction with our functional reorganization of the Agency, this will enable us to both meet the more immediate MMA needs and enhance CMS’ overall ability to work more efficiently with our industry contractor partners and better administer the competitive bidding process. Furthermore, our experience with MMA hiring will help us increase and improve our future outreach and education efforts.

*New Key Leaders Enhance Implementation and Administration Initiatives*

To date, CMS has hired a total of 20 individuals at the GS-15 level and above. These individuals have been instrumental in leading our MMA implementation and administration initiatives, and have also enhanced the collective knowledge of the Agency’s overall leadership cadre. The

following list represents a sampling of the backgrounds and experiences of key leaders that have been added to CMS' workforce as a direct result of the MMA hiring process:

- Formulation and development of the Nation's digital health information infrastructure.
- Leadership of a major university's drug information services, with strong emphasis on women's issues and working with Medicaid-vulnerable populations.
- Management of key information security systems for the Social Security Administration.
- Chief medical officer and senior vice president for a major health care provider.
- Leadership of the medical management, health care spending, credentialing, and pharmacy management functions for a health care utilization management group.
- Senior medical director for a Blue Cross/Blue Shield organization who has implemented quality-based payment systems.
- Management of a group responsible for analyzing individual and industry-wide hospital performance and the modeling of financial implications related to Medicare regulatory change.
- Geriatrics-boarded private physician with extensive experience as a medical director of a nursing facility and as a consultant to the Congressional Budget Office.
- Chief of the hematology and blood bank for a large component of the Veterans Administration; and
- President of a State Board of Pharmacy, with extensive experience in pharmaceutical sales, contracting, and regulatory development.

#### *New Hires Have a Wide Range of Skills*

Due in large part to the focus and well-defined goals provided by CMS' MMA hiring plan, the Agency has hired individuals from a wide range of backgrounds. Table 2 depicts the distribution of new hires based on their diverse job experience and educational backgrounds.



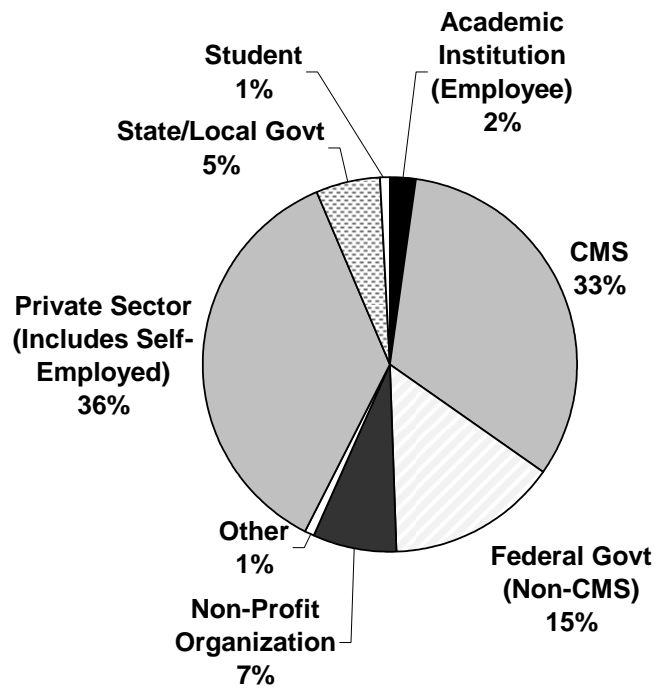
**Table 2 – MMA Hires by Skill Grouping**

<b>Skill Groupings (Based on Pre-CMS/Pre-MMA Job Experience)</b>	<b>Total Hires</b>
Accountant/Auditor	6
Actuary/Economist	11
Administrative/Clerical Staff	4
Attorney	13
Contract Specialist/Analyst	14
Physician	8
Information Technology Professional	30
Media/Communications Professional	6
Nurse	6
Other Health Care Professional/Employer Plan Manager	109
Other Professional (Interns, Fellows, Statisticians, Researchers, etc.)	119
Pharmacist/Pharmacy Benefit Management	15
Provider/Outreach Professional	4
<b>Total:</b>	<b>345</b>

*Variety of Recruitment Sources Provide Diverse Backgrounds*

We believe that diversity of backgrounds will bring a cadre of staff with fresh perspectives on our MMA implementation initiatives. Therefore, CMS has made a concerted effort to recruit and hire individuals from a wide range of sources. The universe of new MMA hires represents a mixture of individuals with experience in private industry, state and local governments, academia, non-profit organizations, other agencies, and from within CMS itself. Chart 2 illustrates the broad spectrum of recruitment sources for our MMA hires.

**Chart 2 - Total MMA Hires (By Recruitment Source)**



*Well-educated Staff Cover a Broad Range of Disciplines*

To meet the demands and challenges of a modern workplace, CMS places considerable value on acquiring, developing, and retaining staff that are well-educated in a broad range of disciplines. We have recruited and appointed a staff that possesses a strong commitment to personal learning and development, and that is well-equipped to handle complex initiatives with innovation, logic, and sound fundamental skills. Table 3 lists MMA hires by type of degree. Almost 90 percent of our MMA hires possess a Bachelors degree or higher, over 40 percent have graduated from a Masters-level program, and nearly 20 percent have attained a doctorate or professional degree.

**Table 3 – MMA Hires by Type of Degree**

<b>Highest Degree Type</b>	<b>Total Hires</b>	<b>Percentage of Total Hires</b>
High School	33	9.9%
Associate	7	2.1%
Bachelors	94	27.2%
Masters	140	40.6%
Doctorate	25	7.2%
Professional (JD, MD, etc.)	41	11.9%
<b>Totals:</b>	<b>345</b>	<b>100%</b>

Mr. Chairman, as you can see, CMS has put forth great effort into bringing the right people into the Agency to successfully implement the new Medicare prescription drug coverage. These individuals have already made a substantial contribution as we have met with stakeholders, developed and issued proposed and final regulations, and interacted with plans that hope to provide this important new benefit.

**Aligning CMS’ Organizational Structure to Accomplish MMA Goals and Requirements**

In addition to obtaining the right people with the right set of skills to implement MMA, in 2004, we expanded and restructured several components to strengthen the Agency’s ability to better meet its programmatic expectations. Three key CMS components were restructured as a result of this effort: The Centers for Beneficiary Choices (CBC), the Office of Information Services (OIS), and the Office of Acquisition and Grants Management (OAGM), formerly the Acquisition and Grants Group (AGG).

The CBC was substantially expanded to include four new group level components, as well as a small ombudsman staff that reports directly to the Center director. This new structure helps CMS exercise appropriate leadership in developing and effectively implementing all aspects of the prescription drug benefit and MA programs.

The four new group level components are: (1) the Medicare Advantage Group, responsible for the administration of the new, enhanced MA program, including the regional PPO program, (2) the Medicare Benefit Drug Group, responsible for the implementation of the Medicare prescription drug program, (3) the Employer Policy and Operations Group, which serves as a focal point for employer operations, including the new MMA retiree drug subsidy program, and (4) the Medicare Plan Accountability Group, which focuses on the performance assessment, plan enrollment, and payment operations for the MA plans and Prescription Drug Plans (PDPs).

In addition, the new ombudsman staff is responsible for ensuring that people with Medicare receive the information they need to exercise their Medicare rights. Also, the ombudsman staff is responsible for ensuring that beneficiary grievances and appeals of a decision or determination made by contractors or MA organizations are handled efficiently and effectively. The ombudsman has an unprecedented ability to review Medicare performance in beneficiary responsiveness and help implement systematic changes to improve responsiveness further.

The OIS was restructured by transferring the CMS information technology architecture planning functions from within a division-level organization to a newly established Information Technology Architecture Planning staff that reports directly to CMS' Chief Information Officer. This new structure helps strengthen CMS' mission functions by fostering a truly enterprise-wide approach to our key information technology planning activities.

The OAGM was recently elevated to an office-level component that reports directly to CMS' Chief Operating Officer. In its new configuration, OAGM will be much better situated to address its greatly expanded MMA-related workload, and will become an even more active participant in helping CMS leadership shape key decisions affecting both MMA implementation and the other core CMS mission functions.

Managing the Agency in such a dynamic environment requires building strong leadership throughout the organization, strengthening the skills base to better support implementation of MMA, and changing the management culture to instill greater accountability. CMS has taken several actions to address these challenges.

- To effectively manage and timely implement the over 200 MMA provisions, the Administrator in July 2004, established the Chief Operating Officer (COO) as a separate position. Previously, the Deputy Administrator also served as the COO. Creating a separate COO who can focus on Agency operations has enhanced CMS' ability to meet its many operational challenges while allowing the Deputy Administrator to work more closely with the Administrator on the many policy decisions that must be made to implement the new MMA legislation as well as lead and direct the important Agency initiatives and issues CMS faces.
- CMS is a matrix organization. To foster greater collaboration, communication and decision making, CMS has created five cross-cutting councils that deal with management, strategic planning, MMA, communications and quality. The councils also serve to ensure that the entire CMS leadership understands our new direction. The Administrator, Deputy Administrator and COO provide executive leadership to these councils.
- To achieve greater workforce accountability, the COO is leading the Agency's efforts to develop performance plans for all employees that cascade from the Agency's senior leadership, through the management ranks, to the general workforce population. Senior leadership and management plans contain specific metrics to which they will be held accountable for achieving. In addition, the COO has instituted a requirement that integrated project plans be developed and tracked for all major initiatives.

As the future aspects of MMA continue to be implemented and integrated into the overall CMS mission environment, we will continue to review our organizational structure and to make the necessary adjustments to ensure that we are well-positioned to meet our program and management objectives in an effective, efficient manner.

### **Favorable Response from Industry Bodes Well for Beneficiary Choice of Plans**

As you know, the new Medicare prescription drug benefit begins January 1, 2006. The first two major steps—selecting the PDP and MA regions and issuing the final regulations—have been

completed. CMS held four conferences for potential PDP and MA sponsors in order to give them the opportunity to interact with CMS experts and ask questions about participation in these new programs. Sponsors appreciated the opportunity to meet with CMS senior leadership and subject area experts and felt that having a forum to ask questions was extremely valuable. March 23, 2005 was the deadline for PDP and MA sponsors to submit applications to participate and CMS has now received numerous applications. We are in the process of reviewing these applications. Based on the strong response to this program, I can tell you that we expect to deliver the drug benefit on schedule, everywhere in the country, on January 1. Seniors will get the medicines they need, and because they can choose their drug coverage competitively, they will have coverage that automatically keeps up with modern medicine and they will get the best possible prices for their medicines. This includes not just “stand alone” prescription drug plans, but also drug coverage available through MA plans, and a broad range of options for employers, unions, and states to continue to provide and to augment drug coverage for our beneficiaries. Based on the high interest level of potential sponsors, CMS is confident that throughout the country, beneficiaries will have multiple plan options for their prescription drug coverage. In fact, at this point, we do not believe that we will need a fallback prescription drug plan, which would require more direct federal intervention in those areas without sufficient private plan participation.

In addition, in 2005 MA plans around the country, recently bolstered by additional payments that have allowed them to significantly expand their services and service areas, will soon be able to provide their valuable health care benefits to even more Medicare beneficiaries. I am pleased to say, we are already seeing the payoff from reforming the MA program to give seniors better, more reliable choices. We’re seeing great progress already in 2005. This year, we have received over 130 new MA plan applications, including 50 plans completely new to the Medicare program and around 70 new local Preferred Provider Organizations (PPOs). And some 96 current providers plan to expand their service areas this year. In fact, we expect that MA plans will be available in 47 states in 2005. Based on these applications, we expect over 90 percent of all Medicare beneficiaries will have access to these lower-cost plans this year. And it’s not just in the big cities anymore – three-fourths of rural beneficiaries will have access to a MA plan, and one-third of rural beneficiaries will have access to a coordinated care plan.

We're particularly pleased about the emphasis in these plans on improving care for chronically ill beneficiaries. MA plans can offer "Special Needs" plans to our frail and high-cost beneficiaries, including those who are institutionalized, dually eligible for Medicare and Medicaid, or who have other chronic illnesses. Already, more than 40 plans are offering Special Needs plans in 2005, and we expect an even larger number of these plans next year.

On average, individual enrollees of MA plans save nearly \$100 in out-of-pocket expenditures each month. This is because plan cost sharing for Medicare-covered services is lower, on average, than in original Medicare. In addition, MA plans provide non-Medicare services that most Medicare beneficiaries would have to pay for out of their own pockets.

This year, we will have broader health plan participation than ever before in Medicare's history. And this includes a completely unprecedented level of PPO participation. It's a tremendous foundation for the additional health plan options – including regional PPOs – that will be available in 2006.

The application and bidding processes for the sponsors are separated to simplify the overall drug coverage program process. CMS learned from the Medicare-Approved Prescription Drug Card that tight time frames for sponsors to submit applications and for CMS to review applications were problematic. CMS maximized the time available for reviews and increased the number of reviewers from the central office and regions to minimize the impact of tight time frames. Bids from PDP and MA sponsors are due June 6, 2005, more than two months after applications, and CMS will review bids as they arrive. CMS will enter into contracts with sponsors by early September.

### **Outreach, Education, and Enhanced Processes Help Beneficiaries Enroll**

CMS' extensive education and outreach campaign to help beneficiaries obtain the personalized assistance they need to enroll and get the most out of Medicare's expanded benefits is critical to our ongoing success. To help beneficiaries choose a plan that is right for them and learn about other new Medicare benefits, CMS is working with a broad array of partners who will help educate beneficiaries, their caregivers, and others at a grassroots level. The Social Security

Administration (SSA), the Administration on Aging (AoA), other Federal agencies, States, State Health Insurance Assistance Programs (SHIPs), employers, unions, national and community-based organizations, and private entities will all participate in this effort. Mr. Chairman, CMS would also welcome any assistance members of Congress can provide. Participating in Town Hall meetings and including information in your newsletters would be a great complement to CMS' outreach activities to help beneficiaries enroll. Beneficiaries can begin enrolling in plans November 15, 2005. Benefits can begin as early as January 1, 2006; however enrollment will remain open until May 15, 2006.

#### *Comprehensive Educational Campaign Begins Now*

CMS has an integrated and multi-pronged education effort for beneficiaries that includes media advertising, simple language fact sheets, detailed publications including the annual "Medicare & You" handbook, direct mail, and community-based grassroots efforts to target specific populations. This information will be available in plain English and plain Spanish. Some fact sheets and tip sheets will be available in other languages.

CMS plans to roll out its educational campaign to beneficiaries using a three-phase approach. The first phase, to be implemented through June of this year, is focused initially on making beneficiaries more aware of the MMA's new preventive benefits, on helping low-income beneficiaries take advantage of the prescription drug subsidy, and on providing an extensive foundation for further grassroots education and assistance. We will be working closely with the SSA on this phase of the education program. At the end of this period, the focus will be on educating beneficiaries and others about the sources of information and assistance available to learn about the new Medicare prescription drug coverage, including: the Medicare & You 2006 handbook, community level groups, the 1-800-MEDICARE helpline, and the medicare.gov web site. The second phase, in the last half of this year, will focus on educating beneficiaries to make informed decisions about the new benefits as well as further building up awareness. We will also be helping low-income beneficiaries enroll in the prescription drug program.

The final phase will take place in the first half of 2006 and will be targeted towards beneficiaries who have not yet enrolled to help them understand the benefits and the fact that they will face



higher payments for Medicare prescription drug coverage if they delay enrollment beyond May 15, 2006. This is just like beneficiary payments in Part B, home insurance, and life insurance in other areas.

#### *1-800-MEDICARE Helpline Better Serves Beneficiaries and Caregivers*

CMS' 1-800-MEDICARE helpline is an invaluable resource for beneficiaries and their caregivers to access information about the new Medicare prescription drug coverage and MA plans. CMS increased and improved its call center resources to address the higher volume of calls during implementation of the drug card program. Ongoing evaluations of the calls, including independent evaluations, also show accuracy and full responsiveness rates of around 90 percent on calls actually received (i.e., those calls that included actual beneficiary inquiries, not hypothetical topics). This has been achieved by taking various steps, such as conducting additional training sessions at each call center location that focused on accuracy, script navigation, and active listening.

To prepare for the initial open season and for increased informational inquiries, CMS has enhanced the capabilities of our 1-800-MEDICARE call centers so that beneficiaries can get additional support in identifying the drug and health plan options that meet their needs. CMS has substantially increased the number of customer service representatives. CMS will also enhance the capacity and clarity of the other tools available to help beneficiaries get the information they need efficiently and effectively. CMS is working hard to prepare the call center for the significant spike in calls beginning this fall. CMS will provide the best service available while carefully managing the cost of responding to this anticipated increased demand.

#### *State Health Insurance Assistance Programs Provide Personalized Assistance*

For beneficiaries who require or prefer personalized assistance, CMS has enhanced its partnership with SHIPs, which were repeatedly identified as a great resource for beneficiary outreach during CMS' drug card implementation. CMS increased SHIP funding in 2004 and will provide \$31.7 million to SHIPs in 2005, reflecting the increased emphasis on one-on-one advice and counseling for Medicare beneficiaries. The SHIPs are among the most effective resources in helping beneficiaries learn about the changes to Medicare and will use the additional

funds to equip their local counselors with the tools needed to answer beneficiaries' questions. We view our increase in SHIP funding of more than 100 percent in the past two years as a reflection of the importance of personalized beneficiary support in an era of increasingly personalized health care, in which support for our beneficiaries is a key part of helping them get the most out of our health care system.

Based on the drug card roll-out experience, CMS has engaged the SHIPs by developing new mechanisms of routine communications and training support. In addition, CMS is working with the SHIP network to define the information and materials that will be instrumental to their success and is providing kits tailored to those needs. Moreover, CMS is currently developing a broader outreach and education strategy (described later) based on an extensive analysis of current partner networks. This information will also help shape CMS' efforts to attract some innovative partners, such as alliances developed through our REACH program (discussed below) that will help to enroll beneficiaries who reside in underserved areas. A key factor in the plan is the timely deployment of the partner network and grassroots strategies.

#### *CMS' Regional Offices and Community Organizations Reach Low-Income Beneficiaries*

CMS also is conducting the Regional Education About Choices in Health (REACH) Campaign, a nationally coordinated effort to create partnerships with local organizations through CMS' 10 Regional Offices. CMS will work with community-level organizations to ensure that low-income Medicare beneficiaries receive the information they need to take advantage of Medicare's new benefits and options. We also will work closely with community-level organizations to reach those beneficiaries who are also enrolled in Medicaid, known as "full-benefit dual eligibles" who will qualify for Medicare (instead of Medicaid) prescription drug coverage with low or no premiums and co-payments of only a few dollars. These beneficiaries may need additional assistance enrolling because they may not (1) have learned about the new benefit and subsidy program because of barriers of location or literacy, (2) know how and where to get their questions answered, (3) receive culturally and linguistically appropriate information, and/or (4) receive accurate and reliable information tailored to meet community needs. We view such outreach as very helpful in assuring a smooth transition for "dual eligibles," however we are

designing our systems and implementation plans to accommodate Medicaid beneficiaries who simply show up at their pharmacy in early January.

In addition, CMS will auto-enroll full-benefit dual eligible beneficiaries and facilitate the enrollment of low-income subsidy qualified populations under the Medicare prescription drug coverage if they do not self-enroll during the open enrollment period. CMS will work with its partner organizations to ensure that individuals with MA plan drug coverage in 2005 will continue to get drug coverage under the new Medicare Advantage-Prescription Drug (MA-PD) plans through the transition into 2006.

#### *Other Outreach to Help Inform Beneficiaries*

CMS also will work with providers in nursing homes, pharmacies and other health professions to let them know how to assist beneficiaries. CMS is working with Medicare Today, a partnership of nearly 100 major health care organizations, including providers, advocacy entities, plans and employers to inform beneficiaries about the new Medicare prescription drug coverage by implementing a coast-to-coast grassroots effort of participating organizations. CMS also is working with the Access to Benefits Coalition (ABC), a coalition of almost 100 beneficiary and patient support organizations to target the hard-to-reach low-income population.

#### *Many Federal Agencies Will Help Educate Medicare Beneficiaries*

Our plan is to coordinate with other departments and agencies that potentially interact with Medicare beneficiaries, so that they will provide either education materials themselves, or direct beneficiaries to the appropriate resources. The White House is working with the Department of Health and Human Services and other departments to support this inter-departmental and inter-Agency effort.

CMS has worked with other executive branch agencies to identify 21 specific Federal programs that employ 80 different communications resources that can be used to educate Medicare beneficiaries about the new Medicare prescription drug coverage. For example, the national network of community aging services providers, funded by AoA, is an important component of our outreach efforts. As the largest provider of home and community-based care in the country,

the 56 state Agencies on Aging, 655 Area Agencies on Aging and 29,000 community providers interact with seniors, particularly those with low-incomes, on a daily basis at meal sites, senior centers, and in beneficiaries' homes. Examples of other government agencies that work with the Medicare population include:

- The Department of Housing and Urban Development, which provides funding for more than 2,000 service coordinators around the country who interact with seniors on a daily basis.
- The Department of Agriculture's Rural Housing Service, which targets the elderly, people with disabilities, and low-income rural residents.
- The Department of Energy's Weatherization Assistance Program, which also targets low-income Americans, particularly households with elderly residents, individuals with disabilities, and children.

#### *Comprehensive Education and Enrollment Process*

Independent surveys show high levels of beneficiary satisfaction with the enrollment process and the savings achieved among almost 6.5 million beneficiaries using the Medicare-Approved Prescription Drug Discount Card. Nonetheless, a commonly raised concern during the Medicare-Approved Prescription Drug enrollment process was that beneficiaries did not recognize they had a choice among a number of drug card sponsors. Further, many beneficiaries incorrectly assumed that their cards were coming directly from Medicare rather than from the health plans providing the new assistance. CMS will take steps during implementation of the Medicare prescription drug benefit to ensure that outreach campaigns and beneficiary materials, including standardized enrollment forms, give all beneficiaries information on the key facts about the coverage available. Additionally, CMS will take steps to ensure that all participating PDPs are announced simultaneously so that beneficiaries receive a consistent message about participating sponsors and can make an informed choice based on complete information. Furthermore, CMS will provide program details to beneficiaries in stages to avoid "information overload."

### *Internet Comparison Tools Aid Decision Making*

CMS will use the Internet to provide comparison information on plans to aid beneficiaries in making a decision about the plan that best meets their needs. Information can be updated frequently and accessed by a broad population including community level organizations, 1-800-MEDICARE Customer Service Representatives, SHIPs, advocates, and our partner organizations in outreach and enrollment, financial service planners, and insurance agents. CMS will draw on our experience in developing the price comparison tool for the Medicare-Approved Prescription Drug Card that was described by sponsors as both a necessary instrument and an important resource for Medicare beneficiaries.

We worked to address concerns expressed early in the drug card program that the web-based pricing tool could be confusing and difficult to navigate. In particular, the large number of approved card sponsors required CMS to reconsider the data presentation. The “Top 5” program display was developed in order to make the initial display of pricing data easier for beneficiaries to understand by limiting the display to the programs that would save them the most money annually. CMS also prominently placed a link at the top of the display page to allow users to easily view all of the available Medicare-Approved Drug Discount Card Programs rather than just the top programs. CMS expects to provide customized support for individual beneficiaries, allowing them to identify key priorities in their drug plan choice (e.g. preferred pharmacy, premium, and out-of-pocket spending) and the amount of information they wish to receive.

### **Conclusion**

CMS employees have made a tremendous effort to move us toward full implementation of the new benefits created under the MMA. As a consequence of our strategic hiring initiatives, organizational alignment, efficient use of resources, extensive education and outreach including national grassroots efforts, we are poised for a successful launch of Medicare prescription drug coverage. We have used our expertise and lessons learned from the Medicare-Approved Prescription Drug Card to design the simplest income and asset testing approach ever and the largest low-income outreach campaign ever. The response we have received from MA sponsors in 2005 and from potential MA and PDP sponsors for 2006 is extremely encouraging. We recognize the challenges yet ahead and there is still much to be done; however, I am confident

that CMS will be able to successfully guide this new program into existence. Furthermore, millions of American citizens will benefit from the new Medicare prescription drug coverage and the additional assistance for low-income beneficiaries.

Thank you, Mr. Chairman, for the opportunity to update you on our progress implementing the Medicare prescription drug coverage. I would be happy to answer any questions you may have.