

## Press Releases

### Details for: CMS ANNOUNCES STEPS TO IMPROVE ACCESS TO CONSUMER-DIRECTED HEALTH PLANS IN MEDICARE

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#### CMS ANNOUNCES STEPS TO IMPROVE ACCESS TO CONSUMER-DIRECTED HEALTH PLANS IN MEDICARE

The Centers for Medicare & Medicaid Services (CMS) today announced new steps to provide beneficiaries across the country with access to coverage through consumer-directed health plans in the Medicare Advantage programs in 2007. In addition to new Medical Savings Account (MSA) coverage, beneficiaries will have access to coverage with additional features similar to health savings accounts (HSAs) through a demonstration program that permits Medicare Advantage organizations to offer more flexible accounts.

Until now, the increasingly popular HSA-type plans have not been available to people with Medicare. The increased interest in HSAs among both individuals and employers has generated market interest for vendors.

“We are giving Medicare beneficiaries the option of health savings account-type plans, as an additional choice among other health plan options in Medicare,” Health and Human Services Secretary Mike Leavitt said. “Along with HMOs, PPOs, and private fee-for-service plans, Medicare is aiming to provide a full range of coverage options so that our beneficiaries can get the coverage they prefer at the lowest possible cost.”

CMS Administrator Mark B. McClellan, M.D., Ph.D. added, “Many features of Medicare were developed before consumer-directed health plans became widely used to lower health care costs for millions of Americans. We are now providing some needed flexibility to make the increasingly popular consumer-directed plans available to Medicare beneficiaries, and we are going to provide support for our

beneficiaries to make informed decisions about their health care spending.”

In an MSA, Medicare pays for a high-deductible health insurance plan, for beneficiaries who enroll, and puts money in an account established for the beneficiary generally at the beginning of the year. This money and any earnings on this money are tax free for the beneficiary as long as he or she uses it to purchase allowable health care. After the deductible is met in a given year, Medicare-covered services are covered by the health insurance plan. Amounts not used in one year remain in the account for use in a future year for payment of qualified medical expenses even if the beneficiary is no longer in a high deductible health plan. Account-based plans in Medicare would be attractive to beneficiaries who want more control over their own health care spending, with protection from catastrophic health care expenses at a lower premium cost, including beneficiaries who were enrolled in HSA plans prior to becoming eligible for Medicare.

The demonstration solicitation includes HSA-type products for individual Medicare beneficiaries and products for employers who are now offering HSA plans to their pre-Medicare employees and retirees. While Medicare’s total payment to the plans will be the same as under current rules for Medicare Advantage MSA plans, improvements and alternative benefit designs may make these plans more attractive to Medicare beneficiaries and, therefore, to organizations to offer these products. The more flexible features include:

- A design that includes a minimum deductible and a separate limit on an enrollee’s out-of-pocket expenditures (with cost-sharing permitted),
- Coverage of services after the deductible is met, prior to reaching the out-of-pocket expenditure cap (with cost sharing permitted),
- Reduced cost sharing permitted for in-network services, and
- Coverage for preventive services.

Although CMS does not have the authority to allow plans to offer a Medicare Advantage prescription drug product as a part of the demonstration product, plans may offer a stand-

alone product that would be attractive to enrollees in the demonstration program. For employer-group only plans, the stand-alone prescription drug product may be an employer-group only product.

CMS is also interested in examining whether there might be other options that could result in increased deposits for individual beneficiaries.

As a feature of the demonstration, and in keeping with CMS' interest in promoting transparency in the health care system, plans will be required to provide their enrollees with cost and quality information on health care services, and plans will be required to provide enrollees with appropriate tools and assistance in using cost and quality information to make decisions about their health care. As CMS continues its own efforts to provide Medicare price and quality information to the public, the demonstration will provide an opportunity for CMS to work with plans and employers to capitalize on the availability of Medicare data to help enrollees of these plans make decisions about their health care choices based on robust cost and quality information.

Enrollees would stay with the plan for the entire calendar year unless they move out of the plan's service area permanently or are out of the service area for more than six months.

"Because health care organizations will spend some time developing appropriate product designs and setting up their business infrastructure, we expect participation in the demonstration to increase between 2007 and 2008," Dr. McClellan said. "We also expect increasing participation from Medicare beneficiaries as time goes on, as more beneficiaries who already have an HSA enroll in Medicare and want to keep it, and as Medicare beneficiaries become familiar with the coverage."

Applications to participate in the demonstration are due by July 21 and the bids are due on August 10.

CMS' solicitation of proposals for the demonstration will allow the agency to work with health plans to make available a wider variety of MSA products in 2007 or 2008 that more closely resemble HSAs.

Along with the solicitation, CMS has included the specific parameters of the demonstration, so plans can begin their planning processes. The MSA demonstration parameters provide opportunities for plans to offer competitive, marketable MSAs to Medicare beneficiaries. As has been the case for organizations that have been considering offering a Medicare Advantage MSA product under the current program authority in 2007, CMS will be proactive in providing technical assistance to interested applicants designing an MSA demonstration.

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