



Center for Beneficiary Services

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DATE: May 25, 2006

TO: All Medicare Advantage Organizations, Prescription Drug Plan Sponsors, Section 1876 Cost-Based Contractors, and Employer/Union Direct Contractors

FROM: Brenda Tranchida, Deputy Director  
Employer Policy and Operations Group

SUBJECT: Employer/Union-Only Group Waiver Plan (EGWP) Service Area and Bidding Requirements - REMINDER

This is a reminder that for Contract Year (CY) 2007, all entities offering employer/union-only group waiver plans (EGWPs) must submit bids by the June 5, 2006 deadline. This includes all employers and unions that contract directly with CMS to offer these plans to their members and Prescription Drug Plans, Medicare Advantage Organizations and Section 1876 Cost-Based Contractors that offer these plans to employer and union groups.

All entities will be subject to the same basic bidding and payment rules that were applied to these plans in CY 2006. We have highlighted several important reminders related to the submission of bids for these plans which are set forth below:

Private Fee-For-Service Medicare Advantage Plans and Stand-alone Prescription Drug Plans:

For Contract Year (CY) 2006, CMS granted service area extension waivers to all non-network Private Fee-For-Service (PFFS) plans (both MA-Only plans and MA-PDs) and Prescription Drug Plans (PDPs) that offer EGWPs. CMS extended these waivers for the 2007 contract year, which will allow these kinds of plans to cover employer and union group members nationwide if entities meet the requirements of the waiver. The waivers apply when the most substantial portion of the employer's employees (or in the case of a union, its participants) reside in a state or PDP region where the PFFS plan or PDP is also a provider of non-group coverage. For more details on these waivers, please refer to our website: <http://www.cms.hhs.gov/empgrpwaivers>.

To be able to utilize this waiver during CY 2007, a non-network PFFS plan or PDP must have a designated national service area and submit a "national" Part C and/or Part D bid. Please note that these plans will not be required to have pharmacy networks in place until they contract with an employer or union group that has members who reside in the extended service areas. **Also please note that for CY 2007, as in CY 2006, no mid-year service area expansions will be permitted for EGWPs. Entities that fail to request a "national" service area and to submit a corresponding national bid will not be able to utilize these waivers to cover EGWP members nationwide.**

### Medicare Advantage (MA) Bids:

For CY 2007, entities offering EGWPs have a choice of whether to use a fee-for-service or composite bidding approach. More specifically, the cost sharing priced in worksheet 3 of the Bid Pricing Tool (BPT) must correspond to that contained in the Plan Benefit Package (PBP). The PBP can either be prepared using the expected composite benefit plan or may be based on the Medicare fee-for-service benefit provisions.

MA bids cannot reflect an allocation of A/B rebates to buy down Part D basic premium or Part D supplemental premium. Even though this kind of specific allocation is prohibited in the bid, MA Organizations retain the flexibility to allocate rebates to buy down Part D basic premium or Part D supplemental premium on an individual employer/union basis for each PBP.

### Part D Bids

All Part D bids are based on Defined Standard coverage with no supplemental benefits included in the bid.

Each employer/union-only group bid must reflect the composite characteristics of the individuals expected to enroll in the plan in CY2007.

For more comprehensive and specific employer/union-only group waiver bidding instructions, please refer to: Instructions for Completing the Medicare Advantage Bid Pricing Tool For Contract Year 2007 (Appendix D – Medicare Advantage Products Available to Groups) (May 1, 2006) and Instructions for Completing The Medicare Prescription Drug Plan Bid Form for Contract Year 2007 (Worksheet V, Appendix D - Employer/Union-Only Group Requirements) (April 5, 2006). Also see CY 2007 “Call Letters” - PDP Instructions for 2007 Contract Year, Section XIV (April 4, 2006) and MA, MA-PD CY 2007 Instructions, Section XIII (April 4, 2006).

If you have any questions concerning these requirements, please contact Sara Walters at (410) 786-3330 or at [Sara.Walters@cms.hhs.gov](mailto:Sara.Walters@cms.hhs.gov) or Julian Nadolny at (410) 786-2274 or at [Julian.Nadolny@cms.hhs.gov](mailto:Julian.Nadolny@cms.hhs.gov).