



2176 Wisconsin Ave., NW
Washington, D.C. 20007
(202) 364-8283
(202) 244-8324 *fax*

To: Clients and Friends
From: John Gorman and Jean LeMasurier
Date: August 14, 2009
Re: CMS Announces Average Part D Premiums of \$30 for 2010

On August 13, 2008, CMS announced the results of the Part D and MA (Medicare Advantage) competitive bidding process for 2010. The bidding process reflects the amount that Medicare beneficiaries will pay for premiums for the standard Part D benefit design offered by PDPs (Prescription Drug Plans) or MA plans next year.

The announcement also includes regional MA benchmarks and regional low income benchmarks that reflect the Low Income Subsidy (LIS) premium amounts Medicare will pay for fully eligible beneficiaries and the bids that will qualify plans for auto or facilitated enrollment.

Beneficiary Premiums

The 2010 beneficiary premiums are approximately \$2 higher than 2009.

The base beneficiary premium for 2010 is \$31.94, which compares to \$30.36 in 2009 and \$27.92 for 2008. Since most beneficiaries enrolled in a PDP will have access to plans that cost the same or less than 2009, CMS estimates that beneficiaries will only pay on average **\$30** for Part D coverage because they will choose the lower priced plans. Medicare Advantage premiums will continue to be about 12 percent lower through the use of rebates, care coordination and drug management.

Actual premiums vary significantly by plan since a variety of factors are used to adjust the base premium. These factors include: the plan's bid compared to the national bid; supplemental benefits; late enrollment penalties; Medicare Advantage rebates; and low income subsidies.

National Average Bid Amount

The national average monthly bid amount for 2010 is \$88.33 which compares to \$84.33 for 2009 and \$80.52 for 2008. This bid reflects an average, weighted by enrollment, of the standardized bid amounts for each PDP and MA-PD plan (excluding MSA plans, PFFS plans, cost plans and PACE plans).

Regional LIS Subsidies

Medicare pays 100 percent of the premium subsidy amount up to the weighted average low income benchmark premium amounts for a PDP region for eligible beneficiaries. There are 34 Part D regions and the Low Income Subsidies range from \$21.42 in Region 26 (New Mexico) to \$40.89 in Region 31 (Idaho, Utah).

CMS used its demonstration authority to assure that beneficiaries had a choice of five plans in each region that were at or below the regional LIS benchmark.

The demonstration excluded the MA A/B rebates from the Part D premiums used to determine the LIS subsidies. As a result, only 800,000 beneficiaries will be reassigned rather than the 1.8 million beneficiaries that would have been affected without the demonstration.

MA Regional Benchmarks

For 2010, the standardized benchmarks reflect a blend of the weighted county capitation rates across the region (76.3%) and weighted average of the plan bids in the region (23.7%).

Click [here](#) to access:

[CMS 2010 Medicare Advantage Ratebook and Prescription Drug Information](#)

For additional information, please contact Gorman Health Group directly at 202-364-8283 or via e-mail at ghg@gormanhealthgroup.com.