

Principles for Establishing Prescription Drug Plan Regions To Maximize Access to High-Quality Plans

CMS considered a number of key factors in establishing prescription drug plan (PDP) regions. We developed these factors through data analysis informed by a market survey, written comments, a public meeting, and an open door forum. The key principles are:

1. Eligible Population and Capacity. The regions were designed to provide a sufficient number of potential enrollees. An adequate population is required to assure PDP viability (above 400,000 eligibles is necessary to be able to have a minimum number of eligibles for two competing PDPs in a region). At the same time, comments we received indicated that if the size of the regional population is too large (i.e. greater than about 3 million eligibles, or 1.5 million eligibles for two PDPs in a region), plans may have difficulty enrolling and providing services to beneficiaries especially in the start-up year.
2. Beneficiary Considerations. At our public meeting and in our analyses we considered how well PDP Regions “nest” or fit with MA regions. Our goal was to make PDP regions fit within MA regions as closely as possible so that the regions are as transparent to beneficiaries as possible.
3. Limited Variation in Prescription Drug Spending. We also looked at state-by-state variations in prescription drug spending, based on data estimating average state prescription drug spending by individuals age 65 and over in 2006. CMS sought to minimize the variation in average state prescription drug spending within a region.