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# TRACKING MEDICARE HEALTH AND PRESCRIPTION DRUG PLANS
# Monthly Report for January 2006

*A Brief Summary of Selected Significant Facts and Activities This Month to Provide Background for Those Involved in Monitoring and Researching Medicare Advantage and Prescription Drug Plans*

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**PROGRAM STATUS: PRIVATE PLAN OFFERINGS, ENROLLMENT, AND CHANGE**

***NOTE: CMS WILL NOT BE RELEASING DATA FOR JANUARY 2006. WE SHOW DECEMBER 2005 DATA IN THE PREVIOUS MONTH COLUMN.***

From the CMS Medicare Managed Care Contract Report (http://cms.hhs.gov/healthplans/reportfilesdata/):

| Plan Participation, Enrollment, and Penetration by type | Current Month: Jan 2006 | Change From Previous Month Not Available<br>Column Shows December 2005 | Same Month Last Year | |
|---|---|---|---|---|
| | | | Jan 2005 | Change From Jan 2005 – 2006 |
| **Contracts** | | | | |
| Total | Not Available | 459 | 311 | Not Available |
| CCP | | 302 | 175 | |
| PPO Demo | | 34 | 34 | |
| PFFS | | 17 | 6 | |
| Cost | | 29 | 29 | |
| Other* | | 77 | 67 | |
| **Enrollment** | | | | |
| Total | Not Available | 6,121,678 | 5,521,690 | Not Available |
| CCP | | 5,157,629 | 4,755,231 | |
| PPO Demo | | 163,787 | 113,941 | |
| PFFS | | 208,990 | 58,072 | |
| Cost | | 321,555 | 330,731 | |
| Other* | | 269,719 | 263715 | |
| **Penetration**** | | | | |
| Total Private Plan Penetration | Not Available | 14.0% | 12.9% | Not Available |
| CCP + PPO Only | | 12.1% | 11.1% | |

*Other includes Other Demo contracts, HCPP and PACE contracts.
** Penetration rates for December and January 2005 are calculated using the number of eligible beneficiaries reported in the September 2005 State/County File.

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DEFINITIONS: Coordinated Care Plans, or CCPs, include health maintenance organizations (HMOs), provider-sponsored organizations (PSOs) and preferred provider organizations (PPOs). Data from the September 2005 Geographic Service Area File show that HMOs account for 80 percent of CCP contracts and 99 percent of CCP enrollment. The Medicare preferred provider organization demonstration began in January 2003. PFFS refers to private fee-for-service plans. Cost plans are HMOs that are reimbursed on a cost basis, rather than a capitated amount like other private health plans. Other Demo refers to all other demonstration plans that have been a part of the Medicare+Choice / Medicare Advantage program.

**Pending Applications**

- No January 2006 data published from CMS.

**Summary of new MA contracts announced in January:**

- No January 2006 data published from CMS.

## NEW ON THE WEB FROM CMS

**Relevant to Both Medicare Advantage and Prescription Drug Plans**

- On January 13, 2006, CMS notified Medicare Part D plans that CMS was engaged in an intensive effort to provide correct information on cost sharing levels for dually eligible and other LIS enrollees in Part D and that they expected plans to take immediate steps to assure these beneficiaries were not charged standard cost sharing amounts. These included an expedited process within plans for approving low income cost sharing and notifying pharmacies that they may apply low income cost sharing when beneficiaries present and as claims are processed. On that same day, CMS's Office of the Administrator also issued a statement to all partners thanking them for their assistance to date and apprising them of what CMS is doing to correct problems. This information is available on CMS's website at http://www.cms.hhs.gov/center/partner.asp

- On January 19, 2006, CMS released a fact sheet of state-by-state prescription drug enrollment figures as of January 13, 2006. The fact sheet updated the previously released information in December 2005 and, for the first time, provided state by state data. The release indicates that just under 3.6 million beneficiaries were enrolled in stand-alone prescription drug plans, which was up from about 2.6 million since December 13, 2005. There are thirteen states that have over 100,000 residents enrolled in a stand-alone drug plan as of January 13, 2006 (California, Florida, Georgia, Illinois, Indiana, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, and Virginia). Three of these states have enrollment figures above 200,000: (251,339 in Illinois; 234,159 in Texas; and 226,391 in Florida). Five states (Alaska, Hawaii, North Dakota, Rhode Island, and Wyoming) and the District of Columbia have less than 10,000 residents currently enrolled in stand-alone plans. In addition, the fact sheet lists by states the number of MA-PD enrollees as of January 13, 2006 as well as the number of Medicare-Medicaid auto-enrollees, Medicare Retire drug subsidy enrollees and Tricare/FEHB enrollees. The press release is available on CMS's website at http://www.cms.hhs.gov/apps/media/?year=2006&media=facts

- On January 24, 2006, DHHS Secretary, Michael Leavitt and CMS Administrator Mark McClellan released statements that the federal government will reimburse states for the cost of claims that

insurers should have paid since the Medicare prescription drug enrollment period began on January 1, 2006 (*Los Angeles Times,* Ialonso Zaldivar, January 24, 2006). The reimbursement is part of a larger seven-point plan also announced to address some of the issues with the drug benefit. The seven-point plan also includes an increase in the number of customer service personnel. (The communications had not been posted to the CMS web site at press time.)

- As noted last month, CMS has revamped its web site. There is now a new site for the statistical data however the statistical data that historically have been posted are not yet on the new site; they are expected very soon. From the main web page there is an icon to click to another webpage titled 'Research Statistics Data and Systems.' On this web page there is a section for Health Plans, Reports, Files and Data. However, as of press time, this website was not available. (http://www.cms.hhs.gov).

- On January 30, 2006, CMS released a memorandum to all current and future Medicare Advantage Organizations notifying them that the final 2007 Medicare Advantage applications are now published on CMS's website. The material is located at http://www.cms.hhs.gov/MedicareAdvantageApps/

    - On January 31, 2006, CMS held a webcast for all MA, MA-PD, and PDP organizations planning to submit applications for the 2007 contract year. The purpose of the webcast was to provide guidance on the application process for 2007. The broadcast is archived on the CMS website for one month and can be viewed until this time at http://cms.hhs.gov/MedicareAdvPartDTrain/

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**Relevant to Medicare Advantage**

- None

**Relevant to Prescription Drug Plans**

- On January 4, 2006, CMS released information to all entities that provide prescription drug coverage to Medicare Part D eligible individuals stating that they must disclose to CMS whether the coverage is creditable or non-creditable. CMS has issued guidance on the form, manner, and timing of providing the disclosure notice to CMS. The information is available on the CMS website at http://www.cms.hhs.gov/creditablecoverage/.

- This month the Office of Inspector General (OIG) released a report titled "Dual Eligibles' Transition: Part D Formularies' Inclusion of Commonly Used Drugs." The goal of the report was to determine the extent to which Medicare prescription drug plan formularies include drugs commonly used by dual eligibles under Medicaid. OIG first identified 200 of the drugs most highly utilized by dual eligibles in 2005 (representing 78 percent of prescriptions filled for this population). Of these 200 drugs, 178 are eligible for PDP coverage and 22 of the drugs are not eligible to be included in PDP coverage. OIG found that of the 178 drugs eligible, PDP formularies varied in whether or not they included these commonly used drugs from a low of 135 drugs (76 percent) to a high of 178 drugs (100). In addition, of those 22 drugs that are not eligible for PDP coverage, OIG found that most states will provide coverage for at least some excluded drugs and in 45 of 47 states interviewed states will continue to provide coverage for the drugs currently covered by their Medicaid program.

**Relevant to Special Needs Plans Specifically**

- None

## ON THE CONGRESSIONAL FRONT

### About Medicare Health and Drug Plans Specifically

- The Medicare Payment Advisory Commission (MedPAC) held a meeting on January 10-11, 2006. One of the sessions focused on Medicare Advantage special needs plans (SNPs). The focus of the presentation was to provide background information on SNPs and to describe MedPAC's proposed study of SNPs. MedPAC is planning on addressing the following questions in its study: 1) What are the incentives for organizations to offer and beneficiaries to join SNPs? 2) Will they come from Medicare fee-for-service or another type of plan? 3) How many beneficiaries have been passively enrolled? 4) Did they remain in SNPs? 5) What effect will SNPs have on existing special plans? 6) and how successful will dual-eligibles SNPS be at integrating Medicare and Medicaid administrative requirements and funding? To answer these questions, MedPAC plans to do interviews and site visits in some of the locations with SNPs. The transcripts for this session as well as the other sessions and a full agenda are available online at www.medpac.gov.

- MedPAC will hold its next public meeting March 9-10, 2006. The meeting will be held at the Ronald Reagan Building in Washington, DC. An agenda will be available approximately one week before the meeting and transcripts will be available approximately 3-5 business days after the meeting ends. Both documents will be available online at www.medpac.gov.

### Broader Medicare Program (in Brief)

- None

## FROM THE PERSPECTIVE OF BENEFICIARIES

### General

- On January 23, 2006, a nonpartisan, survey-based research company, Ipsos Public Affairs, released results from a poll of 1,000 adults conducted January 17-19, 2006 (margin of error: +/-3.1) on the new Medicare prescription drug benefit. Fifty-two percent of respondents said that the Medicare prescription drug plan was 'somewhat hard' or 'very hard' to understand while 16 percent report that it is not difficult to understand and 33 percent said they are not sure. When asked if they or any close family members have noticed any significant cost savings under the new prescription drug program, 59 percent of those polled said there have not been any significant cost savings; 17 percent reported cost savings; and 24 percent said they were not sure. The full results of the poll are online at http://www.ipsos-na.com/news/pressrelease.cfm?id=2950

### Special Populations

- None

**FROM OTHER STAKEHOLDERS**

- Kaiser Family Foundation released an issue brief: "Medicare Drug Benefit Enrollment Update." The issue brief breaks down the enrollment figures released from CMS this month and compares them to the numbers CMS had originally projected. The issue brief noted that of the 24 million with prescription drug coverage, most had drug coverage in 2005, either through Medicaid, MA plans or employer plans. Of the 3.6 million individuals who enrolled in PDPs for 2006, it is unclear how many had drug coverage prior to signing up for a Part D plan or are newly covered. DHHS originally projected that 39.1 million Medicare beneficiaries would have prescription drug coverage in 2006. The issue brief also discusses low-income subsidies, stating that DHHS originally projected 8.2 million beneficiaries would be eligible for the low-income subsidy (excluding those dually eligible for Medicare and Medicaid) and projected 4.6 of that total would receive the subsidy in 2006. As of December 30, 2005, SSA has determined 1.1 million Medicare beneficiaries are eligible for LIS for the new drug benefit and 2.5 applicants have been determined ineligible. The issue brief is available online at http://www.kff.org/medicare/7453.cfm

- The Kaiser Commission on Medicaid and the Uninsured also released a new issue brief: "Dual Eligibles and Medicare Part D: An Implementation Update." The issue brief summarizes the transition of drug coverage for dual eligibles from Medicaid to Medicare. The issue brief describes dual eligibles and how Part D uniquely affects them. It also discusses the Administration's actions to prevent lapses in duals' access to medication and the early experiences many duals have had with Part D. The issue brief stated that many dual eligibles have had problems getting their prescriptions filled and that there have been some cases of plans not following the transitional protocols they were required to develop to ensure beneficiary access to needed medications. Finally, the issue brief discusses that the steps states have taken so far to address the coverage gaps in this transition period and what challenges dual eligibles will continue to face in the months ahead. This issue brief is available online at http://www.kff.org/medicaid/7454.cfm

- On January 26, 2006, Kaiser Family Foundation held a forum on the new Medicare Part D drug program's progress in the month since enrollment began. The forum included a panel of experts including Leslie Norwalk, CMS; Karen Ignagni, American Health Insurance Plans; Vicki Gottlich, Center for Medicare Advocacy, Debra Garza, Walgreens, Barbara Coulter Edwards, former Director of Ohio Medicaid, and Barbara Kennelly, National Committee to Protect and Preserve Social Security. Diane Rowland of the Kaiser Family Foundation moderated the forum. Panelists commended CMS for its hard work and cooperation while indicating that the implementation of the new drug benefit was proving problematic on the ground, particularly for dual eligibles and those with low-income subsidies. Many of these problems, panelists said, were anticipated though the fact that they arose was not necessarily CMS's fault. State experience, Barbara Edwards said, provided strong support for needing a phase in versus a transition that involved a one day move of 6.6 million beneficiaries, many vulnerable and impaired—and on a Sunday when doctors where not available.

    - Panelists described specific operational problems relating to verifying enrollees eligibility and assigned plans, getting proper information on co-payments, and addressing issues of drugs that were not covered. CMS's recent workarounds were viewed positively though on the ground experience suggested they did not always work as intended. Areas for continued work that were mentioned include: distinguishing between drugs not covered by statute in the Part D benefit versus drugs not on a plan's formulary, better understanding and more

uniformity in exceptions processes for drugs not on the formulary, CMS support for encouraging patient assistance programs to continue for those not covered, and dealing better with enrollees who sign up or switch late in the month so they can access new benefits at the beginning of the month. Beneficiaries also could be encouraged to renew prescriptions while they still have several days supply so that there is more time to deal with any problems before medical issues arise. Panelists also indicated support for policy to make states and beneficiaries whole for start up costs associated with the transition but implementing such policies may be complex (e.g. payments for drugs under state contracts could be higher than plan negotiated rates).

- The Question and Answer session allowed CMS to clarify certain facts. At present, CMS believes that it is premature to extend the deadline for 2006 enrollment in the pharmacy benefit because it is too soon to tell what the situation will be as May approaches and beneficiaries should not be encouraged to procrastinate once they are aware of the enrollment decision. The 4.5 million Medicare beneficiaries in MA-PD plans that were referenced in the CMS January press release include "a couple hundred thousand" new enrollees; continuing enrollees were automatically enrolled in an MA-PD plan if their 2005 MA plan included coverage for prescription drugs. Other MA enrollees had to sign up (a small proportion also are in plan types that may not include a PD option). Leslie Norwalk said she would have CMS prepare a fact sheet to help industry compare the MA-PD numbers to 2006 to historical MA enrollment data.

- Though the focus was on short-term operational issues, longer-term issues also were raised. For example, low enrollment and high denial rates for the LIS subsidy program, some suggested, may indicate that a legislative remedy to remove the assets test is desirable because the test complicates and discourages enrollment. Barbara Kennelly of the National Committee to Preserve Social Security and Medicare argued that focusing on short term implementation ignored the fundamental problem with an overly complicated and fundamentally flawed Act that was the first step in privatizing Medicare. More information on this forum is available at www.kff.org

- There have been numerous news articles this month dealing with the problems involved in implementation. For example:

  - An article in *USA Today* (January 4, 2006), "Pharmacists deal with Medicare Confusion: Computer glitch, missing cards among troubles," describes how during the first few days of the enrollment period pharmacists struggled with billing glitches and that customers came into pharmacies confused. Larry Kocot, CMS, commented that sheer volume caused computer slowdowns and that the problems have been resolved.

  - An article in *USA Today* (Wolfe/Appleby, January 13, 2006) reports that at least two dozen states are paying for needed prescriptions until the coverage gaps can be fixed. Some of the states that are temporarily paying for prescription drug coverage for beneficiaries that are dually eligible include Hawaii, Illinois, Maine, California and Pennsylvania.

  - In related news, California HHS Secretary, Kim Belshe discussed on the Kaiser Family Foundation Broadcast Studio, the new Medicare Prescription Drug benefit and why California has declared a health emergency because of difficulties many beneficiaries are

having in receiving needed medication. The transcript of the event is available at www.kaisernetwork.org/health_cast

- On January 25, 2006, the *Wall Street Journal* reported, "New Medicare Drug Benefit Sparks an Industry Land Grab" (Leuck and Fuhrmans). The article reported that UnitedHealthcare said it has 2.8 million Medicare beneficiaries in either stand-alone PDPs or MA plans with an additional 1.5 million in PacifiCare, which it acquired in December. Humana reports 1.7 million enrollees in PDPs and MA plans. A related article that same day reported on understaffing by government and plans as one contributor to rollout plans.

## NEWLY RELEASED RESEARCH STUDIES NOT PREVIOUSLY DESCRIBED

- **Gellad, Walid F., Huskamp, Haiden A., Phillips, Kathryn A., and Haas, Jennifer S. "How the New Medicare Drug Benefit Could Affect Vulnerable Populations."** ***Health Affairs*****, vol. 25, no. 1, January/February, 2006. (www.healthaffairs.org).**

This article examines how vulnerable populations including racial and ethnic minorities, the near-poor, and seniors with a greater burden of chronic conditions will be affected by the new Medicare drug benefit. The analysis focuses specifically on the portion of these vulnerable populations that qualify for the standard Medicare drug benefit (and do not qualify for subsidies). The analysis is based on data from the Medical Expenditure Panel Survey Household Component (MEPS_HC) from 1996-2000 with a sample of 5,996 seniors in all study years. The authors estimated total drug spending in 2006 for vulnerable populations eligible for the standard benefit and estimated how out-of-pocket spending might change for these groups under the new benefit. The analysis concludes that the new benefit might not reduce financial barriers to medication use for these populations. Specifically, in their sample, they found that of those with three or more chronic conditions, 34.9 percent would fall into the "doughnut hole" coverage gap and thus still incur substantial drug costs. The analysis also concludes that while low-income seniors not eligible for low-income subsidies might benefit more than before Part D coverage began, they still will have large-out-of-pocket drug costs considering their incomes and might continue to have difficulties paying for prescriptions.

- **Antos, Joseph. "Cutting through Confusion in Part D." Washington DC: American Enterprise Institute for Public Policy Research, No. 2, 2006.**

In his essay, Antos describes that even though most seniors have at least 40 prescription drug plan options to choose from, selection among these options does not have to be overwhelming if seniors focus only on the details of those plans that offer the lowest total cost for their prescriptions over the year. The author suggests that seniors should choice a plan by looking at the bottom line cost they would incur over the course of the year. He stated that paying more than the lowest cost makes no more sense in this market than in other markets. In addition, Antos discussed how the decision should be easy for a substantial portion of Medicare beneficiaries recommending that they should remain in their current plan. Antos also discussed why there are currently so many plans in the market as well as an outlook for Medicare competition in the future. His essay is available on line at www.aei.org.

- **Barry, Patricia. "The New Math: Cheaper than Canada? The Drug Benefit May be the Better**

**Deal." Washington, DC: AARP Bulletin, January 2006. (www.aarp.org)**

This article used stand alone prescription drug plans from CMS's Medicare plan finder and analyzed what different beneficiaries' prescription drug costs would be if they enrolled in the lowest cost drug plan available to them. AARP calculated in its total cost to beneficiaries' premiums, deductibles and payments for medication to determine the selected group of beneficiaries' annual cost. AARP then compared these costs to what these beneficiaries would pay if they bought the same drugs from Canada. The analysis finds that most individuals that enrolled in the low-cost insurance plan would spend less money in drug costs (including premiums paid and deductibles) than if they were not enrolled in a low cost plan and instead bought their drugs from Canada.

- **Bach, Peter B. and McClellan, Mark. "Medicare Drug Benefit: A Prescription for a Modern Medicare Program."** ***New England Journal of Medicine,*** **vol. 353; 26 December 29, 2006.**

In this article, Peter Bach (senior adviser) and CMS Administrator, Mark McClellan discuss the new prescription drug benefit. The authors comment on the benefits of the new program and state they expect the benefit to reduce the risk of catastrophic financial losses. The authors discuss why competition among plans has help increase quality and lower prices consumers pay.

## OTHER SIGNIFICANT EVENTS

- None