

State Leads U.S. In Stand-Alone PDP Sign-Up

By John Leighty

Shortly before the May 15 deadline for seniors to sign up for Medicare's new prescription drug plan, 3.4 million Californians were enrolled in PDPs, the most in the nation. This includes 455,972 California seniors without a drug plan who opted for a PDP, the fourth-highest voluntary sign-up rate following Texas, Florida and Illinois.

The stand-alone PDP statistics also encompassed nearly 900,000 people eligible for both Medi-Cal (Medicaid) and Medicare drug assistance because of special needs who either chose or were auto-enrolled in a PDP by the state, according to the latest statistics from the Centers for Medicare & Medicaid Services. In addition, almost 1.3 million Medicare Advantage HMO members in the state received drug coverage or were automatically enrolled in their insurer's PDP; 650,000 of them were enrolled in Kaiser Permanente's senior plan.

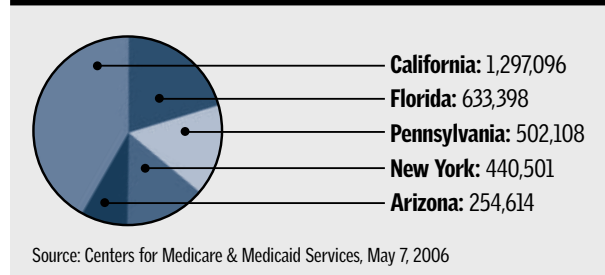
Not surprisingly, UnitedHealth Group's PDP (United Healthcare), which was marketed nationally by the AARP, was the top performer for stand-alone membership, snagging 21 percent of the state's business with 267,200 members. UnitedHealth's PacifiCare of California subsidiary picked up another 10 percent of the state's market with a separate stand-alone product.

Humana, which offers the lowest rates in the state, was second with 184,700 members—or 15 percent of the state total—followed by Health Net Inc., with 144,000 enrollees and a 12 percent market share, according to statistics released April 27 by CMS.

WellPoint subsidiary Blue Cross of California was fourth with its stand-alone PDP, Blue MedicareRX with 139,400 enrollees and an 11 percent market share, according to CMS. "We anticipate steady enrollment and will continue to promote our portfolio of senior products inclusive of Part D," says spokeswoman Kellie Bernell. The Blues options sold at premiums of \$20.04, \$28.56 and \$35.29, the latter two with zero deductibles. In addition, Blue Cross sells Freedom Blue PPO Medicare Advantage plans with premiums ranging from \$7 to \$32 a month.

When the dust settled over the marketing flurry of 19

TOP STATES FOR MEDICARE ADVANTAGE PDP MEMBERSHIP



organizations offering about 160 plans with a variety of deductibles, copays and formularies, there were still 960,000 of California's 4.3 million Medicare eligible seniors without creditable drug coverage, according to CMS.

"Obviously, we'll continue our efforts to get seniors into the program, but the activity will be scaled down," says Jack Cheevers, a CMS spokesman in San Francisco. He says one of Medicare's Internet-equipped mobile assistant vans—a big blue bus—has barnstormed through California, Arizona and Nevada over the past few months assisting seniors confused over the complex choices of PDPs.

Robert Taketomo, president and CEO of La Jolla-based Ventegra, a contracting service organization that provides pharmaceutical services for HMOs and other clients, attributes UnitedHealth Group's dominance in the state to its "strong marketing partnership with AARP," an association most seniors trust.

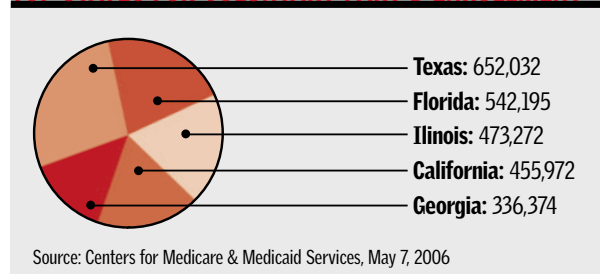
Humana, which doesn't have an HMO presence in California, credits its success in the state not only to the lowest-priced premium in the state, but to a consumer-oriented marketing approach that included a partnership with Wal-Mart.

"We had a 'Let's Talk' approach based on face-to-face, one-on-one selling," says Humana spokesman Tom Noland. "We had kiosks in Wal-Mart's in very key locations frequented by seniors that yielded a lot of good results."

The Humana plans, with monthly premiums of \$5.41, \$11.24 and \$50.91, were also sold through State Farm agents and other insurers and Humana's own sales teams. There was also a blitz of cable television ads promoting Part D participation, says Noland.

Taketomo says the approximately 1 million California Medicare members who hadn't opted for Part D coverage shortly before the deadline likely included a large number of seniors in good health who didn't see any need to be paying premiums for a drug benefit they might not use. For others, the multitude of product and design options led to "confusion and inertia," he says.

TOP STATES FOR VOLUNTARY PART D ENROLLMENT



“Consumers were bombarded with so much information that it was difficult for most people to make an educated choice,” says Taketomo. “Basically, they seemed to be saying, ‘Since I do not understand what to do, I just won’t sign up.’”

To be effective, Taketomo says plan designs should be easy to understand and administer, provide transparency around cost and benefits, and give priority in assisting consumers in achieving the best possible health outcomes.

“The overarching concern is that the entire California’s population, including Medicare beneficiaries, receives the pharmaceutical benefits they need at a cost that enables access and encourages compliance,” says Taketomo.

After May 15, people turning age 65 have an extra month to sign up for the voluntary drug coverage without penalties. Otherwise, they must wait for the annual open enrollment, Nov. 15 to Dec. 31, and their drug coverage would not take effect until Jan. 1, says Cheevers. Also, premiums would go up, because the penalty for signing up after the deadline is about 32 cents a month—1 percent of the national average for Plan D monthly premiums. So, a four-month delay in signing up for the program could add \$1.28 a month to a premium. Waiting three years to sign up for a plan could add \$11.52 per month.

Bonnie Burns, training and policy specialist for California Health Advocates, says despite state, federal and consumer counseling programs, PDPs are still confusing to many seniors. An area of ongoing concern is drug coverage for the 900,000 dual-eligibles—the aged, blind and disabled—whose Medi-Cal prescription drug benefits were transferred to Medicare Part D Jan. 1.

LEADING CALIFORNIA STAND-ALONE PDPs

Company	Enrollment	Market Share
UnitedHealthcare	267,200	21%
Humana	184,700	15%
Health Net	144,000	12%
Blue Cross of California	139,400	11%
WellCare	132,900	11%
PacifiCare	127,300	10%
Sierra	115,800	9%
UniCare	60,500	5%
MemberHealth	22,200	2%
Blue Shield of CA	16,700	1%

Source: Centers for Medicare & Medicaid Services, April 27, 2006

CALIFORNIA’S COMPLEX PDP MARKETPLACE

An analysis of the state’s PDP marketplace by Avalere Health revealed the following:

- » There are a total of 164 drug plans—71 in LA County—from which to choose
- » Among these 164 plans, cost-sharing tiers range from two to eight tiers whereas standard commercial drug plans average three tiers
- » Among these 164 plans, the number of drugs on formulary ranges from 530 to 3,360 (out of an approximate 8,000 FDA approved drugs)
- » Monthly premiums range from \$0–\$66.08, with deductibles ranging from \$0–\$250

Source: Avalere Health LLC and the California HealthCare Foundation

“Many people who switched plans aren’t getting the drugs they need at the price they’re supposed to be paying,” says Burns. While California and other states passed emergency legislation to temporarily pay drug costs for dual-eligibles, Burns says some life-saving drugs aren’t on plan formularies. “We’re going to be going through a long shakeout period,” says Burns.

California is continuing to provide emergency funding for prescriptions for dual-eligibles when pharmacies are unable to collect payment from a Part D plan. This resulted from the confusion that transpired when people were automatically assigned to Part D plans and the records were incomplete or the plans didn’t have accurate information on who was enrolled. The emergency legislation took effect Jan. 12 and has been continued several times on a 30-day basis, the latest extension being through May 16.

A study released by the California HealthCare Foundation in March says that on average, Part D coverage for dual-eligibles is inferior to coverage under Medi-Cal. Moreover, coverage varies widely for dual-eligibles depending on the plan into which they were auto-enrolled. “Both findings have important implications for the health of these beneficiaries,” says the study conducted by Washington, D.C.-based Avalere Health.

OUTLOOK: With eight of 19 stand-alone prescription drug plans capturing 94 percent of the California market, look for a shakeout in the Part D market, with the largest PDPs, particularly the UnitedHealth Group/PacifiCare combo, consolidating their strengths. Expect some PDPs to fade away when fall open enrollment attracts seniors to the most popular cost-conscious plans.

