

Update: Managed Care Companies Scramble to Enroll Seniors in Medicare Prescription Drug Plans

OLDWICK, N.J. September 21 (BestWire) — Starting Oct. 1, U.S. managed care companies are expected to launch widespread media campaigns in the start of the scramble to get the nation's seniors enrolled in new Medicare prescription-drug plans, set to take effect Jan. 1, 2006. Seniors, caught in the battle among the companies for enrollees, will be swamped with a dizzying array of plan choices, so many companies in line to receive federal contracts under the program say they will be focusing on consumer education.

In November 2003, Congress passed the most sweeping revision of the federal Medicare program in its 38-year history. The part most favorable to managed care companies was \$12 billion in subsidies to encourage greater participation in the government-run health program for the nearly 42 million elderly and disabled Americans. The best-known part of the \$400 billion package, known as the Medicare Prescription Drug, Improvement & Modernization Act, was the new prescription-drug benefit, or Medicare Part D.

Anyone with Medicare Part A and/or Part B can enroll in a stand-alone prescription drug plan, which adds coverage to the original Medicare plan, or enroll in a Medicare Advantage plan, such as an HMO or the new regional preferred provider organization that offers the prescription drug coverage, according to the Centers for Medicare & Medicaid Services, the administrator of Medicare.

As of Sept. 21, CMS was about to award contracts to managed care organizations and pharmacy benefit managers for the 34 prescription drug plan regions and the 26 Medicare Advantage regions. On Oct. 1, selected managed care organizations and pharmacy benefit managers will begin their media blitzes to seniors, including TV commercials, print advertisements and direct mail. Enrollment begins Nov. 15. Joining by Dec. 31 will ensure that coverage begins Jan. 1, 2006.

Prescription-drug plan revenues are projected to reach \$41 billion in 2006, accounting for 37% of the \$110 billion in total Medicare revenue to be generated by private plans in Medicare next year, up from \$51 billion in 2005, according to a research note released earlier this year by Scott J. Fidel, a senior managed care analyst with JPMorgan Securities.

"With potentially up to eight to 12 different national plans competing to provide a (drug plan) in a given region, as well as additional local players, we expect that brand recognition and the effectiveness of sales and marketing strategies will be critical drivers of relative enrollment growth following the initial auto-assignment period," Fidel wrote.

In August, CMS estimated the national average monthly premium for coverage would be \$32.50, including plans with premiums of \$20 or less. In 2006, after Medicare beneficiaries meet a \$250 deductible, Medicare will pay 75% of prescription drug costs up to \$2,250.

Most of the publicly traded companies are seeking to offer the stand-alone drug plans nationally, where competition is expected to be robust. Companies already have spent millions preparing for their product launches. WellPoint Inc. has invested \$30 million; Cigna Corp., nearly \$40 million; Aetna Inc., about \$50 million; PacifiCare Health Systems Inc., reportedly \$50 million; UnitedHealth Group Inc., about \$75 million; and Humana Inc., the highest, at about \$80 million. The money has gone toward marketing, administrative expenses, new call centers, additional staff and information technology, company officials said.

But several risks exist in the longer term, Fidel warned, such as "higher political/legislative risk to the stocks as the industry grows the mix of earnings being derived from Medicare, given the unpredictable and volatile track record of the federal government as a business partner."

Some companies are more aggressive in pitching their wares to seniors. Last month, Humana launched a 300-city, cross-country educational campaign involving several Humana motor homes that traveled throughout the United States to visit seniors in their own neighborhoods.

The vehicles visited about 300 community and senior centers, as well as Wal-Mart, Sam's Club and Neighborhood Markets stores, among Humana's "preferred pharmacies." Visitors received free consultations that provided information about the new Medicare changes, steps to prepare for enrollment and phone numbers to call for more information.

Steve Brueckner, Humana's vice president of senior markets, said the company is the only one to do such a tour.

Clarity in marketing will be a key to health maintenance organizations' success in enrollment, said Samuel H. Fleet, president and chief executive officer of National Employee Benefit Cos., noting "there's a tremendous amount of confusion among seniors surrounding Medicare Part D, and HMOs need to be clear and concise in their messages with regard to the benefits of their plans."

Frank McCauley, head of retiree markets for Aetna Inc., agreed that beneficiaries are looking for easy-to-understand information. "What are the plan choices that are available, how do those choices work with my current coverage, and then what are the premiums and/or the cost savings associated with that?" he said of the questions seniors will want answered.

Many companies formed partnerships with retail pharmacies such as Walgreens, CVS, Rite Aid and Eckerd to educate seniors on the Part D benefit and to provide information on prescription-drug safety through in-store and community events.

Terri Swanson, vice president of Cigna Senior Care, said Cigna's strategic alliance with NationsHealth Inc. positions it for the senior population. The alliance joins NationsHealth's experience in distribution to the Medicare population with Cigna's pharmacy products and clinical management programs. NationsHealth has more than 2.6 million members carrying prescription discount cards.

And UnitedHealth Group Inc. and AARP, the national membership organization for people aged 50 and older, are teaming to offer an AARP-branded Part D plan. Joyce Larkin, a UnitedHealth spokeswoman, noted UnitedHealth already manages a pharmacy program for 2 million AARP members.

Lynne Gross, vice president and general manager of senior markets for Anthem Inc., a unit of WellPoint Inc., the largest U.S. publicly traded Blue Cross Blue Shield company, noted the company has been serving the senior population for more than 60 years and plans to stay in that market.

(Corrects information in the first paragraph and adds information in the fourth paragraph.)
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