ALLIANCE FOR HEALTH REFORM

Medicare Private Fee-For-Service Plans

An Alliance for Health Reform Toolkit
August 13, 2007

Introduction

A Medicare private fee-for-service (PFFS) plan arranges care for Medicare-eligible beneficiaries enrolled in the plan. PFFS plans cover the same medically necessary services that the original Medicare program does, and in addition, may offer extra benefits such as outpatient prescription drugs. The federal government pays the plan a set amount per month for each enrolled beneficiary. Beneficiaries attracted to PFFS plans hope to lower their out-of-pocket costs compared to what they would pay in traditional Medicare.

Unlike PPOs and HMOs, PFFS plans are not required to coordinate care, establish provider networks, or adopt utilization management strategies. PFFS plans also differ from other Medicare Advantage plans in that they allow enrollees to seek care from any provider who is willing to accept their plan. Providers in a PFFS plan can decide each time they see a patient whether to accept the plan's terms of participation and payment rates, which are usually those of Medicare's traditional fee-for-service program.

Over the past three years, enrollment in private Medicare fee-for-service (PFFS) plans has increased significantly. According to Medicare enrollment statistics, PFFS is the fastest growing type of plan under the Medicare Advantage umbrella.

However, the plans have drawn the interest of federal budget cutters since they cost more per beneficiary than traditional Medicare. Moreover, beneficiaries have been reporting confusion about the plans and sometimes, enrollment fraud. Some private fee-for-service beneficiaries have been denied services by physicians who previously accepted their traditional Medicare coverage. This toolkit contains links to resources that describe the basics of PFFS plans, advantages and incentives included in the plans, and the challenges that PFFS enrollees have encountered along the way.

"Your Guide to Private Fee-for-Service Plans"

U.S. Department of Health and Human Services
Revised May 2007
www.medicare.gov/Publications/Pubs/pdf/10144.pdf

This government booklet describes the basics of Medicare private fee-for-service (PFFS) plans, specifically the costs and benefits of these plans, and how to go about enrolling in a PFFS plan. It is a good introductory resource for those considering PFFS plans, or advising beneficiaries, and

provides state-specific contact information for Medicare plans and Medigap policy information. The booklet also includes a glossary of Medicare terms.

"Private Fee-for-Service – Beneficiary Questions & Answers"

Centers for Medicare and Medicaid Services, U.S. Dept. of Health and Human Services
February 10, 2006
www.cms.hhs.gov/PrivateFeeforServicePlans/Downloads/benqa.pdf

This is a list of questions and answers for potential and current beneficiaries of private fee-for-service plans. It describes how PFFS plans differ from managed care plans and from the traditional Medicare arrangement. Describes who is eligible to join such plans, advantages and disadvantages of joining, and how to appeal if a service is denied.

"Medicare Advantage: Private Health Plans in Medicare"

Congressional Budget Office
June 28, 2007
www.cbo.gov/ftpdocs/82xx/doc8268/06-28-Medicare_Advantage.pdf

This issue summary describes how PFFS plans work, how they differ from other Medicare Advantage plans and from traditional Medicare, how they are paid, how enrollment and spending are trending, and how spending cuts to Medicare Advantage plans would likely affect plans and beneficiaries.

"An Examination of Medicare Private Fee-for-Service Plans"

Jonathan Blum, Ruth Brown and Miryam Friedar
For the Kaiser Family Foundation
March 2007
www.kff.org/medicare/upload/7621.pdf

This issue brief describes the history of private fee-for-service plans and the incentives to enroll in such plans. The authors describe the key features of the plans, including benefits, requirements and premiums. They provide a detailed comparison of Medicare Advantage network plans (HMO's, PPO's) vs. the PFFS plans. Also included is an evaluation of enrollment trends in PFFS plans, specifically highlighting the enrollment jumps that occurred between 2006 and 2007.

"Medicare Advantage Hits Jackpot with Private Fee-for-Service Plans"

Frank Diamond
Managed Care Magazine
May 2007
www.managedcaremag.com/archives/0705/0705.medicare_ffs.html

This article discusses how PFFS are a new and different breed of health insurance plan, with a unique payment system and no requirements to conduct utilization review, collect HEDIS data, or contract with physician networks. They are now being offered by many large insurers, such as Humana, UnitedHealth, and Blue Cross & Blue Shield of Michigan, all of which are seeing money flowing freely into their PFFS offerings. On average, the Centers for Medicare and Medicaid Services is paying PFFS plans 19 percent more than would be paid per beneficiary under traditional Medicare coverage. Some argue that PFFS are getting an unfair advantage, using tax dollars an inefficient manner. Will overpaying in the short-run cause disaster in the long-run?

For an update, see the last resource listed: "Prominent Medicare Health Plans Strengthen Consumer Protections and Voluntarily Pledge to Temporarily Suspend Non-Group PFFS Marketing."

"Medicare Advantage in 2006-2007: What Congress Intended?"

Marsha Gold
Health Affairs Web Exclusive
May 15, 2007
www.healthaffairs.org

In the past year, private fee-for-service plans within Medicare have grown tremendously. However, enrollment in these plans is mostly happening in "floor" counties where the overpayments are the greatest; nearly 84 percent of PFFS enrollees in 2006 were in urban or rural floor counties. Marsha Gold, a senior fellow at Mathematica Policy Research, discusses the growth of Medicare Advantage plans since 2006, specifically focusing on PFFS plans. She finds that many firms did not widely market their PFFS plans to the same degree in every county. Rather they focused on advertising in counties with a favorable rate profile, counties where the gap between traditional Medicare and Medicare Advantage rates is highest. She also discusses what firms are doing to mitigate their financial risk. Gold believes that the benefits of these plans do not exceed the risk, and that PFFS plans allow firms to "piggyback" on Medicare's existing investment and policies while doing little to improve care management.

"Medicare Advantage Private Fee-For-Service (PFFS) Plans: A Primer for Advocates"

Marissa Gordon Picard
Center for Medicare Advocacy
May 2007
www.medicareadvocacy.org/MA_PFFSPrimerForAdvocates.pdf

Marissa Picard challenges claims that PFFS plans are superior to traditional Medicare. "Enrollees in PFFS plans do not have the same access to providers that they would have under traditional Medicare," she states. "PFFS plans are exempt from many of the consumer-protective requirements of Medicare Advantage (MA) coordinated care plans. And, perhaps most important, the true cost of services provided under PFFS plans can be much greater than under traditional Medicare, especially

when supplemented by a Medigap policy." This primer also examines the statutory requirements and regulations affecting PFFS plans, and compares PFFS plans with traditional Medicare in three states – Connecticut, Montana and Oregon.

"Private Fee-for-Service Plans in Medicare"

Mark E. Miller
Medicare Payment Advisory Committee
A Hearing of the Subcommittee on Health, Committee on Ways and Means,
United States House of Representatives
May 22, 2007
www.medpac.gov/documents/052207_Testimony_WM_MedPAC_MA_PFFS.pdf

When MedPAC was charged by Congress to make recommendations on payment policies for providers under Medicare and Medicare Advantage, Mark Miller, the executive director, spoke on behalf of the commission. He said MedPAC believes that the Medicare Advantage program is not promoting proper efficiency because the plans are not being paid appropriately. The commission believes that present MA payment policy is inconsistent with MedPAC's principles of payment equity between MA and the traditional Medicare fee-for-service plan. Miller provided recommendations for the future of MA program, including his suggestions for PFFS plan reform.

See also "MedPAC Report to Congress: Promoting Greater Efficiency in Medicare," June 2007, pp. 65 – 67 (www.medpac.gov/documents/Jun07_EntireReport.pdf)

"Private Fee-for-Service Plans in Medicare: Rapid Growth and Future Implications"

Patricia Neuman
Kaiser Family Foundation
A Hearing of the Subcommittee on Health, Committee on Ways and Means,
United States House of Representatives
May 22, 2007
www.kff.org/medicare/upload/7648.pdf
http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5965

In her testimony, Patricia Neuman describes the rapid growth of Medicare Advantage plans, particularly private-fee-for-service plans. She describes the characteristics of providers and beneficiaries in PFFS plans, and discusses what one should be aware of when considering purchasing a plan. She notes that the plans may reduce out-of-pocket expenses; however, it is possible they could increase costs for those with chronic and serious health problems. She also describes instances in which PFFS enrollees have been denied access to care. Patricia Neuman is vice president of the Kaiser Family Foundation and director of the Foundation's Medicare Policy Project.

To access other testimonies from the hearing on "Medicare Advantage Private Fee-For-Service Plans," Tuesday, May 22, 2007:
http://waysandmeans.house.gov/hearings.asp?formmode=detail&hearing=561

"Analysis: Private Medicare Under Fire"

Todd Zwillich
The Washington Times
United Press International
May 23, 2007
www.washtimes.com/upi/20070523-082849-7741

This summer (2007) lawmakers will attempt to push new legislation placing restrictions on private insurance plans offered through Medicare Advantage. Reports about advertising and enrollment abuse have surfaced. Consequently, legislators are working to ensure that enrollees receive proper access to the quality care that they were promised in their PFFS plans. These abuses are occurring frequently in rural areas. Many legislators have criticized these plans for being overpaid, sometimes up to nineteen percent more per beneficiary than in the traditional Medicare plan. During the May hearings, witnesses described the high payment rates and lack of regulation as causing a "gold rush" for insurance companies.

"People Misled Into Choosing Medicare Part C Can Bail Out"

Carol Gentry
The Tampa Tribune
July 11, 2007
www.tbo.com/news/nationworld/MGB3GN15Z3F.html

New federal guidelines allow Medicare beneficiaries to withdraw early from Medicare private plans if they think they were misled by sales agents for the plans, or sales materials, Carol Gentry writes. The guidelines don't apply to original Medicare, Medicare supplemental coverage or Medicare prescription drug plans. Medicare regional offices have been instructed to give such cases "high priority," Ms. Gentry reports.

For a May 10 Tampa Tribune story on PFFS plans, "Medicare to Clarify Enrollees' Coverage," go to www.tbo.com/news/money/MGBUDH6GI1F.html

"Prominent Medicare Health Plans Strengthen Consumer Protections and Voluntarily Pledge to Temporarily Suspend Non-Group PFFS Marketing"

AHIP Press Release
June 15, 2007
www.ahip.org/content/pressrelease.aspx?docid=20010

Karen Ignagni, president of America's Health Insurance Plans (AHIP), announced that seven of the organization's largest member companies voluntarily pledged to temporarily suspend marketing non-group PFFS plans. The seven companies that have suspended marketing on these plans are BlueCross BlueShield of Tennessee, Coventry Health Care, Inc., Humana Inc., Sterling Life Insurance Company, UnitedHealth Group, Universal American Financial Corp. and Wellcare Health Plans, Inc. Said Ms. Ignagni: "Today's pledge …will allow health plans to mobilize quickly to improve broker-agent education and training. This action will allow our members to expeditiously demonstrate that they have comprehensive and effective procedures in

place. They will do so as soon as possible, and, in any event, well prior to the launch of 2008 marketing efforts."

Broken links: Please let us know at info@allhealth.org if you find that any of the links mentioned above no longer work.

Some Selected Experts and Websites on Medicare Private Fee-for-Service Plans

Analysts/Advocates

Richard Cauchi 303/364-7700
Senior Policy Specialist, National Conference of State Legislatures

Maggie Elehwany 703/519-7910
Vice-President for Government Affairs & Policy, National Rural Health Association

James Firman, ... 202/479-1200
President and CEO, National Council on Aging

Robert Friedland 202/687-9840
Director, Center on an Aging Society

Marsha Gold, ... 202/484-4227
Senior Fellow, Mathematica Policy Research Center

Stuart Guterman 202/292-6735
Senior Program Director, Program on Medicare's Future, Commonwealth Fund

Robert Hayes 202/869-3850 x15
President, Medicare Rights Center

Charles Kahn 202/624-1534
President, Federation of American Hospitals

Cheryl Matheis 202/434-3948
Director of Health Strategies, AARP

Patricia Neuman 202/347-5270
V.P. and Director, Medicare Policy Project, Kaiser Family Foundation

John Rother 202/434-3701
Director of Policy and Strategy, AARP

Gail Wilensky 301/656-7401
Senior Fellow, Project HOPE

Government

Gary Bailey 410/786-4927
Deputy Director, Center for Beneficiary Choices, CMS

Kathleen King 202/512-7101
Director, Health Care, Government Accountability Office

Herb Kuhn 410/786-4164
Director, Center for Medicare Management, CMS

Mark Miller 202/220-3700
Executive Director, MedPAC

Peter Orszag 202/226-2602

Director, Congressional Budget Office
Dianna Porter 202/637-5272
Director of Governmental and Political Affairs, Alliance for Retired Americans
Bruce Steinwald 202/512-7101
Director, Health Care, Economic and Payment Issues, Government Accountability Office

Stakeholders
John Aberg 813/865-5045
Vice President, WellCare Health Plans
Anthony Barrueta 510/271-6835
Senior Counsel, Government Relations, Kaiser Permanente
Ardis D. Hoven 202/789-7246
Board Member, American Medical Association
Karen Ignagni 202/778-3200
President and CEO, America's Health Insurance Plans
Edward Kaleta 202/467-5821
Government Relations, Federal Issues, Humana
Barbara Kennelly 800/966-1935
President and CEO, National Committee to Preserve Social Security & Medicare
Mary Nell Lehnhard 202/626-4781
Senior Vice President, Blue Cross and Blue Shield Association
Mark Lindsay 952/992-4297
Director, Public Communications and Strategy, UnitedHealth Group
William Novelli 202/434-2300
Executive Director and CEO, AARP
Ian Spatz 202/638-4170
Vice President, Public Policy, Merck & Company, Inc.

Websites
AARP ..... www.aarp.org
Alliance for Health Reform ..... www.allhealth.org
Blue Cross Blue Shield Association ..... www.bcbs.com
Centers for Medicare and Medicaid Services ..... www.cms.gov
The Commonwealth Fund ..... www.cmwf.org
Department of Health and Human Services ..... www.hhs.gov
Families USA ..... www.families.org
Kaiser Family Foundation ..... www.kff.org
Medicare Rights Center ..... www.medicarerights.org
Medicare.gov –U.S. Government Site for People with Medicare ..... www.medicare.gov
MedPAC ..... www.medpac.gov
National Council on Aging ..... www.ncoa.org
Project HOPE ..... www.projecthope.org
Robert Wood Johnson Foundation ..... www.rwjf.com
UnitedHealth Group ..... www.unitedhealthgroup.com
Urban Institute ..... www.urban.org