



# Medicare Modernization Act (MMA)

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SEAC Conference – Charlotte, N.C.

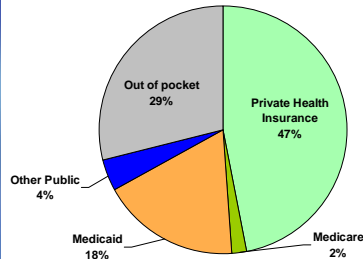
November 16 – 18, 2005

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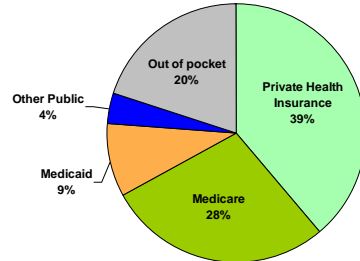


## WHAT IS AT STAKE : Projected U.S. Retail Rx Drug Spending

2005 (Total = \$223.5 billion)



2006 (Total = \$249.3 billion)



Source: CMS

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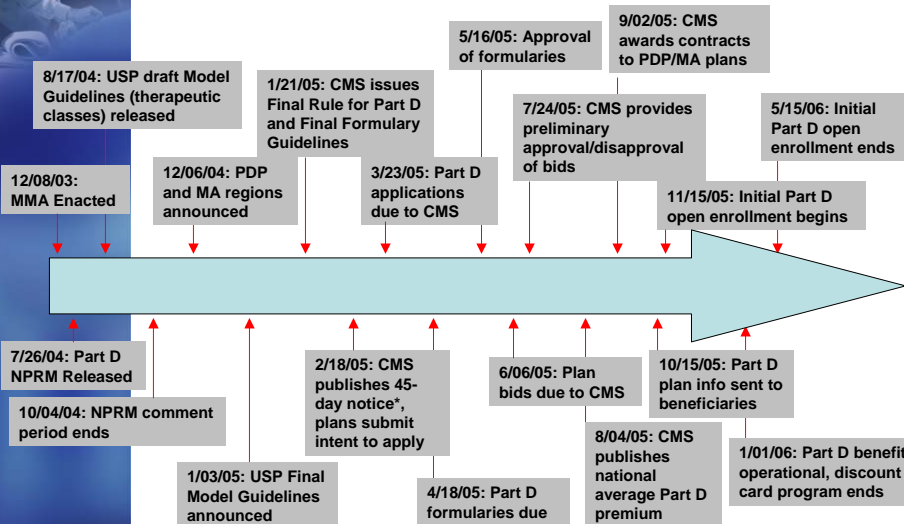
## MEDICARE MODERNIZATION ACT *Agenda*

- Status & Time Table
- Competitor Landscape
- Other Plans
- Beneficiary Outreach, Education & Marketing Plan D
- Concluding Thoughts

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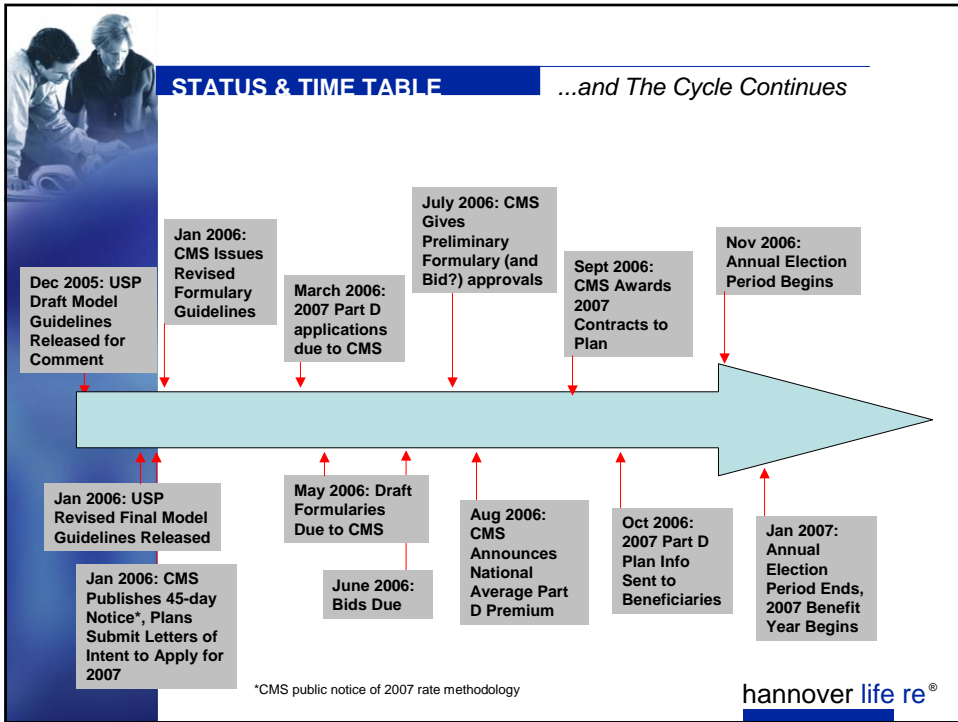


## STATUS & TIME TABLE *Rapid Implementation Timeline*



Notes: MMA = Medicare Modernization Act; NPRM = Notice of Proposed Rule-Making  
 \*CMS notice of 2006 rate methodology and assumptions; public may comment

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**STATUS & TIME TABLE** *Current Policy Dynamics*

- No interest from Administration and Leadership in “opening up” Part D
  - Fiscal conservatives: Delay Part D implementation to reduce spending
  - Democrats: Give beneficiaries more time to make Part D plan choices

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## STATUS & TIME TABLE

### *Current Policy Dynamics*

- Budget policy at federal and state levels always matters
  - State budgets still under extreme fiscal pressure
  - States will lose Medicaid drug rebate revenue, and incur the controversial “clawback” liabilities for duals
  - FY 2006 federal budget resolution: \$10 Billion in Medicare and Medicaid spending cuts.
  - Medicare cuts, other than Part D, may be in play (e.g. \$10 Billion rate stabilization fund for regional PPOs)

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## STATUS & TIME TABLE

### *Current Policy Dynamics*

- Strong interest at federal level in key allied issues
  - Pay for performance-based medicine
  - Fraud & Abuse
  - Electronic Prescribing

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## COMPETITOR LANDSCAPE *Market Structures Forming*

- Risk based Rx drug-only products (PDPs)
- Very little regional variation among PDPs; significant regional variation in MA-PD products
- Large MA players marketing stand-alone PDP plans
- PBMs navigating between taking Part D market opportunities and serving existing health plan and employer clients

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## COMPETITOR LANDSCAPE

- PDPs will be the dominant delivery mechanism for Part D
  - Auto assignment of Duals
  - Other low income Beneficiaries
  - Individuals with Medigap policies

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## COMPETITOR LANDSCAPE *Stand-alone Prescription Drug Plans*

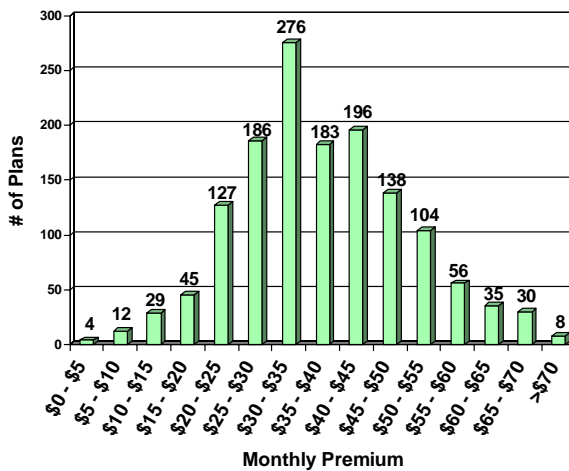
PDP Summary Statistics	Plan Statistics
Number of Regions: 34	Average Monthly Premium (unweighted): \$37.38
PDP Sponsors: 65	Zero-Deductible Plans: 58.5%
National PDP Sponsors: 10	Plans with Tiered Copay Structures: 1,297 (91%)
Total Number of PDP Plans: 1,429	Plans Offering Mail-Order: 1,304 (91%)

Source: CMS

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## COMPETITOR LANDSCAPE *Distribution Of PDP Monthly Premiums*



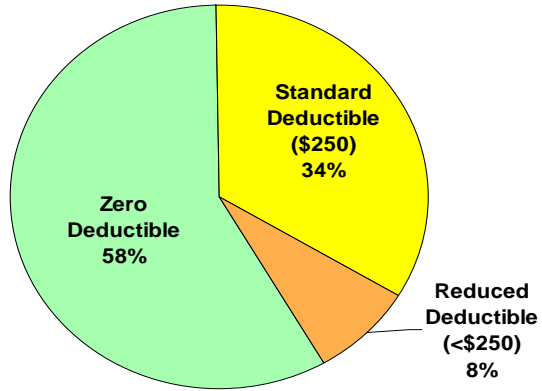
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**COMPETITOR LANDSCAPE**

*Majority Eliminated Standard Deductible*



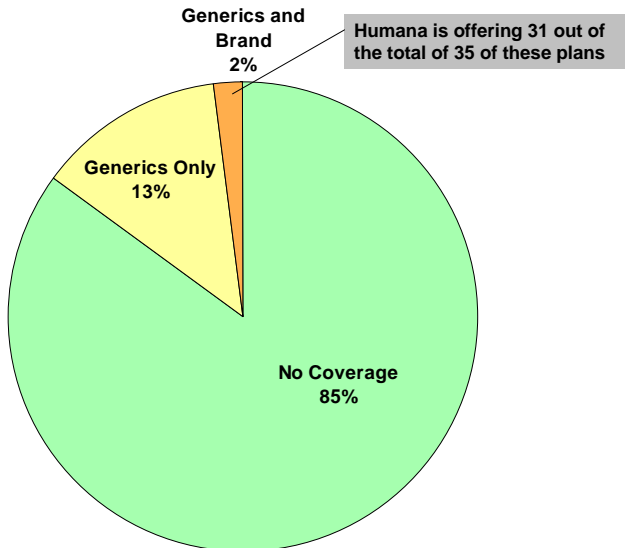
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**COMPETITOR LANDSCAPE**

*PDPs Not Offering Coverage In "donut Hole"*

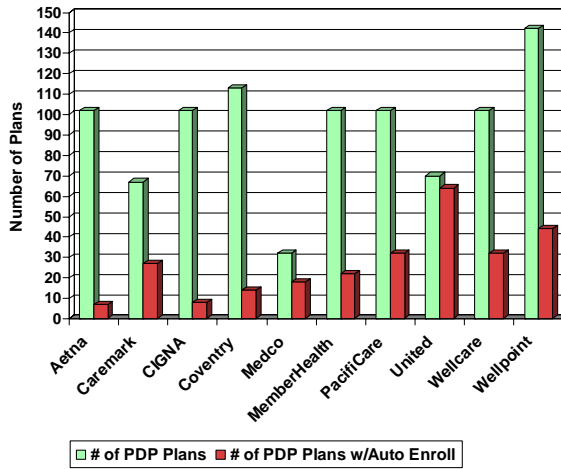


Source: CMS

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**COMPETITOR LANDSCAPE** National Plan Choices

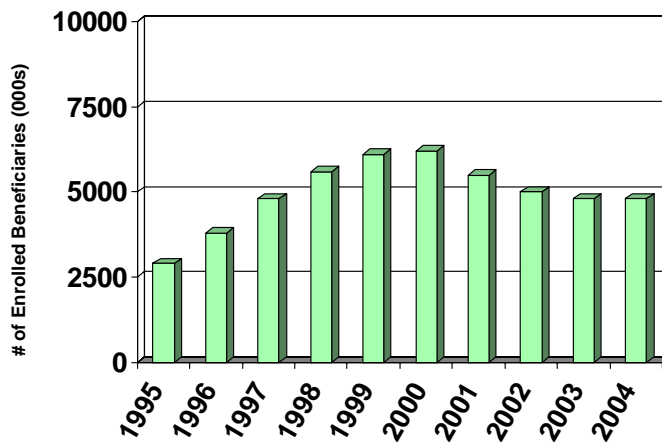


Source: CMS

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**COMPETITOR LANDSCAPE** Enrollment For Medicare Advantage



Source: CMS

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## OTHER PLANS

- A number of companies are developing “Special Needs Plans”
- At least one company is looking to develop MSA for 2006
- Employers have been slow to react but are developing interest
- Expect to see more movement in employer market to Plan D in 2007

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## BENEFICIARY OUTREACH & EDUCATION *Goals & Messages*

- A national campaign to reach beneficiaries where they “live, work, play, and pray”
- CMS budget is \$350 million for Part D outreach and education in Fiscal Years 2005 and 2006 (about \$8.15 per Medicare beneficiary)

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## BENEFICIARY OUTREACH & EDUCATION *Goals & Messages*

→ Core messages:

- “Starting in 2006, Medicare will offer drug coverage that helps people with Medicare pay for the prescriptions they need.
- Medicare prescription drug coverage is available to all people with Medicare.
- There is extra help for those who need it most.
- Medicare prescription drug coverage pays for brand name and generic drugs.
- You can choose between at least two Medicare prescription drug plans and pick a plan that’s right for you.”\*

From “Medicare Outreach Toolkit” available at <http://www.cms.hhs.gov/partnerships/tools/materials/medicaretraining/MPDCCoutreachkit.asp>

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## BENEFICIARY OUTREACH & EDUCATION *Efforts By Other Groups*

- PhRMA, PCMA (PBM trade association), AHIP (health plan trade assoc.)
- AARP
- Community and chain pharmacies
- Physicians / AMA / Specialty Societies
- Senior Centers
- Patient advocates, disease groups, faith-based organizations

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## BENEFICIARY OUTREACH & EDUCATION

### A New Degree Of Price Transparency?

#### Welcome to the Medicare Prescription Drug Plan Finder

Starting January 1, 2006, new Medicare prescription drug coverage will be available to everyone with Medicare, regardless of income, health status, or how you pay for prescription drugs today.

Everyone with Medicare needs to make a decision about prescription drug coverage. Even if you don't use a lot of prescription drugs now, you should still consider joining a plan.

**Remember, to get the coverage, you must join a plan.**

The Medicare Prescription Drug Plan Finder will help you:

- Learn about the new Medicare prescription drug coverage
- Find and compare prescription drug plans that meet your personal needs
- Enroll in the prescription drug plan that you select

#### Where would you like to begin?

Find a Medicare Prescription Drug Plan



Enroll in a Medicare Prescription Drug Plan (Starting November 15, 2005)



Learn how Medicare Prescription Drug Plans Work



Important coverage information for individuals who currently receive prescription drug coverage through Military retiree benefits (TRICARE), Veteran benefits (VA), or Federal employee retiree benefits (FEHBP)



Page Last Updated: November 1, 2005

#### Benefits of the new Medicare prescription drug coverage

- It is available to all people with Medicare.
- It will pay for about half your drug costs.
- Almost 1 in 3 people will qualify for extra help paying for their drug costs.
- It protects you against ever having very high drug expenses.
- It pays for brand-name and generic drugs.

#### Learn more about

Why you should enroll in a plan  
[Learn more >](#)

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## CONCLUDING THOUGHTS

- Impact of risk adjusters: How well will they work?
- Impact of Lock-out provision: How will this affect the Company's operations?
- Settlement process with CMS
- Overall cost of the program
- What will happen in 2006?

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