

**Statement by
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**At the Hearing on the
Medicare Prescription Drug Benefit**

**Before the Senate Committee on Finance
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I want to thank Chairman Baucus, Ranking Member Grassley, and members of the Committee for the opportunity to share testimony about the Medicare prescription drug benefit (Part D). I am Kris Gross, Director of the Senior Health Insurance Information Program (SHIIP), based in the Iowa Insurance Division, Des Moines, Iowa. I am here today representing not only my program, but also the 54 State Health Insurance Assistance Programs (SHIPs).

Since 1992 the Centers for Medicare and Medicaid Services has offered funding for SHIPs to the states. SHIPs are housed in state departments of aging, departments of insurance, and in the Medicare Quality Improvement Organization in one state. SHIPs' services are free, confidential and objective.

Our clients are all Medicare beneficiaries—aged, disabled and those with end stage renal disease. We help beneficiaries, and the people who assist them, including their caregivers, family members, and friends. We are charged with helping beneficiaries by providing information, counseling and assistance with problems and questions related to Medicare, Medicare Advantage plans, health insurance that supplements Medicare, long-term care insurance, Medicaid, claims, and in the last two years, Medicare prescription drug coverage.

The heart of SHIPs is the one-on-one, face-to-face assistance and counseling provided to our clients in their own communities. This service is offered primarily through volunteers, many of whom are peers of the people they counsel. There is variation from state to state in how programs are structured, allowing each SHIP to best meet the needs of the populations they serve.

Since 2005 our efforts to educate beneficiaries about the new Part D benefit has resulted in contact with hundreds of thousands of beneficiaries. We have educated them about the benefit, assisted with plan comparisons and enrollments, and helped them deal with problems they have encountered. I would like to share the positives we have seen, but also share the ongoing issues which Iowans and others across the nation have encountered. Once these problems are addressed, Medicare Part D will be a much more effective prescription drug benefit for Medicare beneficiaries.

Important New Benefit

Drug Coverage for the First Time

For the first time, Medicare Part D has provided drug coverage to many Medicare beneficiaries. The importance of this cannot be overstated. According to the Centers for Medicare and Medicaid Services, enrollment in stand-alone drug plans and Medicare Advantage drug plans totaled 17,631,279 as of January 16, 2007. We have a SHIP client who is going to save \$14,000 this year thanks to his enrollment in a Part D plan. He had no prescription coverage previously and was thrilled and grateful. Others are saving a few hundred dollars a year, but wherever a beneficiary falls in the savings spectrum, the funds freed up are often critical since Medicare beneficiaries typically live on fixed incomes. The benefit has also helped assure that beneficiaries receive the prescriptions they need to stay healthy.

Extra Help with Drug Costs for Those with Limited Incomes

The extra help offered with drug costs through the low income subsidy has also been critical. Many beneficiaries who were not eligible to receive drug assistance through state Medicaid programs have qualified for the Part D low income subsidy allowing them to get prescriptions at low costs. For some, the choice to get needed prescriptions versus buying food or paying the utility bill has been eliminated.

Plan Finder Tool

As you are well aware, enrolling beneficiaries into drug plans which best suit their needs is fundamental to the success of the Medicare drug benefit. The Centers for Medicare and Medicaid Services have provided the Plan Finder Tool on the Medicare website (www.medicare.gov) which Iowa's SHIP volunteers and staff feel is necessary to give an accurate and fair comparison of the drug plans. The tool is comprehensive and allows a beneficiary to have one-stop comparison shopping from an unbiased source. CMS has created a valuable tool and resource for anyone who has the computer skills and internet access to compare drug plans.

Opportunities for Improvement

The Medicare drug benefit was initiated and implemented in a very short period of time considering the complexity of the program. With all new programs adjustments are made and opportunities for improvement are considered. SHIPs are uniquely situated to observe the program and offer suggestions for improvement. Not only do SHIPs help beneficiaries compare and enroll in plans, but we are also the resource they return to when they encounter difficulties. Based on nearly two years of experience with Part D I'd like to offer the following opportunities for improvement.

Premium Withholding from Social Security Checks/Deposits

One of the options offered to beneficiaries for paying their Part D premiums is to have monthly premiums automatically withheld from their monthly Social Security checks. This seemed to be an efficient and effective way to pay premiums, assuring timely payments to their Part D plans. Most of our clients whom we enrolled in the Initial

Enrollment Period for Part D chose this option. Over the past year this is one of the areas of the program which has caused the greatest number of client problems. For some clients the premium was not withheld as requested, for others a change in their plan choice was not accurately processed and reflected. The premium errors have resulted in beneficiaries being disenrolled from plans, excess premiums being withheld, and premium refunds not reimbursed. Some problems have been unresolved after nearly a year of working with CMS, Social Security and the plans.

For example, one of our clients was enrolled in a stand-alone drug plan effective January 1, 2006. In February of 2006 she found out she was eligible for the low income subsidy (LIS). She finally was switched to a plan which offered a \$0 premium option on May 1, 2006. She no longer incurred a monthly premium, but the premium for her first plan- the plan in which she was no longer enrolled- continued to be withheld from her monthly income. A SHIP counselor had a conference call with Medicare, the plan and the client but nothing was resolved. We are working with our Regional CMS office, but to date she has not received a refund of the 2006 excess withholding. She is owed a refund of \$442, a significant amount for someone with limited income and resources.

These erroneous premium withhold situations are very frustrating for beneficiaries and those assisting them. Resolving the withholding and payment problems would allow beneficiaries to use this payment method as it was initially intended.

Marketing Practices

Another area of concern to SHIPs is the marketing practices of some stand-alone drug plans and Medicare Advantage plans with drug coverage. Door-to-door marketing has occurred, even though prohibited by Part D marketing guidance. Beneficiaries who are enrolled in stand-alone drug plans are approached to enroll in Medicare Advantage plans with drug coverage. Sales representatives often do not explain to these beneficiaries the differences between original Medicare and Medicare Advantage, leaving beneficiaries without a clear understanding that they are changing how they will receive their Medicare Part A and B benefits. Beneficiaries believe they are just changing drug plans.

One client enrolled in a Medicare Advantage plan with drug coverage thinking she was changing to a different stand-alone drug plan. She used the drug benefit in the plan, but did not realize her Medicare benefits had been shifted to a Medicare Advantage plan until she had a medical claim and it was denied by Medicare. In addition, she had continued to pay her Medicare supplement premiums for six months, even though the Meidgap policy would not pay anything while she was enrolled in a Medicare Advantage plan. She had no idea she had enrolled in anything more than a stand alone drug plan.

The number and types of Medicare Advantage plans have expanded tremendously in most states, making it difficult for beneficiaries to understand all available options. Iowa has 53 stand-alone drug plans and 31 Medicare Advantage plans with drug coverage. The number and variety of plans means that the process of comparing and selecting an appropriate plan is extremely challenging for consumers and those who help them. Agents selling the plans need to be sure that their clients understand what they are enrolling in before the enrollment is submitted. Some agents focus on the drug coverage

portion of a Medicare Advantage plan, and fail to provide sufficient information about the transition out of original Medicare.

There are many Medicare beneficiaries who have diminished cognitive ability due to illness or a disability, and many others who have limited income and resources. We all need to be especially vigilant that beneficiaries fully understand their options before decisions are made because plan choice can have a dramatic impact on beneficiaries' access to medications and health care providers. It is important that the Centers for Medicare and Medicaid Services and state insurance departments work closely together to monitor and sanction questionable or even illegal marketing practices.

Low Income Beneficiaries

Many of the beneficiaries who are eligible for the low income subsidy (LIS) qualify for a continuous Part D special enrollment period (SEP), which allows them to change plans monthly. This SEP provides an important protection for these individuals, allowing them to change plans as their prescription needs change. However, this flexibility has also caused concern among the SHIPs. This freedom to choose and enroll in plans throughout the year means that low income beneficiaries are one of the few groups of beneficiaries who can be enrolled in Medicare Advantage drug plans after March 31, the end of the Medicare Advantage open enrollment period end. Consequently they become a major audience for the marketing of these plans. Differences in the drug coverage portion of the Medicare Advantage plan may not be a problem for beneficiaries, but the same MA plan may require using different health care providers, a potential problem.

Understanding how Medicare benefits are provided and which providers accept the Medicare Advantage plan is especially critical for beneficiaries who cannot afford to pay if a provider does not accept a plan.

This past week one of our volunteers had a client who is visually impaired. Because she is a dual eligible beneficiary she can change plans monthly. She was visited by an agent selling a Medicare Advantage plan with drug coverage after the March 31 open enrollment period ended. At the time of the agent's visit she had original Medicare, Medicaid and a stand-alone drug plan. She thought she was changing her drug plan and enrolled in the product the agent was selling. After some thought, she wondered if she had done the right thing and called a friend who contacted SHIP. It was perfectly legal for the agent to sell her a plan. However, the Medicare beneficiary did not understand she was enrolling in a Medicare Advantage plan and she did not want to change from original Medicare. This type of enrollment into MA plans, with little or unclear explanations of the differences between original Medicare and Medicare Advantage has been happening in every state in the country.

Data Sharing

Another concern with the Medicare prescription drug benefit is the time it takes for data to be shared between CMS, Social Security, state Medicaid agencies and the plans. It can take several weeks or more for information to show up correctly in all systems. This problem occurs across the board, but the implications are most significant for beneficiaries who have Medicaid or Medicare Savings Program benefits or are low income subsidy (LIS) eligible and cannot afford standard cost-sharing amounts. For

beneficiaries first becoming eligible for Medicaid and Medicare (dual eligible) the time delay may leave them without any drug coverage for a significant period of time. These individuals are the least capable of paying out-of-pocket for their medically necessary drugs.

In Iowa we have a client we've been working with since January 24 of this year. Since that date we have made 40 calls on her behalf. In an effort to get her low income subsidy eligibility to show correctly in her records, we have called her plan, CMS and Social Security. To compound this issue, the plan premium is being withheld from her Social Security payment, even though she should not be paying a premium for her prescription drug plan. Because the data in the system is not correct, she is being charged inappropriately high co-payments for her medications, in addition to paying the erroneous premium withholding from her Social Security checks.

Burden of Choice

The Medicare Modernization Act created a drug program that allows beneficiaries a choice in how they receive the benefit and who provides the benefit. However, choice becomes a burden when it is overwhelming. As I have already mentioned, we have 84 drug plan options in Iowa and many states have even more. Beneficiaries are overwhelmed by the process of comparing and evaluating these plans. The Plan Finder Tool on www.medicare.gov is an important resource in sorting through the plans, but the vast majority of beneficiaries do not use computers. In addition, plans can change benefits, formularies and premiums each year so every year beneficiaries have to make a choice. This too is a great burden, especially for those who are ill, disabled, illiterate, or facing other barriers in getting information. All of this is overwhelming, even for our SHIP volunteers who are well-trained on Part D.

I was with SHIP before Medicare Supplement insurance was standardized. Part D reminds me of the challenges beneficiaries had then in choosing a policy. It was impossible for consumers to adequately compare the options available to them. Once plans were standardized and the number of choices available became manageable consumers became much more confident and comfortable in making those decisions.

Conclusion

The Medicare prescription drug benefit is helping millions of beneficiaries every day. There are bound to be problems in the early years of a program of this magnitude. My concern, and the concern of the SHIP staff and volunteers across the country, is the impact of these problems on beneficiaries. The stress, confusion, and impact on their health and finances can't be ignored. In the past week I have had calls from two Iowa SHIP counselors who have clients whose Part D problems are contributing to a deterioration of their mental health and an exacerbation of existing illnesses.

As a result of Part D issues, our volunteers and staffs are overwhelmed with clients who have problems. Part D has changed the complexion of the work SHIPs do for beneficiaries. The knowledge and skills our volunteers must possess to counsel and assist clients have expanded tremendously in the past two years. Comparing plans and

enrolling a beneficiary can be completed in an hour or two. Problem resolution is taking many more hours over a long period of time and problems we thought were resolved tend to reappear and remain unresolved a few months later. In Iowa, I have added two part-time staff to help resolve client Part D and Medicare Advantage problems when our volunteers hit roadblocks. Since January 2006 we have opened 999 cases in our state office; this figure does not include the problems resolved by our volunteers across the state. This same situation is occurring in every state throughout the SHIP network.

I want to thank the Senate Finance Committee for holding this hearing on the Medicare prescription drug benefit and for inviting my testimony. The stories I have shared are not mere anecdotes, or even the worst cases. Rather, these are representative of many real people with real problems. Some of these are very amenable to systems fixes while others could be addressed by Congress to make the lives of Medicare beneficiaries easier and to enable them to experience the maximum benefit from Part D. SHIPs, along with many other advocates for Medicare beneficiaries, want the drug benefit to have a positive impact on all beneficiaries. I hope the experiences I have shared with you will contribute to the success of this important benefit.