

by KaiserNetwork.org

Some health care analysts and consumer advocates are urging Medicare beneficiaries who enrolled in the Medicare prescription drug benefit this year to evaluate changes in their plans for 2007 to determine whether they should select a different option, USA Today reports. Insurers are marketing more plans than they did for 2006, and although average monthly premiums are not expected to increase, the premiums for the lowest-priced plans "will rise exponentially," according to USA Today. In addition, although more plans are offering coverage during the so-called "doughnut hole" coverage gap, most of those plans will only provide the extra coverage for generic drugs. Two percent of plans will cover both generic drugs and all brand-name drugs during the doughnut hole, and average monthly premiums for those plans will increase from \$61 in 2006 to \$100 in 2007. Insurers in 2007 will market plans with some form of coverage during the doughnut hole in 37 states, compared with 46 states in 2006, according to USA Today.

Comments CMS Administrator Mark McClellan said, "Competition is working," adding that insurers "are adding plans that people want." Tricia Neuman, a Kaiser Family Foundation vice president and director of its Medicare Policy Project, said, "The right plan for someone in 2006 might not be the right plan in 2007." She added, "The concern is that products are changing, but seniors won't." Dan Mendelson, president of Avalere Health, said, "There could be a lot of changes, and every Medicare beneficiary is going to have to go back and recalculate what is best for them." Karen Ignagni, president and CEO of America's Health Insurance Plans, said that beneficiaries should "take a very close look at all of their choices" (Wolf, USA Today, 10/4).

Insurers Dow Jones on Tuesday examined how the 2007 Medicare drug plan market could affect insurers' earnings. According to Dow Jones, the competition between health insurance companies and pharmacy benefit managers who market Medicare drug plans "should prove to be intense," although "some analysts predict most seniors won't switch plans," which would result in "fairly stable" market share compared with 2006. Goldman Sachs said, "[W]e expect drug plan profit margins will be about the same or slightly lower in 2007 as compared to 2006" for most managed care companies. The one exception could be Humana, which could see its Medicare drug plan profit margin improve, according to Goldman Sachs. The firm added that market share likely "will remain fairly stable next year, with seniors unlikely to switch plans for modest price differentials." More than 90% of dual eligibles -- beneficiaries enrolled in both Medicare and Medicaid -- will stay with their current plans, Goldman Sachs said, also projecting that the impact of Medicare drug plans on insurers' earnings "will remain minimal to modest." According to Jeffries, Humana -- the second largest participant in the drug benefit, behind UnitedHealth Group -- likely will face increased competition from UnitedHealth and WellCare Health Plans, but "the company should benefit from the natural tendency of high retention rates of senior customers and the relatively short selling season this year" (Wisenberg Brin, Dow Jones, 10/3).

Editorial The Medicare drug plans being marketed for 2007 "are encouraging, on both price and choice," a Wall Street Journal editorial states, adding that the "lesson" is that "[m]aybe private competition works." The editorial continues, "This doesn't mean we're changing our minds that the new drug entitlement was a policy mistake, ... [b]ut now that the program exists, it matters whether it turns into another price-controlled, one-size-fits-all federal entitlement, or whether the seeds of market competition planted in the bill are allowed to grow." According to the editorial, "The better option is a so-called premium support model, in which the government would simply help seniors buy private insurance." The editorial states, "Ideally, a future Medicare program would offer premium support so retirees can take the private insurance they have during their working years into retirement and through old age," adding that a "successful Medicare Advantage program will do a lot to help people understand why that's an attractive option" (Wall Street Journal, 10/4).

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