



## **Taking a Long View of Success in the Medicare Marketplace**

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This summer marks the 42<sup>nd</sup> anniversary of the creation of Medicare, the federal program that brought health insurance to many older Americans for the first time. All these years later, it's easy to forget that the success of Medicare didn't occur overnight. It required the nation and its leaders to demonstrate long-term vision, patience and courage.

Today, less than four years since the Medicare Modernization Act made sweeping changes to the program, we need those qualities once again.

Medicare has come under recent attack because of how it compensates private insurance plans for managing and delivering benefits. These Medicare Advantage plans already are a success with the public – more than 8.3 million individuals, or 19 percent of the eligible population, have enrolled in the plans instead of traditional Medicare coverage. However, politicians and the media have criticized that the plans receive higher fees than those paid through the traditional coverage.

Medicare Advantage plans include health maintenance organizations, preferred provider organizations and other types of health insurance. But the critics have focused on one type in particular – private fee-for-service plans. At first glance, PFFS plans may seem to resemble traditional Medicare coverage more than other plans. Like traditional Medicare, PFFS plans allow members to see any doctor or hospital that accepts Medicare's payment rates. Like traditional Medicare, these plans do not pass along the financial risk of care to providers. If the plans are so similar to traditional Medicare, the critics ask, why should they receive higher fees?

As the federal Centers for Medicare & Medicaid Services have noted, comparisons of fees paid through PFFS plans and through traditional Medicare are probably flawed. More importantly, the comparisons miss a fundamental distinction.

Traditional Medicare pays less in fees because its function is merely that – to pay fees. In contrast, PFFS and other Medicare Advantage plans draw on the ability of the private sector to provide greater value for members, and for each of us whose taxes support Medicare. According to CMS estimates, this value amounts to an average of \$1,000 per year in additional services for each member, or \$86 a month over traditional Medicare coverage.

Thanks to the power of competition among Medicare Advantage insurers, wellness programs and health screenings are keeping members healthier. Case management and disease management techniques are reducing the expense and severity of illness. Members are enjoying a wider variety of choices, including PFFS plans, to find coverage that best suits their individual needs.

Criticism of PFFS plans ignores this distinction; these plans provide more than the claim-paying of traditional Medicare. Like the other Medicare Advantage plans, PFFS plans work proactively to improve members' health. Many PFFS plans offer no-copayment coverage for doctor's visits, free immunizations and preventive care, wellness education and other services.

In addition, these plans bring the benefits of competition to populations that otherwise would be under-served by Medicare Advantage. For example, because PFFS plans don't rely on provider networks, they are an attractive option for rural, sparsely populated areas where networks can be impractical to build. As more insurers compete to provide coverage in these markets, Medicare members stand to enjoy greater benefits.

No wonder that the growth of PFFS plans has outstripped that of other Medicare Advantage plans. While enrollment in Medicare HMOs and PPOs grew by 18 percent from December 2005 to February 2007, according to CMS estimates, PFFS enrollment increased by 535 percent. Today, roughly one out of every six Medicare Advantage members participates in a private fee-for-service plan.

It was not always so. Although private Medicare plans – including PFFS ones – have been around for more than a decade, they never enjoyed great popularity among

members or insurers. But all that changed as a result of the fee structures implemented by the Medicare Modernization Act. With new incentives for insurers to compete for Medicare contracts, the number and variety of plans have soared, and so has enrollment.

This experience is a good reminder that the current revitalization of the Medicare market is only a start. We can build on the early results of Medicare Advantage, and to do this, we need to look beyond short-term costs. We need to look beyond political agenda. We need to look at the ultimate potential Medicare Advantage holds to serve older Americans and to transform our nation's health care system. Like the original champions of Medicare more than four decades ago, we need to take a long view of success.

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