# Promises, Promises

## Better check the fine print on that newfangled Medicare plan

By Michelle Andrews

When two insurance agents showed up at Dorothy and Charles Holt's Visalia, Calif., home last spring, they offered a deal that seemed too good to pass up. For no monthly premium whatsoever, the couple could get a health insurance policy that would reduce their Medicare costs to just $5 for regular doctor visits and $15 if they saw a specialist, instead of the 20 percent coinsurance they paid with their regular Medicare plan. The agents said the new policy would not replace their coverage under the regular Medicare plan; it would just make it better. The Holts signed up that day.

But it wasn't long before they started running into trouble. The Holts found out that the SecureHorizons plan had indeed replaced their original Medicare plan, which allowed them to see most any doctor. Although the agents had assured them that all doctors would take SecureHorizons, the Holts' doctors told them they wouldn't accept it. The agents had also promised them they'd pay less under the new plan. Dorothy, 75, who suffers from congestive heart failure, requires an injection every two weeks that costs $1,600. Their old Medicare plan had covered the shots, but SecureHorizons would not.

**Locked in.** When the Holts tried to get out of the plan, they were told they were locked in until 2007. Finally, after filing a complaint with the federal Centers for Medicare and Medicaid Services, writing their legislators, and enlisting the assistance of the local Health Insurance Counseling and Advocacy Program, they were allowed to go back to regular Medicare. But they're worried that other seniors could be hoodwinked. "It's just not right the way they did this," says Charles Holt.

UnitedHealthcare, which operates Medicare plans under the SecureHorizons name, declined to comment on the specifics of the case. But spokesperson Peter Ashkenaz says the company takes these complaints seriously and investigates them thoroughly. "Based on our findings, we'll take action up to and including termination of the broker's contract," he says.

The plan the Holts signed up for was a Medicare "private fee-for-service" plan (PFFS), a relatively new option that resembles traditional Medicare in that it generally doesn't limit beneficiaries to a defined network of

providers. In addition to enticing seniors with low premiums, the plans may offer disease-management services and vision, hearing, dental, and other coverage not available under the regular Medicare plan.

Congress authorized the plans in 1997, but it wasn't until the past two years that enrollment really picked up speed, increasing from 51,000 in 2004 to 864,000 at the end of 2006, according to Mathematica Policy Research. Experts attribute the growth to the Medicare Modernization Act of 2003, which boosted reimbursements to insurers that offer private plans. The law also created Part D, the Medicare drug benefit, which opened the door for private insurers to step up their marketing to seniors, not only of drug plans but of all private Medicare insurance products, from HMOs to PPOs (preferred-provider organizations) to PFFS plans, which are collectively called Medicare Advantage plans.

Many PFFS plans now have a marketing edge as well. Thanks to legislation at the end of last year, PFFS and other private managed-care plans that don't offer drug coverage can sign up seniors year-round during 2007 and 2008. Other Medicare plans are restricted to limited enrollment periods.

But as the Holts discovered, when it comes to health insurance, talk is cheap. A report released last month that examined the marketing of PFFS plans found that insurance companies frequently hire independent agents to peddle their plans. "It appears that many of the agents don't understand the products themselves, so some of the misconduct might be due to ignorance and some to outright fraud," says study coauthor David Lipschutz, a staff attorney for California Health Advocates, which conducted the study with the Medicare Rights Center in New York. CMS, which administers Medicare, is aware of the problematic sales tactics. "We're investigating claims even as we speak," says CMS spokesman Steve Hahn. "We take action and levy fines if plans are out of line."

**Many doctors and hospitals are wary of the new "private fee-for-service" Medicare plans and refuse to treat patients who sign up for them.**

Although the lack of networks makes the PFFS plans seem similar to original Medicare, many doctors and hospitals are wary of these plans and refuse to treat patients who sign up for them. What makes providers nervous is a novel setup in which any doctor who treats a patient enrolled in a PFFS plan may be "deemed" to be a participating provider and subject to the plan's contract terms. "The doctor has no idea what that contract says, and it's your patient, not you, that signed up with the plan," says James Rohack, a cardiologist in Temple, Texas, and a member of the board of the American Medical Association.

Despite the potential pitfalls, Medicare PFFS plans can be a good deal for some seniors. Pauline Phillips was paying $3,800 a year for a Medigap supplemental policy in addition to her regular Medicare coverage. The 79-year-old former sewing factory worker in Radford, Va., replaced her traditional Medicare plan with a Humana PFFS plan, which gave her broader coverage for the same $93.50 a month she was paying before. Even better, she was able to drop the Medigap policy. Phillips was diagnosed with breast cancer last year and has had two surgeries and 30 radiation treatments. She says she has no complaints with her coverage under the plan.

**Unknowns.** Consumer advocates say the plans can be a smart choice for seniors with relatively low incomes, as some cover more out-of-pocket costs than traditional Medicare. And seniors with multiple health problems may benefit from the disease-management component of some plans. "A problem throughout Medicare is the abysmal lack of coordination in people's care," says Robert Hayes, president of the Medicare Rights Center.

But before signing up, seniors should check with their doctors and other healthcare providers to make sure they'll accept the plan. The bottom line, say experts, is buyer beware. "There is some potential to offer savings to individuals, but there are a lot of unknowns about these plans, with little evidence as to how well they're working," says Tricia Neuman, director of the Medicare Policy Project for the Kaiser Family Foundation. Make sure that any new plan you consider will really cover all your health costs—diabetic supplies, a wheelchair, or physical therapy, for example—at a price you can afford. The last thing you want is to end up in a Medicare "take advantage" plan. ●

## MEDICARE'S MANY FACES

Medicare, the federal health insurance program for people 65 or older, was established in 1965. Under the **original Medicare** plan, seniors can visit any doctor or hospital that participates in the program. Medicare Part A covers hospital services; Medicare Part B, doctor and outpatient services. Seniors typically pay a set premium, annual deductibles for Parts A and B, and coinsurance of 20 percent for doctor visits. Original Medicare doesn't cover most prescription drugs. In recent years, private companies have contracted with Medicare to offer an increasing number of health plan options to Medicare beneficiaries. Their coverage varies:

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**HMO plans.** Seniors generally must use doctors and hospitals in the network. Referrals are required for specialists.

**Preferred-provider organization plans.** Participants can go out of network, but they'll pay more.

**Private fee-for-service plans.** Beneficiaries may see any provider who agrees to accept the plan's payment terms. Premiums, copayments, and coinsurance vary.

**Prescription drug plans.** Stand-alone plans offering prescription drug benefits—called Medicare Part D—debuted in 2006.

**Medigap plans.** This supplemental insurance fills gaps in original Medicare plan coverage.

**Special needs plans.** Special plans for people who are institutionalized, who receive both Medicare and Medicaid, or who have certain chronic medical conditions.

**Medical savings account plans.** These new high-deductible plans are combined with a private savings account into which Medicare makes an annual deposit. *–M.A.*