

>>Medicare Prescription Drug Coverage

SATISFYING A CHOOSEY CUSTOMER

About 43 million people qualify for Medicare Part D, touted as the first major improvement in 40 years of Medicare. By mid-June, 38.2 million had enrolled in some kind of prescription drug plan. The Centers for Medicare and Medicaid Services hopes to have the remaining sign-ups completed between November 15 and December 31, the next enrollment time and the annual period for enrollees to make plan changes.

J.D. Power and Associates surveyed almost 5,000 beneficiaries to create regional report cards of Medicare-approved Part D plans. As survey results came in, pharmacy experience surfaced as a leading factor in satisfaction for Part D beneficiaries. Separately, J.D. Power found that formularies and pharmacy networks are crucial components of employer-sponsored plans.

Now, a 28% subsidy gives employers new incentive to maintain drug coverage for their retirees in 2006 and beyond. Those retiree plans achieved higher satisfaction levels in part because retirees did not have to deal with the confusion surrounding enrollment in a Part D plan.

LISTENING TO THE VOICE OF CUSTOMERS

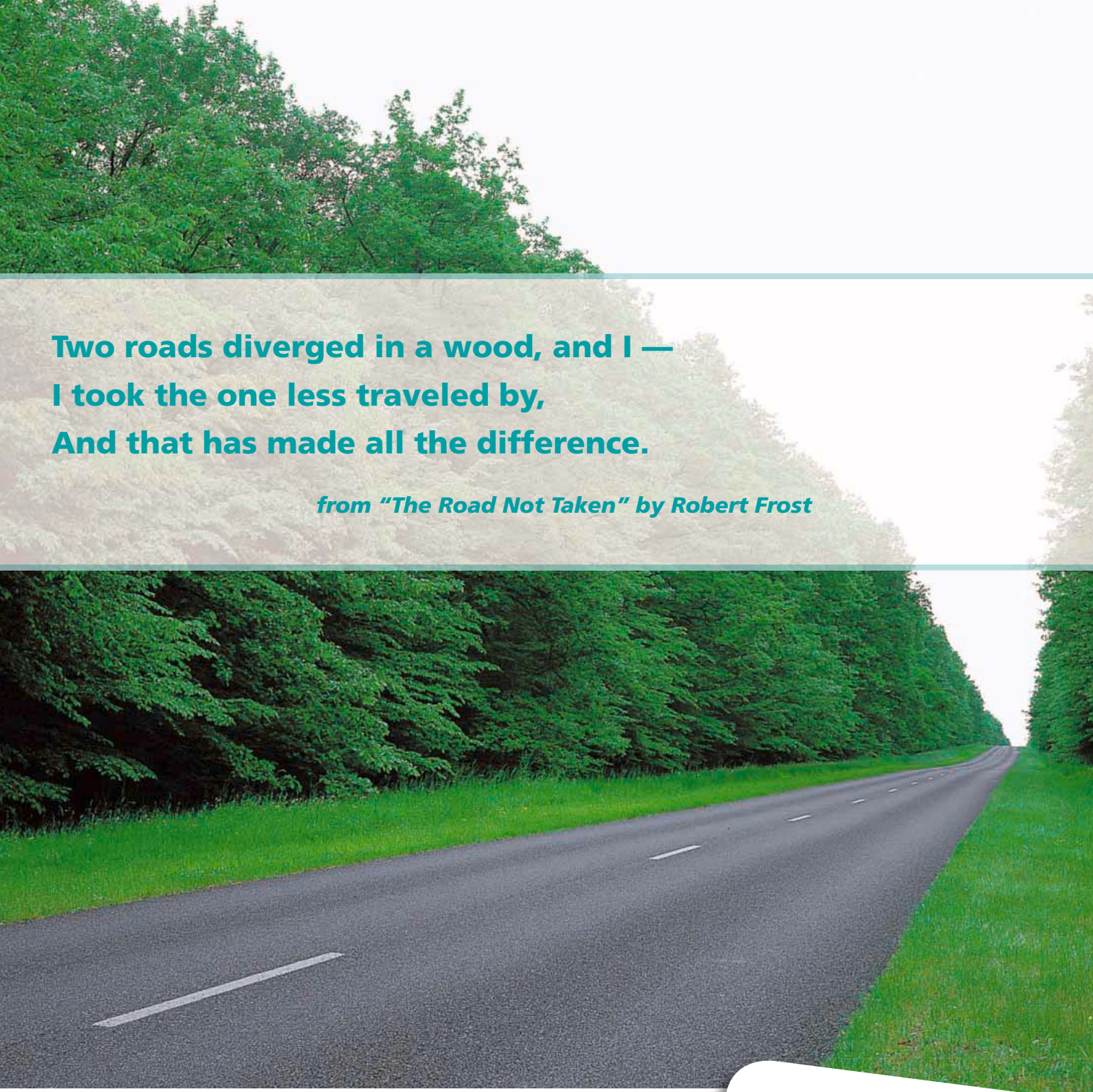
Humana provides health coverage to 3.4 million Medicare Part D beneficiaries. Its Part D plans are designed on two of Humana's beliefs: a patient's first decision point in choosing a plan is based on price, and the second decision point is whether the patient's drug is covered, says William Fleming, PharmD and vice president of pharmacy and clinical integration at Humana.

HUMANA
Guidance when you need it most

>> Humana offers some of the lowest premiums of Part D plans in the market. Additionally, "no one has a broader formulary than we do," Fleming says. Compared with competing formularies, Humana's requests for drug exceptions and appeals tend to be fewer most of the time, he reports. To help Medicare beneficiaries understand Part D, Humana offers Smart-

SummaryRx, a program that updates the monthly benefits statements required by Medicare. But in addition, it offers articles individualized to the patient's health, drug purchasing tips, and a gauge that shows how near the patient is to hitting the Part D coverage gap. The summary's Rx Manager section includes the patient's regular and occasional prescriptions and refill dates

over the last year. When a patient takes this summary to an office visit, "it allows the doctor to see very quickly if the patient is compliant on prescriptions and what medications he or she is taking," Fleming says. Medicare Part D coverage is a customer experience, he adds, and Humana invests in customer satisfaction research to stay ahead of that experience.



**Two roads diverged in a wood, and I —
I took the one less traveled by,
And that has made all the difference.**

from "The Road Not Taken" by Robert Frost

Humana took its Medicare program down a different path this year and picked up 4.5 million members along the way.

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HUMANA
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>> MEDICARE PRESCRIPTION DRUG COVERAGE

DRUG FORMULARIES THAT DO THE JOB

What makes a match for employee needs?

Medicare Part D legislation mandates that insurance plans offer a minimum formulary that covers medications commonly taken by people age 65 and older. Less expensive, generic drugs and brand-name medications are in the list.

Clearly, Medicare Part D is not a one-size-fits-all program. Instead, employers need to discern which plans provide formularies that best match their organization. The answers to several key questions can help guide this decision:

- Does the formulary present choices among medications most commonly needed by the group?
- Do beneficiaries have a choice of plans and, within those, a wide selection of medications and payment options?
- Do the plans address how beneficiaries like to get their medications--by going to a favorite drug store and having access to the pharmacist or by minimizing pharmacy trips and using mail order for doorstep delivery? Are the preferred drug stores in the pharmacy network?
- Does the package offer protection against Part D's coverage gap, the "doughnut hole" that occurs in a "standard" plan after a beneficiary pays a \$250 deductible?

HELPING BENEFICIARIES MAKE BEST CHOICES

Families, employers can be allies for seniors

At the close of Medicare Part D's enrollment period this spring, about 4.4 million Medicare-eligible beneficiaries had chosen not to enroll. Persons who take few or no drugs may have hesitated to sign up for Medicare Part D. However, the program provides insurance against high medication expense later, if a person's health status unexpectedly changes.

This fall, all seniors are coming up on an annual open enrollment period (just like most employees do), but the process needn't be intimidating. As seniors sort through their options, families and employers can be instrumental in helping them make sound choices for their coverage in 2007.

VALUING RETIREE HEALTH BENEFITS

Drug subsidy helps keep employer-provided coverage viable

As Medicare Part D was implemented, employers became eligible to receive a tax-free 28% federal subsidy if they offered their retirees prescription drug coverage at least as inclusive as Medicare's "standard" prescription drug plan (PDP). Both for-profit and nonprofit companies can qualify for this support when they offer such coverage to Medicare-eligible employees and retirees.

The subsidy gives timely relief to employers after a decade of increasing health benefits costs, says Paul Dennett, vice president of health care policy, American Benefits Council. Employers are readily using this option to help pay the tab for retiree drug coverage. They can also offer "wrap-around" coverage by selecting an independent PDP that provides an enhanced benefit.

Additionally, "Medicare Part D offers an opportunity for companies to drop coverage and know that employees and retirees have a plan to go to," says Jack Hoadley, research professor at the Health Policy Institute, Georgetown University.

The new Medicare program gives employers the opportunity to examine their offerings each year. And with congressional elections this fall and elections for a new president in two years, "the exact design of [Medicare Part D] will not be locked in forever," Hoadley forecasts.

RETIREE COVERAGE AND GROWTH THAT DELIVER SOLUTIONS

In 2006, Health Net, Inc., covered nearly 200,000 Medicare beneficiaries through Medicare Advantage products in five states and almost 300,000 through its stand-alone drug plan in 10 states. While this market represents about 18% of its business, the company foresees extending Medicare prescription drug plans to all 50 states in 2007, gaining a national footprint in the Medicare market.



>> About 25% of Health Net's Medicare beneficiaries have plans subsidized by the retiree or employer. Sam Srivastava, chief Medicare officer, notes a trend of beneficiaries and employer groups wanting to have more options, accessibility, value, and more choices. "We develop new products that meet

the needs of seniors," Srivastava says. "An example is private fee for service, where beneficiaries can go to any physician or hospital as long as they accept Health Net reimbursement. Without the limitations posed by a provider, this is a very portable product ideally suited to highly mobile seniors." The plan offers

benefit designs tailored to the employer group and the retiree. "Health Net makes the whole alphabet soup of Medicare simpler," Srivastava says. "We offer a simple, affordable solution." Its goal: to respond to seniors who say, "Give us a template and a choice, but don't tell us what we need."



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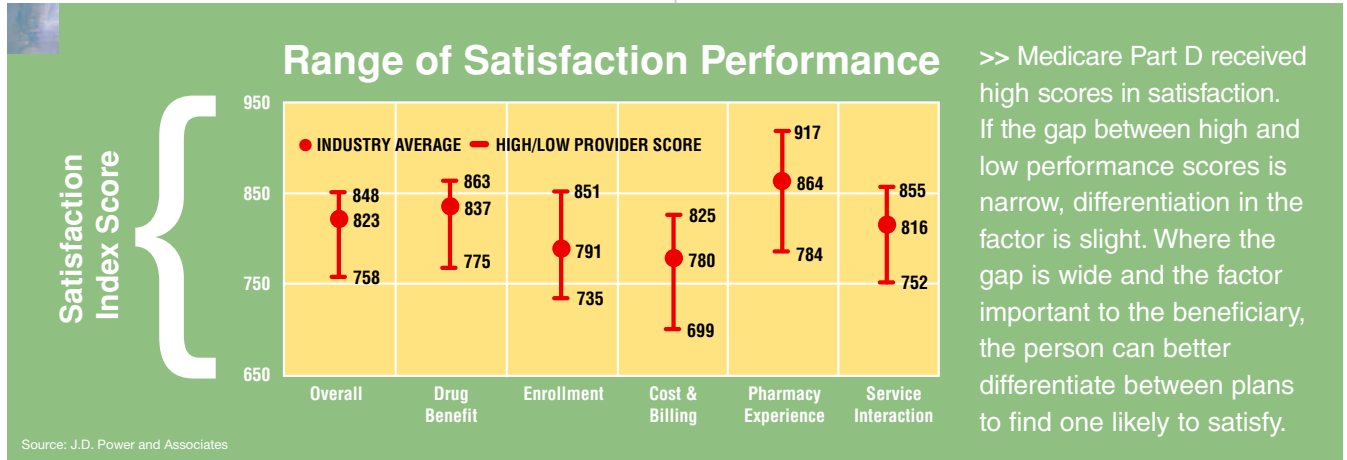
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>> MEDICARE PRESCRIPTION DRUG COVERAGE



>> Medicare Part D received high scores in satisfaction. If the gap between high and low performance scores is narrow, differentiation in the factor is slight. Where the gap is wide and the factor important to the beneficiary, the person can better differentiate between plans to find one likely to satisfy.

PLEASED PATIENTS

Overall, Medicare Part D ranks well on satisfaction

J.D. POWER AND ASSOCIATES Beneficiaries across the country reported a high level of satisfaction with their Medicare Part D plans, giving an overall score of 823 points out of 1,000. So reports the J.D. Power and Associates 2006 Medicare Part D Beneficiary Satisfaction Study. Among the 13 industries surveyed by J.D. Power, Medicare Part D scored among the highest in overall satisfaction.

All Medicare Part D beneficiaries will encounter an open enrollment period from November 15 through December 31, the only chance for seniors enrolling for the first time or changing plans for 2007. If they are enrolled and take no action during this period, their 2006 plan rolls over for 2007.

Survey respondents identified leading factors central to their satisfaction. The ranking gives a real-life ruler for evaluating a plan by the likelihood that it will satisfy the patient.

1. Drug benefit

This factor, defined as the formulary, quantity of pills that can be provided at one time, network of pharmacies, and explanation of benefits statements sent to the beneficiary, is responsible for nearly half of the customer experience. A formulary that gave an extensive list of covered medications achieved high satisfaction among beneficiaries. Patients were also more likely to stay satisfied and to stay in the plan when such a formulary was available.

2. Enrollment, and cost and billing

Of equal ranking were enrollment and cost and billing.

Beneficiaries felt the highest satisfaction when their plan confirmed enrollment within seven days and delivered a prescription card within 14 days. About half of seniors found enrollment very confusing, but some plans have found ways to make it less difficult.

A plan's cost and billing structure includes premiums, deductibles, out-of-pocket costs, and coverage gaps. Plans that described clearly the cost structure of Part D coverage brought the greatest satisfaction. A key factor: avoidance of confusion.

3. Pharmacy experience

Plans that provided an extensive pharmacy network and enabled beneficiaries to keep getting medications at their preferred pharmacy achieved a higher-than-average satisfaction rating. If the beneficiary has to change pharmacies to fit the plan's network, satisfaction may suffer. Additionally, some beneficiaries prefer to have face-to-face access to a pharmacist, but mail order may save money.

WEBSITES TO WATCH

| | |
|---------------------------------|---|
| Health Net, Inc. | www.abetterdecision.com |
| Humana | www.humana-medicare.com |
| J.D. Power and Associates | www.jdpower.com |
| Help | http://www.medicare.gov/contacts/static/allstatecontacts.asp |

4. Service interaction

The quickness and thoroughness in a plan's response when a senior patient calls initially with a question were essential to customer satisfaction.

While there clearly were problems in the initiation of Medicare Part D, its strong overall satisfaction score is an achievement. For this level of beneficiary contentment to continue, employers and human resource directors need to know the intricacies of Part D coverage, their enrollee group, and retiree needs. Meeting these needs with plan options and clear yet comprehensive information and stepwise procedures will not only yield the most for the money. It will minimize frustration and, ultimately, deliver medication support to a population deserving of the best. ●

This section was written by Colleen M. Sauber, a freelance writer based in Minneapolis. Design by The Mighty Design Shop.

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