

National Health Policy Forum

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Medicare Advantage Private Fee For Service Plans

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Private Fee for Service Plans

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About Xerox

- World's leading document management technology and services enterprise
- A \$17 billion company
- Fortune 500 ranking: No. 145
- Customer-focused and employee-centered core values

About our Retirees

- In 1995 Xerox had **48,000** U.S. employees and **13,000** retirees
 - Today there are **29,000** U.S. employees and **30,000** retirees
 - Xerox covers 20,000 Medicare eligible members
- Nationally dispersed population
- Implemented major changes in 1996 to reduce FAS 106 liability (currently about \$4 billion)
- Two main groups:
 - Grandfathered retirees
 - Mostly over age 65
 - Free coverage for life
 - Capped retirees
 - Xerox subsidy is fixed
 - Retirees absorbing trend

Plans we Offer

- Grandfathered retirees
 - Self-insured PPO with prescription drug coverage
 - Xerox receives RDS subsidy
 - Medicare Advantage (MA) plans: 25% of retirees elect, even without any financial incentive
- Capped retirees
 - Several self-insured plans with prescription drug coverage
 - Xerox will receive RDS subsidy until plan is no longer actuarially equivalent due to increasing retiree contributions
 - Medicare Advantage (MA) plans
 - Half of retirees now elect a Medicare Advantage Plan at age 65
- We offer several regional MA HMOs
- We offer two national MA PFFS plans

Private Fee For Service Plans

What Are They?

Medicare Advantage works as follows:

- All care provided by private health plans who take risk
- Medicare pays insurers a fixed amount based on enrollment and location
- Insurer in turn is fully responsible for claim payments
- These plans can include or exclude prescription drugs

Medicare Advantage Plans include:

- HMO – Contracted network; in-network benefits only
- PPO or POS– Contracted network; reduced out-of-network coverage
- Private Fee-for-Service (PFFS) – Retiree can go to any doctor or hospital that is willing to provide care and accepts the PFFS plan's terms of payment (i.e., a “deemed” provider)
 - This applies to many but not all doctors that accept Medicare

Private Fee For Service Plans

Benefits

Average Xerox Private Fee For Service Plan

Benefit Description	Co-Pay Amount
Office Co-pay	\$15-\$20 co-pay
Annual Deductible	None
Inpatient Hospital Services	\$100-\$250 co-pay
Outpatient Hospital Services	\$50 co-pay
Emergency Room Visits	\$50-\$125 co-pay
Pharmacy	Generic: \$5-\$10 co-pay Brand: \$45-\$50 co-pay

Private Fee For Service Plans

Employer Perspective

Rationale for PFFS

- Ability to offer single national plan design rather than patchwork of local plans
- Cost effective, comprehensive coverage with lower out-of-pocket costs than traditional Medicare
- Since no PCP is required, members do not need a referral to visit a specialist physician
- Better prescription drug coverage than common “donut” design
- Insured – less risk of self-insured death spiral and less administration
- Provides an alternative medical option for retirees when offered alongside the current self-funded plan options
- Opportunity for better care coordination and support: yet to be proven!
 - Needs to demonstrate better quality and better outcomes

Private Fee For Service Plans

Employer Perspective

Lessons Learned

- As an early adopter, we had “bumps”
 - Providers slow to understand and adopt new plan
 - Retirees initially reluctant to leave traditional plans
- Retail and group products and services are not the same: carriers more focused on retail market
- Member confusion about requirement to utilize “deemed” providers
 - No “network directory”
 - Members must show card at each visit!
- CMS-mandated communications often confuse retirees
- Keep it simple!
- Communicate! communicate! communicate!

Private Fee For Service Plans

Retiree Perspective

Retiree experience with PFFS plans:

- Retiree continues to pay Part B premium
- Retiree **must complete application form** prior to plan effective date
- Retiree can go to any doctor or hospital that is willing to provide care and accepts the PFFS plan's terms of payment (i.e., a "deemed" provider)
 - This applies to many but not all doctors that accept Medicare
 - Under current CMS rule, retiree may not submit claims directly to plan
- Retiree is only required to pay the cost-sharing amount. The doctor or hospital bills the PFFS plan for the rest of its fee
- Retiree may be required to receive approval prior to receiving specified care

Private Fee For Service Plans

Retiree Perspective

Outlook

- Will PFFS survive if Medicare reduces premium to carriers?
- Will PFFS go the way of Medicare + Choice?
- What will future cost increases be?
- Will there be political pressure to reduce RDS subsidy?
- Will MA plans, including PFFS, demonstrate effective care management?