



November 30, 2011

Memo To: Guenther Ruch, Chair Medigap PPACA (B) Subgroup

From: Bonnie Burns, Funded Consumer Representative

Subject: Section 3210 Cost Sharing

At the National Meeting in D.C. the Subgroup discussed a number of ideas for meeting the requirements of Section 210 and Medigap cost sharing. I mentioned Medicare Select might be a potential platform for meeting those requirements.

Medicare Select is a standardized Medigap plan that combines a restricted network arrangement with Medigap coverage for Medicare out-of-pocket expenses.¹ The structure mimics a “PPO” type of Medicare supplement product operating within a network of medical providers, and allowing for payment or coverage differentials for services received outside of a network.² Insurers offering this product negotiate with hospitals for a waiver of all or part of the Part A deductible that subsequently allows a small reduction in premium cost. Federal safe harbors allow the waiver of the Part A deductible, but a similar safe harbor does not exist for Part B, therefore benefits for the Part B deductible and/or services cannot be waived in any amounts without a change in federal law.

PPACA, Section 3210 requests the NAIC to review, revise, and update the benefit standards for Medigap plans C and F including the addition of nominal cost sharing to encourage the use of appropriate physicians services under Part B. The results of this task are required to be based on peer-reviewed evidence, or current examples used by integrated delivery systems. I understand this charge as asking the NAIC to make changes to both of these Medigap plans, resulting in benefits that are different than they are today and different from existing plans while still maintaining standardization among all of the plans.

I speculated whether it was possible to combine the concept of a network arrangement with the cost sharing requested in Section 3210. Network arrangements are generally perceived to deliver more efficient coordinated care resulting in lower costs.

¹ Section 10 B(4) “Medicare Select policy” or “Medicare Select certificate” mean respectively a Medicare supplement policy or certificate that contains restricted network provisions.

² Section 10 B(6) “Restricted network provision” means any provision which conditions the payment of benefits, in whole or in part, on the use of network providers.

A Medicare Select product might offer the potential to more efficiently and economically deliver both Medicare covered services and Medigap benefits through a contracted network for both Medicare Part A and Part B services. A network arrangement could potentially achieve a primary goal of Section 3210 to encourage the use of appropriate Part B services through a coordinated care model.

A network of medical providers for both Medicare A and B services combined with some out-of-pocket costs tied to Part B services might satisfy both goals of the federal law by directing beneficiaries to more appropriate care along with cost savings that are presumed to result from better coordination and oversight of health care services received through a network arrangement.

For instance, services within a network could be fully covered by a modified Medicare Select plan while some services outside a network would not be covered at all. Some cost sharing could be imposed to address the issue of “first dollar coverage” by requiring one copayment amount inside the network and a larger one outside the network to encourage people to stay within the network.

A Modified Medicare Select Plan C Plus might look like this

Basic Benefits:

- **Hospitalization** –Part A coinsurance plus coverage for 365 additional days after Medicare benefits end.
- **Medical Expenses** –Part B coinsurance (generally 20% of Medicare-approved expenses) or co-payments for hospital outpatient services, only when received from network providers (*copayment required for doctor visits*)
- **Blood** –First three pints of blood each year.
- **Hospice**— Part A coinsurance

Plan C Plus	Inside the network	Outside the network
Basic, including 100% Part B coinsurance	Covered with up to \$10 copayment for doctor visits	Covered with up to \$20 copayment for doctor visits
Part A Deductible	Covered	Not covered
Skilled Nursing facility Coinsurance	Covered	Not covered
Part B deductible	Not covered	Not covered
Part B Excess charges	Not charged by network providers	Not covered
Foreign Travel Emergency	Covered	Covered

Premium costs might be reduced because the Part A deductible could be negotiated or waived, and there might be some small premium savings from the cost sharing required for doctor visits, similar to the cost sharing in Plan N.

I recognize that in this economic environment medical providers may be unwilling to waive or accept a lower reimbursement of the Part A deductible.

In addition, networks of Part B providers might be a challenge for many companies, and even impossible in rural areas. However, people living in rural areas are probably better served by other Medigap plans anyway given the scarcity of choices for other types of coverage and the shortage of medical providers.

In spite of these challenges I thought it might be useful to consider this structure as an option for adding nominal cost sharing to Medigap plans C and F.