

October 7, 2010

The Honorable Kathleen Sebelius, Secretary
Department of Health and Human Services
200 Independence Ave. S.W.
Washington, DC 20201

Dear Secretary Sebelius,

The undersigned organizations urge the Centers for Medicare and Medicaid Services (CMS) to continue its policy to simplify Medicare Part D plan choices for beneficiaries so that Part D market competition is driven by rational, informed decision-making. Despite recent controversy about the need for beneficiaries to choose new plans for 2011, CMS has taken important strides in improving the program by ensuring that there will be a “meaningful difference” between plans offered by the same sponsor.

We are pleased that CMS has taken an active role in negotiating plan bids for the 2011 plan year, resulting in improved choices for beneficiaries. This negotiation has resulted in a better array of options, as insurance companies have withdrawn duplicative offerings and the average beneficiary may still choose between 33 different prescription drug plans. We believe that CMS must continue to use its authority to accept or reject plan bids, clarified under the Affordable Care Act, to ensure that insurance plans contracting with Medicare provide the best coverage for beneficiaries.

However, in a September 28 letter to you, Representatives Dave Camp and Wally Herger contend that CMS’s action to simplify plan choices is arbitrary and that it will unnecessarily require beneficiaries to choose new plans. We strongly disagree and urge all concerned to consider how the Part D program has been managed since it was first implemented by the prior Administration.

From the beginning, CMS has recommended that beneficiaries closely examine their plan choices each year because of the complex factors that must be weighed. Even if a plan’s premium seems competitive, changes in formulary, cost-sharing, and utilization management requirements may mean that a different plan is a better choice for the next year. In its 2007 Call Letter to plan sponsors, CMS recognized the need for simplification by instructing insurance companies that their bids must offer “meaningful variation...that will provide beneficiaries with substantially different options.”

For the 2011 contract year, CMS compared plan offerings by evaluating expected out-of-pocket cost amounts based on a uniform market basket of drugs. In certain circumstances, CMS required that some plans must have a higher value and provide coverage of at least some brand name drugs in the coverage gap. This by no means arbitrary method helped ensure that the 2011 plan year has been the most successful yet in providing beneficiaries with meaningfully different plan options.

As organizations that provide daily assistance to Medicare beneficiaries, we hear frequent complaints about the complexity of plan options under Part D. Beneficiaries find that the confusing range of choices makes it difficult to make a decision that results in favorable coverage of their prescription drug costs. A mounting body of research bolsters this daily experience. For example, a 2006 Kaiser Foundation/Harvard School of Public Health study found that 73 percent of beneficiaries believe that the drug program is too complicated. Two studies published in 2009 found that between 44 -90 percent of beneficiaries are unable to pick a plan that provides their prescriptions at the lowest price, depending on the kind of information they have available. Beneficiary confusion over plan choices is highlighted by the fact that only 6-7 percent of Part D beneficiaries have voluntarily changed Part D plans in recent years during annual enrollment.

Based on this experience, we hope that CMS will expand its policies to simplify and improve the Medicare Part D program, despite the recent criticism of this goal. We look forward to working with you to ensure that beneficiaries have meaningful choices and effective support when they enroll in Part D plans.

Sincerely,

AFL-CIO

Alliance for Retired Americans

American Association for International Aging

B'nai B'rith International

Center for Medicare Advocacy, Inc.

Families USA

Medicare Rights Center

National Academy of Elder Law Attorneys

National Association of Area Agencies on Aging

National Committee to Preserve Social Security and Medicare

National Council on Aging

National Senior Citizens Law Center

National Seniors Corps Association

Services and Advocacy for Gay, Lesbian, Bisexual & Transgender Elders (SAGE)