Medicare and PPOs - Our Experience

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Who are we?

- Horizon Blue Cross Blue Shield of NJ
  - Part of the Blue Cross Blue Shield system
  - Established over 70 years ago
  - Currently not-for-profit
  - Cover 2.8 million people
    - Including 169,000 Seniors with M+C or Medigap
    - Approximately 75% are in PPO type programs
M +C Background

• Started in the program in 1996
• Currently cover 56,613 members
  – 46,101 in PPO demo plans
• Only statewide plan (all 21 counties)
• We have 62% share of the M +C market
• Lately we have reduced benefits and raised premiums
Why the PPO Demo plans?

- Reimbursement rates = the greater of 99% of FFS or legislated M +C rate
- Greater and better product choices for the seniors
- Gave us a three year window
  - instead of annual go/no go process
Benefit Plans

• In 2002 we offered:
  - two HMO plans (high and low options)

• In 2003 we offer:
  - one low option HMO plan
  - two PPO demo plans (high and low options)
Who buys?

- Most members have individual contracts
  - But 14% have group coverage
  - 89 employers (GE, Lucent, Union Carbide, IBM, Verizon, Wyeth) cover 8,086 members
- 22% of the PPO members are age 80 or older
- 5% are under age 65
- 31% are age 70-74 - the largest cohort
<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Blue</th>
<th>Blue Plus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>$51.31</td>
<td>$86.40</td>
<td>$115.70</td>
</tr>
<tr>
<td>Coinsurance</td>
<td>100/0</td>
<td>100/80</td>
<td>100/70</td>
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<tr>
<td>Hospital</td>
<td>15%</td>
<td>$750 D</td>
<td>$750 D</td>
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<tr>
<td>Office Visits</td>
<td>$10</td>
<td>$10/$15</td>
<td>$20/$30</td>
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<tr>
<td>Out Patient Surg</td>
<td>$10 or 15%</td>
<td>Zero</td>
<td>Zero</td>
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<tr>
<td>Out of Pocket Max</td>
<td>n/a</td>
<td>$2,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Out of Network Ded</td>
<td>n/a</td>
<td>$1,000</td>
<td>$2,000</td>
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<tr>
<td>Rx</td>
<td>n/c</td>
<td>n/c</td>
<td>$100 D; 10/20/35</td>
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Results:

- Value: 19%
- Blue: 57%
- Group: 14%
- Blue Plus: 10%
Senior Market - Lessons Learned

We also cover 112,000 members in Medigap plans
  - 52% are covered by pre-reform (8/1/92) plans
• Seniors favor stability, predictability, simplicity
• Both employers and members are losing patience and trust
Senior Market - Lessons Learned

- Program must be aggressively marketed
  - largely sold one by one
  - DRM campaign
  - Field sales force
  - Local area meetings
- Must build partnership with CMS
- Still looking for predictable funding
Questions?