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Insurers Drop Some Medicare Plans As Rules Tighten

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WASHINGTON—More than 660,000 seniors next year will lose the private Medicare plans they now have because some insurers are dropping coverage in response to tougher federal requirements.

Most of those beneficiaries are enrolled in a type of Medicare Advantage plan called Private Fee for Service, where enrollment has surged from about 820,000 three years ago to more than 2.44 million today. PFFS enrollees, unlike those under other Medicare Advantage plans, can see any doctor they like as long as he or she accepts payments through their plan. Medicare Advantage plans are subsidized by the federal government and run by insurance companies; most operate with networks of providers.

Congress, alarmed by the high cost of PFFS plans, voted in 2008 to require the plans to establish networks of providers beginning in 2011. Companies such as [Humana Inc.](#), which has established networks that can cover at least 80% of PFFS enrollees, are doing just that.

But Medicare officials acknowledged Thursday that others are pulling out. Plans with a total enrollment of 667,000 people are scheduled to be canceled next year, they said.

[WellCare Health Plans Inc.](#), for example, is canceling its PFFS plans for about 110,000 enrollees. Spokeswoman Amy Knapp said the company saw expanding networks to meet the new requirements as an unwise investment. The company, she said, will focus on its HMO and prescription-drug plans.

[UnitedHealth Group Inc.](#) is no longer offering PFFS plans to some 2% of its members in markets where no other UnitedHealth Medicare Advantage plan is available.

According to the Centers for Medicare and Medicaid Services, the federal agency that manages Medicare, beneficiaries can choose other private plans or go back to traditional Medicare. The agency said 99% of beneficiaries have access to at least one Advantage plan offered in their area.

Medicare announced Thursday that the premiums for Medicare Advantage plans are rising to an average of \$39 a month from \$32 a month this year. Premiums for standalone drug plans will be \$30 a month on average, up \$2 from this year.

The changes are adding fodder to the health-care debate. President Barack Obama and Democrats in Congress have proposed more than \$100 billion in payment cuts to private Medicare plans over 10 years to help pay for expanding coverage to the uninsured. They argue that the private insurers are overpaid -- Advantage plans cost the government 14% more on average per beneficiary than traditional Medicare -- and the cuts will help control Medicare costs.

"Today's announcement demonstrates the real impact that policy changes can have on the health security of seniors in Medicare Advantage," said Karen Ignagni, president and chief executive of America's Health Insurance Plans, the trade association for insurers. The proposed payment cuts "will put the entire program at risk and cause seniors to face even higher premiums, further reductions in benefits and fewer health-care choices."

For now, however, Medicare data show that most insurers are still participating in Medicare Advantage, though the number of plans is shrinking. Seniors can choose from about 3,500 Advantage plans next year, down 18% from this year. They can also get their drug benefit from 1,576 standalone drug plans, 111 fewer than this year. Many of those plans being eliminated are small plans deemed by Medicare officials to be too similar to other plans.

Seniors who opt for Medicare Advantage plans will see some new protections. Medicare officials said more plans will cap consumers' out-of-pocket expenses at \$3,400 or less, and insurers won't be allowed to charge low-income, sick patients more than what they would pay under traditional Medicare. In addition, Medicare officials said they will better police insurers' marketing practices.

Rep. Pete Stark (D., Calif.) , chairman of the House Ways and Means Committee's health panel, said in a statement that Medicare's announcement "makes clear to private insurers that the free ride at taxpayers' expense is ending." But he added that Congress needs "to change the law to end wasteful overpayments that are draining the Medicare Trust Fund and raising premiums for everyone."

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