

The Future of Medicare Advantage Plans

Janet Newport

Vice President, Public Policy

PacifiCare Health Systems

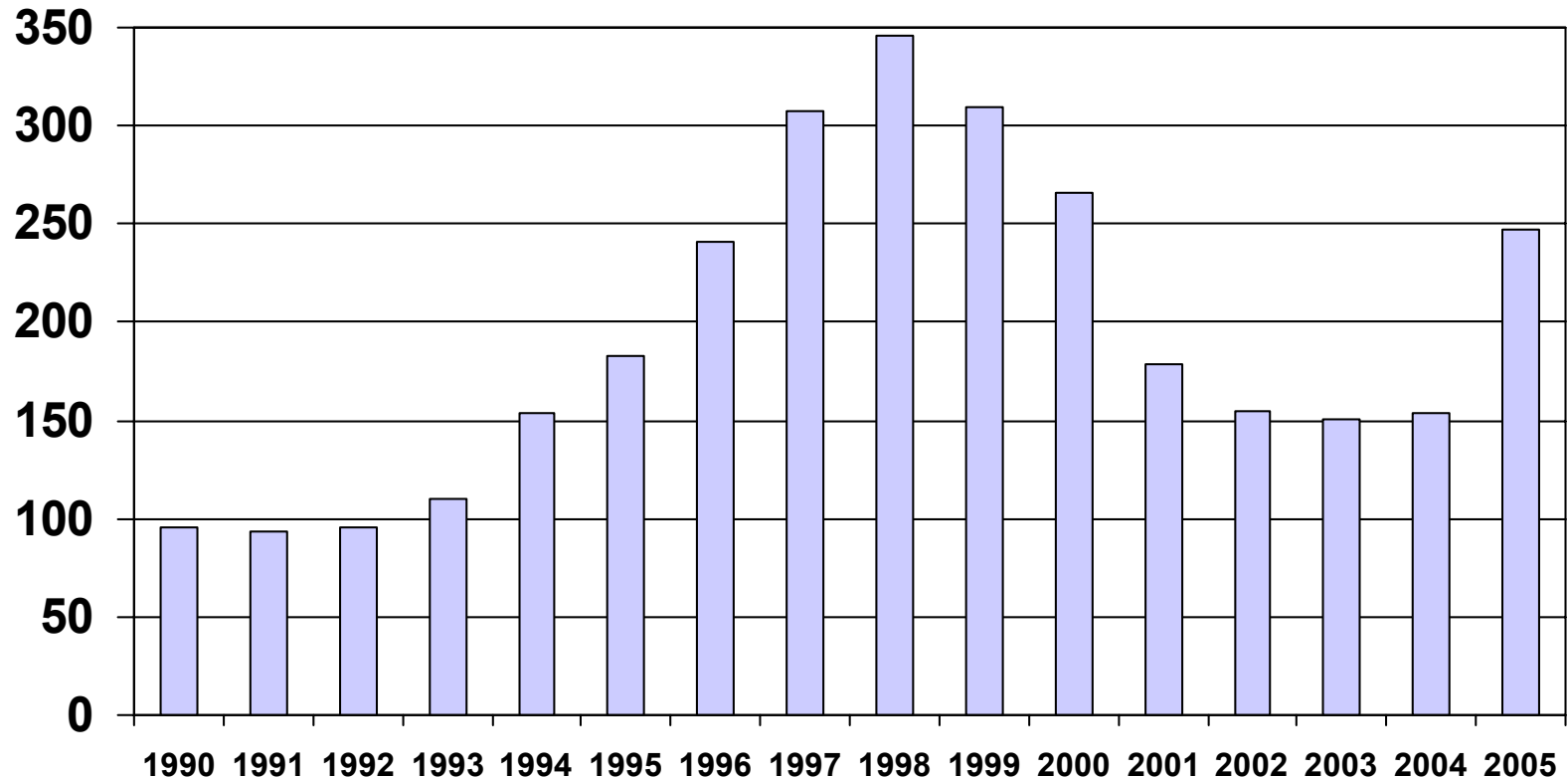
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Discussion Topics

- History of Private Plans in Medicare
- Lessons Learned to Date

Medicare+Choice/Medicare Advantage Plans 1990-2005

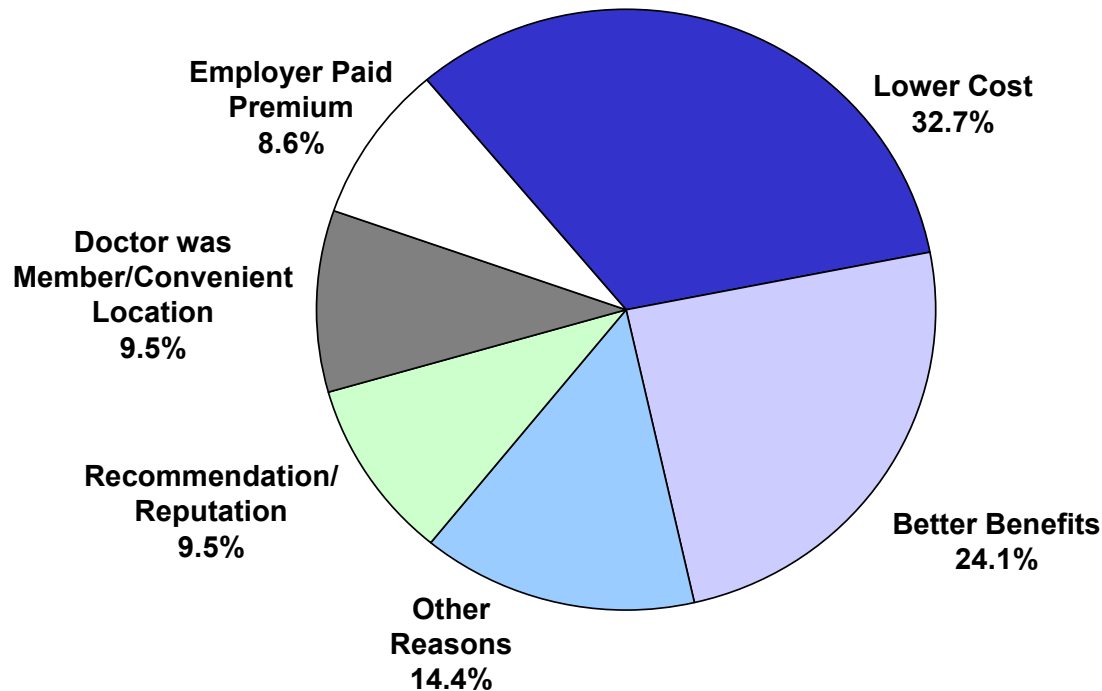


Source: Kaiser Family Foundation chart using CMS data

*Number of plans includes Medicare HMOs, PPOs, and POS contracts. Excludes PFFS, demonstrations and cost contracts.

Primary Reason a Beneficiary Joined a Medicare+Choice Plan, 2000

Lower costs or better benefits were the most common reasons for joining a Medicare+Choice Plan

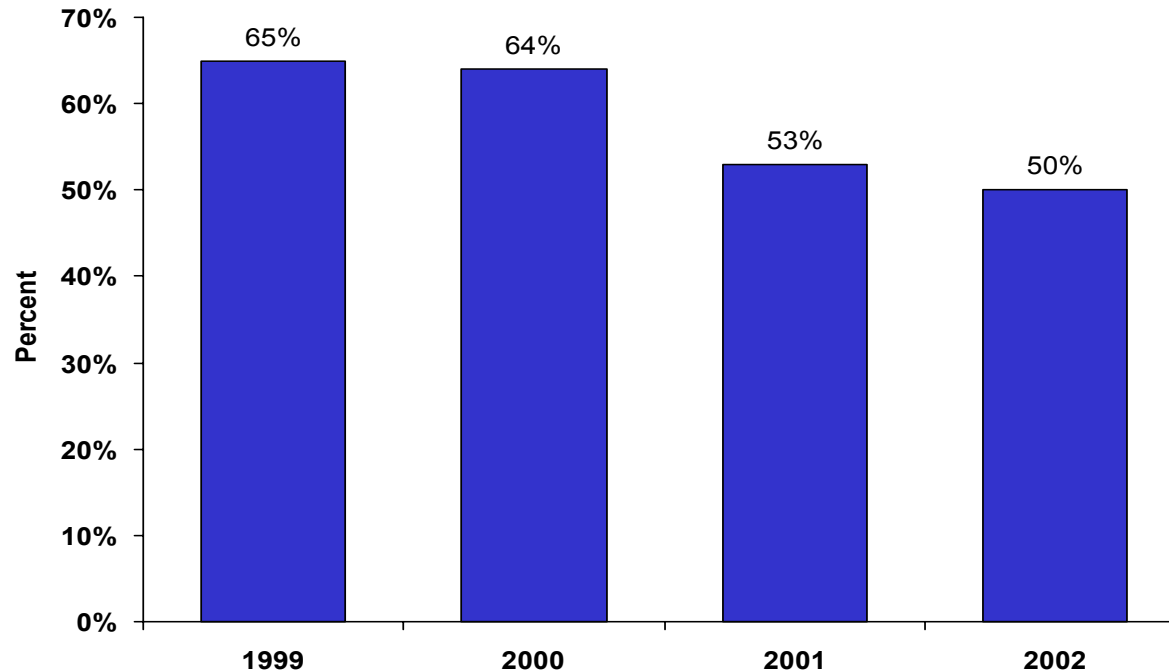


Note: Does not include beneficiaries in facility care.

Source: CMS, Office of Research, Development, and Information: Data from the Medicare Current Beneficiary Survey (MCBS) 2000 Access to Care File.

Percent of Medicare Population with Access to Any Medicare+Choice Plan with Drug Coverage

In 2002, access to any Medicare+Choice plans with drug coverage continued to decline.



Notes: 1) Medicare+Choice Coordinated Care Plans are private managed care plans, such as health maintenance organizations, that enter into contracts with CMS to enroll Medicare beneficiaries and which are responsible for providing the full range of Medicare-covered services to their enrollees. 2) Data reflect the total Medicare population. 3) Access means the availability of any plan with drug coverage.

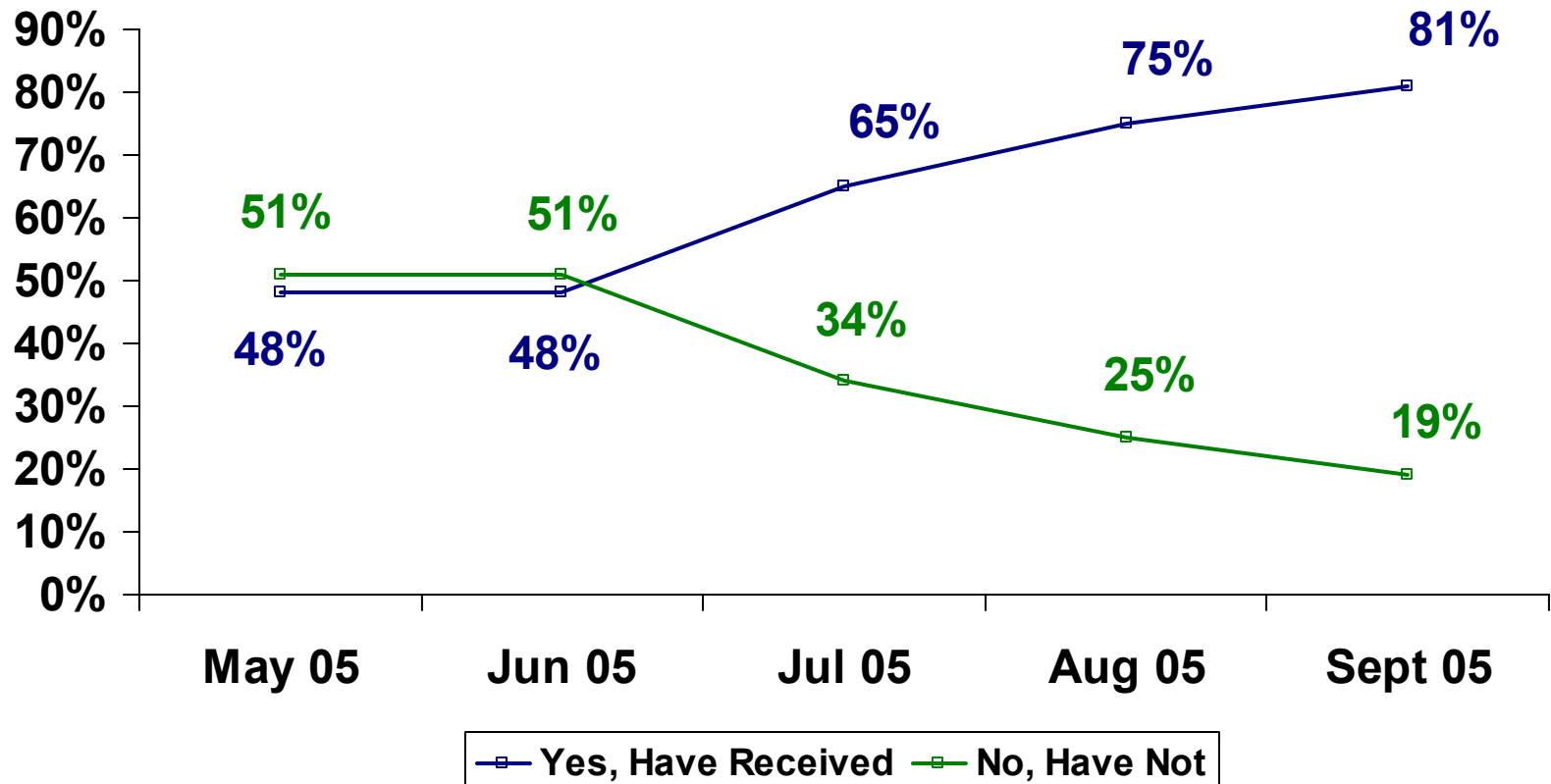
Source: CMS, Office of Research, Development, and Information analysis of data from Medicare Compare for 2001 and 2002. The Medicare Payment Advisory Commission (MedPAC) for 1999 and 2000.

Factors Leading to Private Sector Growth in Medicare

- Stabilized funding for Medicare Advantage plans in MMA
- Increased line of sight and government commitment to private sector partnerships
- Demographic changes
- Retiree benefit changes

Medicare Information Campaign has been Successful in Reaching Seniors

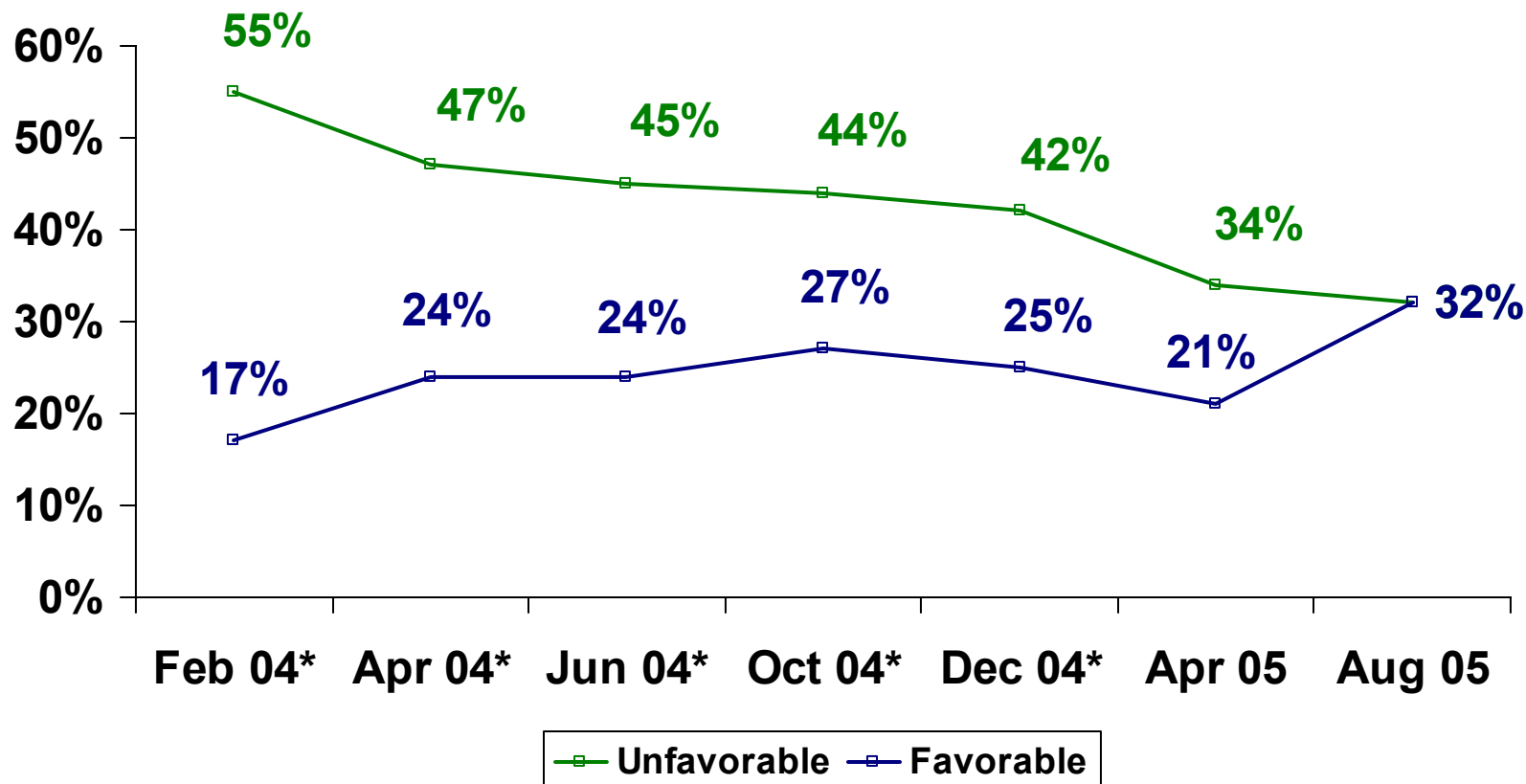
Thinking about the new Medicare prescription drug benefit, have you received any information in the mail or seen any advertisements in the media about the new benefit? (Among Seniors)



Source: Dutko Research

Trends in Seniors' Impressions of Drug Benefit

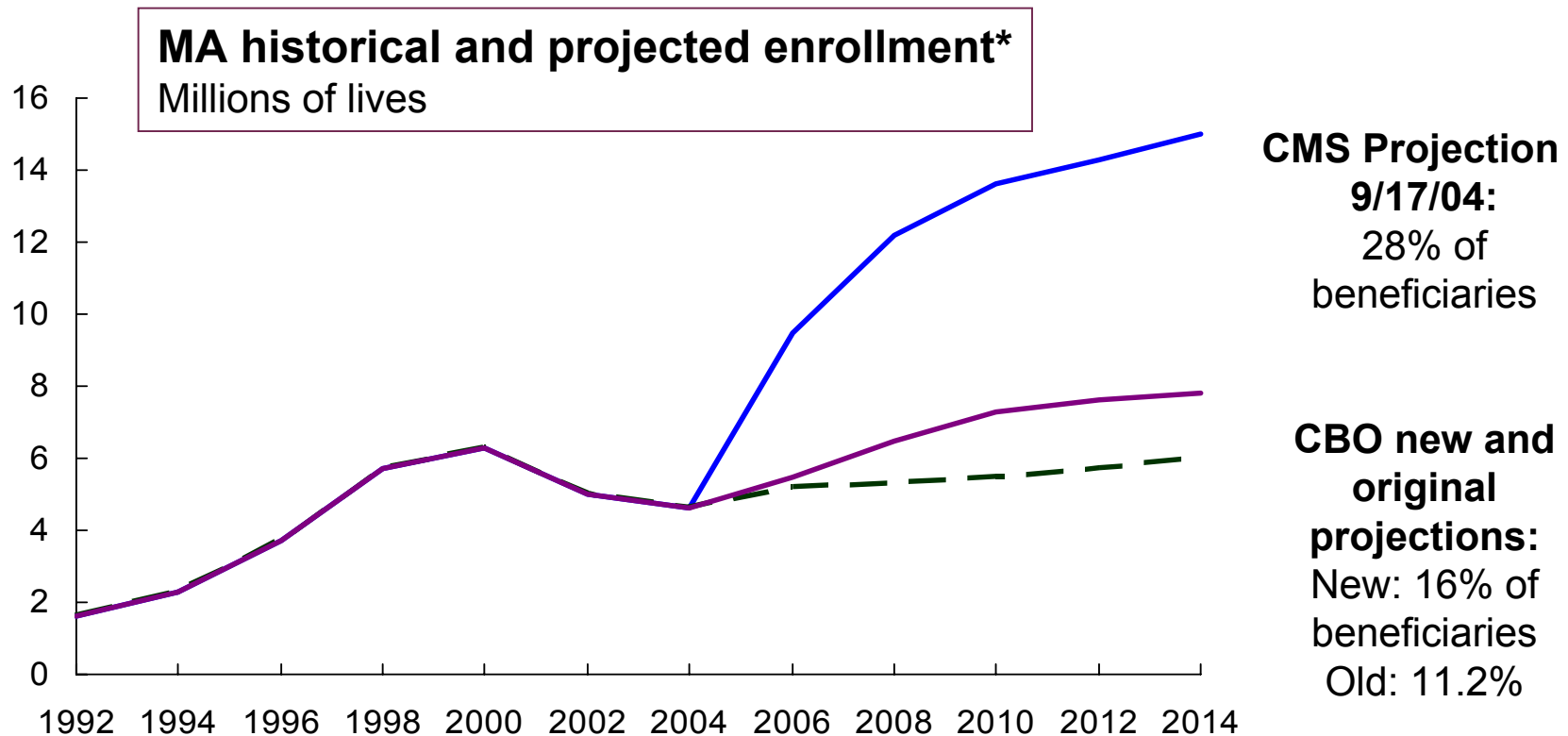
Given what you know about it, in general, do you have a favorable or unfavorable impression of the new Medicare drug benefit?



* Question referred to "new Medicare prescription drug law"

Source: Kaiser Family Foundation Surveys

CMS Projecting Aggressive Growth For Medicare Advantage



* Including PPO option
Source: CMS

Baby Boomers Are Comfortable With Managed Care Model

Managed Care Penetration #s in millions

Segment	Total U.S.	Percent U.S.	Managed Care #	Managed Care %
Medicare	42.9	14.5%	5.35	12.47%
Medicaid	43.6	14.8%	26.30	60.3%
Commercial	163.3	55.4%	148.90	91.2%
Uninsured	45.0	15.3%	0.00	0.00%
Total	294.8	100.0%	177.85	60.3%