

STATEMENT OF ALBERT SOCHOR BEFORE THE SENATE SPECIAL COMMITTEE ON AGING MAY 16th 2007

My name is Albert Sochor, Vice President and Director of Marketing for Old Surety Life Insurance Company. Old Surety is an Oklahoma based insurance company that has been in business since 1932, operating in several states and dealing mainly in the senior market. We have over 20 years experience with Medicare and have thousands of clients and hundreds of independent licensed agents who rely on us to help them with their Medicare choices and training. I was invited to this meeting to speak on behalf of insurance professionals and companies who have expressed great concern about Medicare Advantage (MA) plans, their problems and the marketing tactics being used to promote these plans. I want to make it clear; I am not against Medicare Advantage (MA) plans. I am, however, against the tactics used to sell and promote these plans. What I am going to share with you today is what's happening in the field. What beneficiaries are dealing with on a day to day basis.

During the Part D enrollment period for 2006 and 2007 many seniors rushed to enroll in just a Prescription Drug Plan (PDP). Little did some of them know but they were actually being enrolled in a Medicare Advantage Prescription Drug Plan (MAPD). This means they were no longer covered by original Medicare, but by the MA plan. The enrollees didn't realize this until they went to a doctor and later received a bill. Angrily they called CMS and the MA company to get this resolved, but were told by both entities they were locked in and couldn't go back to original Medicare until the next enrollment period. It took my intervention and page 60 from CMS's 2006 "A Guide to Health Insurance for People with Medicare" to prove that these folks could indeed go back to original Medicare. In spite of this, the clients were still held responsible for their medical costs incurred while on their Medicare Advantage plan. At no time in the history of Medicare have recipients been locked into any plan, so why now? I have personally been told that beneficiaries are "Locked In" by CMS and companies when they had rights to disenroll from the plan but weren't informed of them.

Many Medicare beneficiaries have been told that with Medicare Advantage plans you can go to any doctor that accepts Medicare. Many were told the plans worked just like original Medicare and they wouldn't lose any benefits or that the plan would work just like a Medicare Supplement. Consequently, many Medicare recipients joined the plans only to find that their doctors didn't accept the plan. Even if the doctor does accept the plan he can opt out at any time, but the client is being told (as stated above) that they are "locked in" and cannot go back to original Medicare until the next enrollment period. If these beneficiaries are not told of their rights it can leave them at risk of not having any health coverage unless they travel long distances to a provider who accepts the plan. Many doctors and facilities choose not to accept MA plans. This can be a major problem in rural areas due to limited providers.

Here, in my opinion, are other problems with the plans. Many agents and companies do not always take into consideration what's best for the consumer. Agents are not fully disclosing how the plans work. They fail to tell the consumer about the downfalls of the plan and all the co-pays and coinsurance the consumer will be required to pay. They fail to explain the potential out of pocket costs for many of the plans benefits and how much they could be at risk for if the plan has no Out of Pocket max. They leave out the part that plans can and probably will change benefits, co-pays and premiums each year. I have found if agents and companies gave full disclosure to those who are interested in their plans that many may choose not to enroll. Once they're told everything about the plan they usually stay with original Medicare. Not because the plans are bad, but that the plan doesn't meet their needs.

MA companies have a certification process that agents have to go through to sell the plans. This meets CMS requirements. The certification process covers the laws, marketing practices and product knowledge. However they tend to leave out a lot about ethics, consumer interest and how to handle problems such as I've discussed. Most of these certifications are now done on line and have no personal training.

I believe the driving force behind the confusion and the misrepresentation is money. Not the cost of the product, but what companies and agents can make selling the product. Almost everyday I receive solicitations to appoint with companies who sell Medicare Advantage plans telling me how much money I can make. First year commissions run as high as \$700 per enrollee. Agents have made hundreds of thousands of dollars in a very short time. Each year agents can enroll beneficiaries in another plan and receive high first year commissions again, even if it's not in the enrollees best interest. Agents can make a lot of money churning their business. Regularly I hear of blocks of Medicare business being bought by big companies who are heavily involved in the Medicare Advantage market. I never understood how much money could be made until our company started receiving offers to purchase us that were well over the market value. We found out then that these companies only wanted our company to get at our Medicare Supplement policyholders. We have not accepted any offers.

This brings back memories of why Congress voted in the OBRA 90 act. Prior to OBRA 90 companies would come out with new products that had new bells and whistles. There was no way to compare apples to apples. Agents would get Medicare beneficiaries to change policies each year, just for the high first year commissions. At that time hundreds of companies were in the Medicare Supplement business with agents and companies making a lot of money. When Congress standardized Medicare Supplement plans, it stopped the confusion. When Congress leveled commissions, agents lost their motive to churn their business. The market became stable.

I have spoken before groups of seniors who are very confused about what is going on with Medicare, Medicare Advantage Plans and PDPs and this concerns me, my company and our agents deeply.

CMS, the industry and the industries sales force need to understand that they are dealing with one of the most vulnerable segments of our population, our seniors, our poor and our disabled. If we as an industry do not do our jobs in a professional and ethical manor, we are doomed. Each state has an Insurance Department that is dedicated to be an advocate for the seniors and Medicare recipients that live in that state. CMS should stand up and be an advocate for Medicare beneficiaries against these plans when they don't fit the client's needs or they didn't understand what they were getting into, not tell them they are "Locked In"

Get rid of the "Lock In". Make CMS be an advocate and help Medicare recipients who have made a mistake and need to change their coverage. Hold companies and agents accountable for unlawful or deceptive sales practices. Standardize the MA and PDP plans. Levelize commissions to stop the unnecessary churning of business.

When the wrong doing that has taken place in our industry stop?

It's up to you.