The Regence Group
PO Box 1071
Portland, Oregon 97207-1071

WRITTEN TESTIMONY OF MARK B. GANZ
President and CEO, The Regence Group
United States Senate Special Committee on Aging
Thursday, February 2, 2006

Thank you, Chairman Smith, Senator Kohl, and members of the committee for the opportunity to testify before the United States Senate Special Committee on Aging regarding my company's experience implementing Medicare Part D.

My name is Mark Ganz. I am president and chief executive officer of The Regence Group, a taxable not-for-profit health insurer serving nearly three million members in Oregon, Washington, Idaho, and Utah. We are one of the oldest health plans in the country, with our roots dating back to the lumber yards of Tacoma, Washington in 1917. We now have more than 5,500 employees and nearly 39,000 providers in our networks. We are the largest health insurer in the Northwest / Intermountain region.

Regence delivers Medicare Part D through our Asuris subsidiary in Oregon and Washington and through our Regence Life and Health subsidiary in Idaho and Utah. The Regence Group and each of its affiliate plans are independent licensees of the Blue Cross and Blue Shield Association.

Regence has been participating in Medicare since the program's inception in 1965 as a Medicare Part A and B administrator. We offer three types of Medicare Managed Care Contracts: Medicare HMO or Medicare Risk since 1985; Medicare Cost since 1993; and Medicare Advantage since July, 2005. Our Medicare "First Choice Sixty-Five" product was one of the first Medicare HMO demonstration plans in the country. We are proud to say we have remained in the market consistently, even when low reimbursement rates made doing so a real financial challenge.

Because of our long experience with Medicare, we understand the commitment necessary to undertake the major changes required by Part D. We understood Part D would be an enormous challenge, and we deliberated about whether to participate; but we decided the opportunity to serve this population was well worth our efforts. Also, we believe Part D fits well within the Regence vision of a transformed health care system rooted in a deep sense of community.

We knew this would be a difficult program to implement. Despite our decades of experience with Medicare, implementing Part D was significantly more difficult than we anticipated. So, it is worth the effort to examine what is working well, what improvements are needed, and how to make this program work for everyone.

One person at a time

I realize I was invited here today to represent a large health insurer as its chief executive. But inevitably, I also bring to my position—and to my testimony—my experiences as a husband, father and son. In these roles I can well identify with Americans who have difficulty navigating the health care system. I recently lost my father after a long illness --an illness stoically borne while doctor after doctor misdiagnosed his condition. I claim no more sympathy than others who have suffered such a loss—I have many friends and colleagues who have had similar experiences. The irony here is that my father was a physician himself, an old-fashioned family doctor who prided himself on listening to his patients—and listening to them, he said, was always the best diagnostic tool. At times, his and our experience with the health care system left something to be desired. But, putting our pain aside, my family was able to be there for Dad when he needed us.

Too many of our neighbors across this land do not have the support of family and friends. It is incredibly difficult to understand the true needs of this population unless you have taken the time to sit across a table and speak with them personally, with an open mind and an open heart about their hopes, their dreams, and their fears. These are people like you and me, who happen to need some help and support from their communities to live as healthy and fulfilling a life as they are able. They are our neighbors—seniors and people with disabilities—and it is our responsibility to help them in their time of need. Programs like Medicare Part D represent a critical component of this shared promise of community.

So when I sit with our community's elders and listen to their fears at a Medicare Part D seminar, I hear my own mother talking. She had to wade through this too, and without Dad. She spends $8,000 a year or more on medication—this program is vitally important to her, as it is to many citizens eligible for Part D, elderly or not. She called on me to help, and I spent a few hours with her at the kitchen table over the Thanksgiving holiday walking her through the options to see which plan worked best for her. As a son, it was a humbling reminder that this person, who worked tirelessly for many years to take care of me, now needed me to help take care of her. This exemplifies for me the nature of our commitment to the elderly and vulnerable in our communities across this country who need Part D, and need our help to make it work for them.

Last fall, I was fortunate enough to spend some time on the Medicare Part D bus with Health and Human Services Secretary Mike Leavitt as he toured our service area. As I observed his encounters with seniors, I realized that this program could work only if we engage people at the most personal level. I took that insight back to Regence, and

determined that was precisely how we would approach our participation in Medicare Part D: One person at a time.

Gauging Part D's challenges: Pre-October 15

With 43 million Americans eligible for Part D, nearly two million of them in our market, we expected our task to be monumental. A brand-new kind of benefit affecting a huge number of people poses massive challenges. We knew it would take foresight, planning and extensive financial and human resources to implement this new program. We developed "what if" scenarios to identify potential problems and how to mitigate them. We also identified the stakeholders and began our outreach.

PHARMACIES. We began an aggressive outreach effort last summer to pharmacists and their staff about Medicare Part D and worked with our network pharmacies to determine the best way to provide them with education, training, and assistance. We advised them of our plans and policies for implementation and made sure they had direct phone, fax and email contacts. We sent email notifications to network and independent pharmacies and mailed information to those not on the distribution list. At the time, pharmacists expressed great appreciation for our efforts, which they viewed as effective and timely. Clearly, they were hungry for this information.

We also created a user-friendly website for pharmacists, where we posted information on all our Medicare and Part D plans, benefit designs, and billing information. The website also shows our payer sheets, Medicare formulary, ID cards, and training materials.

Our award-winning, in-house pharmacy benefit management program is one reason we decided to implement Part D. We knew we could save seniors money. RegenceRx is nationally recognized, rated "best in class" for its ability to combine cost management, access, and savings. We have saved more than $370 million since 2000 by emphasizing medications with the best scientific evidence of effectiveness. As a not-for-profit insurer, we pass those savings directly to our members.

MEDICAID OFFICES. Well in advance of the January 1 launch, we also contacted the Medicaid offices throughout our four-state service area, offering direct contact for any problems they might encounter. Knowing we would receive auto-assignments of thousands of dual-eligibles, we wanted to make this transition as smooth as possible for everyone involved. We later heard from one of our Medicaid offices that no one did it better. We appreciate the compliment, but we remain vigilant on behalf of this vulnerable population.

COMMUNITY EDUCATION. Like many carriers across the country, we scheduled dozens of educational seminars on Part D for brokers and the public alike, and prepared extensive presentation materials and handouts to help people understand what Part D could do for them, and what criteria to use to decide which option was right for them, if any.

STAFFING AND INFRASTRUCTURE. We expected increased phone calls, so we staffed up member services and customer service, and added phone lines to handle the volume.

Hitting the ground running: Oct. 15 to Jan. 1

With all our preparations, we were still overwhelmed by the public response to Part D. Seminars for which 40 people responded were swamped by as many as 400, many wanting help to look up doctors and medications for coverage. Triple the usual number of calls clogged phone lines so badly that normal Medicare business was disrupted. We responded with a massive staffing plan.

CALL VOLUME. We quickly added more phone line capability and dozens more trained staff to take calls. These improvements reduced busy signals, wait times, and decreased the number of abandoned calls. While we expected increased call volume, we hadn't realized that so many seniors would call us repeatedly, in some cases 10 or even 20 times, to make sure they understood the program. Our staff takes as long as needed with each caller, which members have told us they greatly appreciate. Additionally, our Government Programs staff worked nights, weekends and holidays to ensure that timely responses were available when questions arose.

STAFFING SEMINARS. We also added personnel to process claims and address pharmacy issues. We even canvassed our own employees—senior management included—for help at the seminars. I joined the fray as well, attending seminars and working one-on-one with seniors. Hundreds of our employees volunteered, trained and attended seminars to keep our commitment of face-to-face engagement, one senior at a time. We also increased seminar bookings to 40 a week. By January 20, we had conducted nearly 300 seminars with more than 17,000 people attending.

DUAL-ELIGIBLES. We received our list of some 13,000 dual-eligible Medicare-Medicaid auto-enrolled members from CMS at the end of October, and promptly entered them into our system. A number of issues arose, from outdated addresses to incomplete information. We decided early on that any question about eligibility would be decided in the member's favor, and we would sort out details later.

LOW-INCOME SUBSIDY. There were data problems associated with this group, specifically, discrepancies in files that lacked information regarding co-payment eligibility. Again, our response was to put the member first: Pay the claim and work out the rest later.

MEMBERS FIRST; PAPERWORK SECOND. We made sure our pharmacy partners were well advised of our policy on this point: Any member who presents a Regence letter of acknowledgement—or even claims to be a Regence member—gets the benefit of the doubt, and the lowest co-pay rate: $1 generic and $3 brand (lower than the default CMS rate of $2/$5). A phone call to Regence to verify membership is all that's required to pay

a pharmacy claim. No matter the outcome of any later determination, members will be held harmless during the initial implementation period. Our goal is to get medicine into the hands of members.

Despite having our systems overwhelmed, we managed to enroll 63,000 people as of January 20, and expect another 10,000 to have been processed by the February 1 eligibility date.

Part-D-Day: January 1 to present

Having done our utmost to enroll members and submit their information to CMS, we mobilized employees to staff our phones on New Year's Day and the Monday holiday. The first call came at 7 a.m. and phones, faxes and email were busy all day to afford as much direct contact as possible with a live person who could solve a problem. We had plenty of company that holiday: At 10 a.m. that Sunday, we were able to reach a CMS administrator at his desk to help us clear up a pharmacy industry access issue.

From Day One, we monitored each point-of-service claim that came in. When any denied claim or questionable co-pay appeared on the list, we immediately contacted the pharmacy to inquire about the denial. If it was incorrectly applied, we educated the pharmacy and reviewed all subsequent claims that came through. Sometimes we were able to resolve more than 80 wrongful denials with a single phone call.

We didn't expect perfection in such a massive start-up and we received many calls from pharmacists. One thing they told us, though, was that Regence did a good job on communications; returning their messages with helpful information. Our staff is still working overtime to handle the call volume.

We've had our share of glitches, but Regence has processed 119,600 prescription drug claims as of January 23, and paid $7.5 million in medication claims as of January 20. When Secretary Leavitt came to Oregon last month, he asked Governor Ted Kulongoski and his senior health policy advisors: Who's doing it right? Regence is proud to have been singled out on this occasion as a plan that is having some success implementing Part D.

The bottom line: Part D is working, but there are real challenges

Even considering our years of experience participating in Medicare and despite all our early preparations, we still encountered enormous challenges. The interest in this program has been far greater than we or any other carrier anticipated. The magnitude of implementing Part D stretched our human and technological resources. For example, the number of applications we processed at Regence in the first months of open enrollment represents triple the applications we typically receive in a two-year period, a huge undertaking for any company. We experienced more than triple the average monthly call volume, which caused our wait times and abandonment rates to increase. Our experience is multiplied countless times across the country.

One lesson we've learned at Regence is that we cannot over-communicate in a program of this scope and complexity. Ads, brochures, handouts, presentations, websites, phone calls—all are useful but not sufficient. With this population, there is no substitute for one-on-one—preferably face-to-face—communication. As I mentioned previously, many people called Regence repeatedly to make sure they understood the rules, the deadlines and the coverage. We didn't anticipate that, and it clogged our phone lines and drained staff resources.

Everything we have learned better prepares us to face the continuing challenges.

Overall, we believe the health care industry has been working in good faith to deliver high quality prescription drug coverage to Medicare beneficiaries. Without pointing fingers, we all recognize that a number of systems issues and communications issues have caused disruptions for some beneficiaries. The good news is that hundreds of sponsors of prescription drug plans have formed a strong public-private partnership that is meeting these challenges. Behind the scenes—far from the media spotlight—thousands of resourceful government and health plan employees are working to resolve the issues that have gained so much attention in recent weeks. Because of their efforts, we are seeing fewer problems with each passing day.

Despite the difficulties you have heard, it is much too early to call for wholesale changes to Medicare Part D. With this new program, millions of seniors are getting the medicine they need. According to CMS, pharmacists are filling more than one million prescriptions a day. And when situations arise, all parties, including CMS, plan sponsors, pharmacy benefit managers, and pharmacists, are working hard toward solutions to ensure that beneficiaries get their medications.

We should not lose sight of the big picture. Implementation problems will be worked out and beneficiaries now have access to better drug coverage—especially for low-income Medicare beneficiaries and those with chronic health conditions. Millions of people are realizing a significant benefit from this program. And in the end, beneficiaries will save hundreds, even thousands of dollars on their prescriptions due to this first-of-its kind benefit in Medicare.

You have heard about problems today as well as some solutions and successes. I hope the Regence experience brings some balance and some hope to those concerned about Medicare Part D. For any hurdles yet to be cleared, Regence will stay focused on an approach that works: one person at a time.

On behalf of Regence employees, I thank you for the opportunity to testify before the committee. And we are pleased to expand our participation in Medicare so we can continue to meet the needs of the communities we serve.