

Bush Plan to Privatize Medicare

Limiting Patient Choice of Doctors in Five States



**Congress Watch
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Acknowledgments

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Major Findings

The long-term goal of the Bush administration and its allies in Congress is to turn Medicare over to private insurance companies. The problem they face is that most of the 41 million Medicare beneficiaries overwhelmingly prefer the “traditional” Medicare fee-for-service program run by the federal government – they are not enthusiastic about joining private insurance plans.

Beneficiaries today have the option of enrolling in HMOs that contract with Medicare through the Medicare+Choice program, but only 11 percent do so. In a proposal outlined in March 2003, the Bush administration made it clear that it intends to entice many more beneficiaries into joining private insurance preferred provider organizations (PPO) and HMO plans by making significant coverage for prescription drugs available only to those who leave the traditional fee-for-service program and enroll in these plans. The Bush plan will not offer much prescription drug coverage to those who stay in the traditional Medicare program. Most beneficiaries in traditional Medicare would receive coverage only once they had spent thousands of dollars out-of-pocket on their medicines.¹

The goal of this study is to examine what the effect would be on beneficiaries’ choice of doctor if they were enticed to join private PPO plans and leave the traditional Medicare program. It examines PPOs because it is generally accepted that HMOs limit choice of doctor. However, the Bush administration claims that PPOs allow enrollees to “choose any doctor.” PPOs are set up by insurance companies to negotiate with a limited number of doctors in a geographic area who are willing to offer their services at a reduced price in exchange for the plan steering patients to them as a “preferred provider.”

This study looks at the number of doctors participating in traditional Medicare and establishes how many of those same doctors participate in private PPO plans in five states: Maine, Oregon, Utah, Vermont, and West Virginia. A total of 20 counties, four in each state, are studied. In the counties selected it analyzes the number of generalists and cardiology and oncology specialists participating in Medicare who also participate in one of the seven PPO plans that are part of the Federal Employees Health Benefits Program (FEHBP). FEHBP is the model for Medicare “reform” suggested by the Bush administration.

The following are the reports major findings:

Cumulative Results for 5 States Studied

For the five states studied, the data shows that if Medicare beneficiaries switched into one of FEHBP’s private insurance plans they would find that a majority of the doctors that participate with traditional Medicare do not participate with the private plans. In the smaller plans enrollees would find that 69 percent or more Medicare doctors do not participate. (See Figures 1 and 2)

PPOs offer some coverage for doctors that do not participate in their networks, but enrollees must contend with more paperwork and hassle and must pay more – perhaps considerably more – to see out-of-network doctors than they would to see the same doctor if they had stayed in the traditional Medicare program.

The Study had the following findings for these specialties:

- **Generalists:** In the 20 counties studied, there were 1,422 generalists who participate with traditional Medicare. Only 605 (43 percent) of these doctors participate in Blue Cross and Blue Shield, the private plan with the most Medicare doctors.

Enrollees in any of the 6 other smaller PPO plans would find even fewer doctors that participate with Medicare participate in their plan. Enrollees in any one of these smaller private insurance plans would find that at least 75 percent of the Medicare-participating generalists do not participate in their plan.

- **Cardiologists:** In the 20 counties studied, there were 118 cardiologists who participate with traditional Medicare. Only 61 of these doctors (52 percent) participate in Blue Cross and Blue Shield, the private plan with the most Medicare doctors.

Enrollees in any of the 6 other smaller PPO plans would find even fewer doctors that participate with Medicare participate in their plan. Enrollees in any one of these smaller private insurance plans would find that at least 69 percent of the Medicare participating cardiologists do not participate.

- **Oncologists:** In the 20 counties studied, there were 89 oncologists who participate with traditional Medicare. Only 22 of these specialists (25 percent) participate in Blue Cross and Blue Shield, the private plan with the most Medicare doctors.

Enrollees in any of the 6 other smaller PPO plans would find even fewer doctors that participate with Medicare participate in their plan. Enrollees in any one of these smaller private insurance plans would find that at least 83 percent of the Medicare participating oncologists do not participate.

Figure 1

Number and Percentage of Medicare Doctors Participating in FEHBP PPO Plans in 20 Counties in Five States, By Specialty*

GENERALISTS

STATES	MEDICARE	BCBS	GEHA	MAIL HANDLERS
MAINE	429	155	40	30
OREGON	373	174	126	49
WEST VIRGINIA	153	60	56	55
VERMONT	253	109	14	72
UTAH	214	107	120	103
TOTAL	1422	605 (43%)	356 (25%)	309 (22%)

CARDIOLOGISTS

STATES	MEDICARE	BCBS	GEHA	MAIL HANDLERS
MAINE	37	24	4	4
OREGON	24	11	18	8
WEST VIRGINIA	14	5	2	5
VERMONT	22	8	0	3
UTAH	21	13	13	10
TOTAL	118	61 (52%)	37 (31%)	30 (25%)

ONCOLOGISTS

STATES	MEDICARE	BCBS	GEHA	MAIL HANDLERS
MAINE	32	5	0	0
OREGON	23	5	10	8
WEST VIRGINIA	3	3	2	3
VERMONT	22	2	0	1
UTAH	9	7	4	3
TOTAL	89	22 (25%)	16 (18%)	15 (17%)

BCBS: Blue Cross and Blue Shield

GEHA: Government Employees Hospital Association

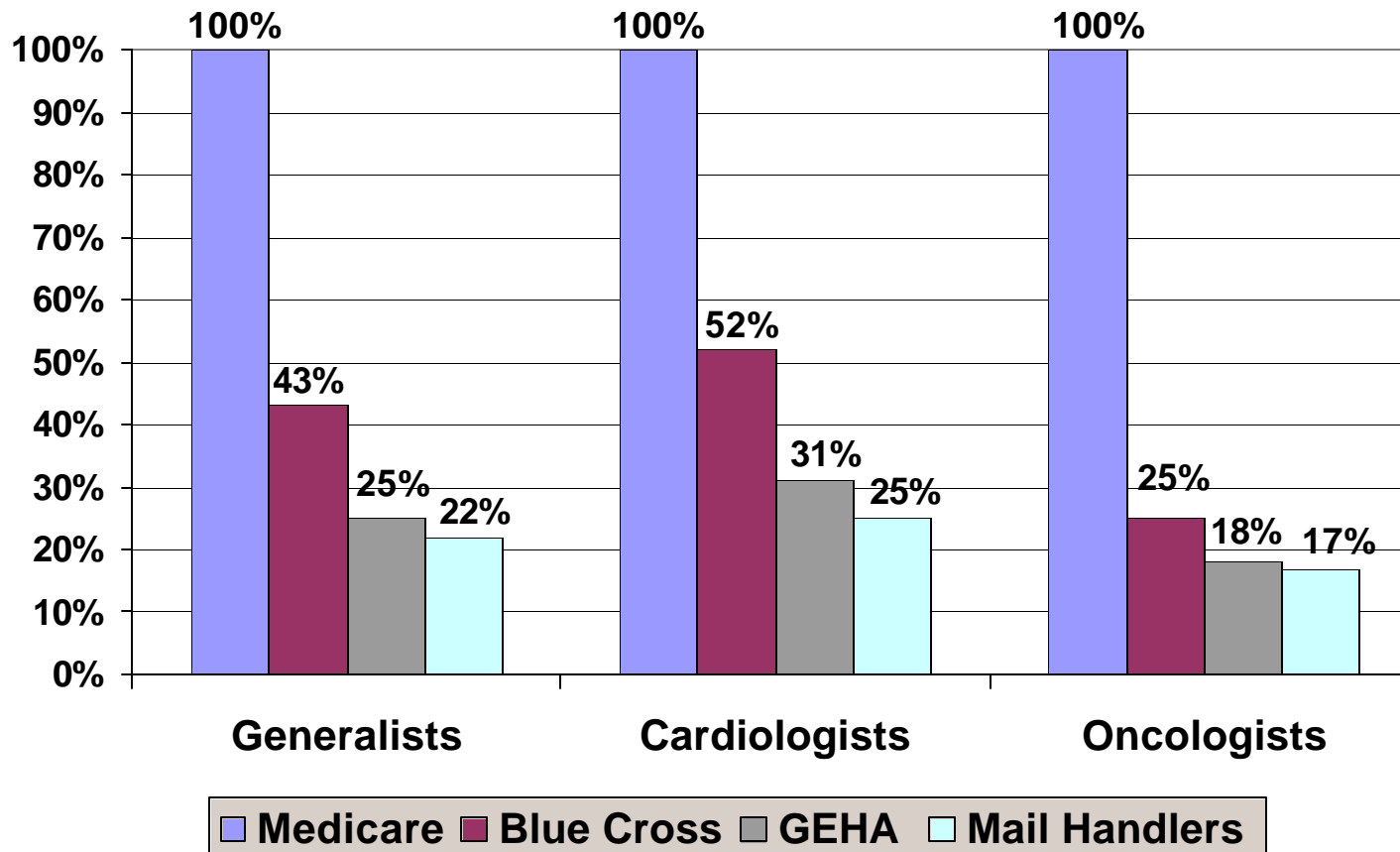
MAIL HANDLERS: Mail Handlers Health Benefit Plan

* While specific numerical totals were not computed for the four smallest plans (Alliance Health Plan, American Postal Workers Union, National Association of Letter Carriers, and the Postmasters Benefits) the number of Medicare doctors participating in these plans was surveyed and it was determined that for generalists, cardiologists and oncologists it was almost always one of the three larger plans identified here that had the most Medicare participating doctors.

Figure 2

The President's Program: Give Up the Doctor You Trust to Get the Prescription Drugs You Need

Percent of Medicare Doctors that Participate in a Federal Employees Health Benefits PPO Plan



Narrow Provider Networks in Private Plans Mean Additional Beneficiary Costs

While PPOs do offer some coverage for seeing doctors not in their plan networks, enrollees can face paperwork hassle and significant additional costs for doing so. In the end, beneficiaries may pay more, perhaps significantly more, to see the same doctor than they would have paid if they had remained in traditional Medicare. First, they can face coinsurance rates greater than the 20 percent required under Medicare. Additionally, their coinsurance might be based on a higher allowed payment amount than Medicare’s approved fees. Finally, a FEHBP enrollee can be billed for the balance between their plan’s payment limit and a non-PPO physician’s charge, a practice often referred to as “balanced billing.” It is the practice of balanced billing that could add the most to patients’ costs.

Appendix A, an “Explanation of Benefits” for an enrollee in Blue Cross and Blue Shield’s FEHBP PPO, provides an illustration of the additional costs to an enrollee of seeing an out-of-network doctor if they have coverage through a PPO. If Dr. Stone had been a participating physician with the PPO the visit to his office would have cost \$15, the Plan’s stated copay to see an in-network doctor. Instead Dr. Stone’s patient faced an out-of-pocket cost of \$383.16 (\$500.00 - \$116.84), more than a twenty-fold difference. If Dr. Stone were a participating doctor in Medicare a Medicare beneficiary getting care from him would have paid slightly more than \$15 for this visit, but much less than the \$383.16 that this FEHBP enrollee paid.

If Dr. Stone participates in Medicare and we assume that Medicare’s allowable price for this doctor visit is the same as the PPO’s, \$155.78, then Medicare would pay 80 percent of that amount, or \$124.62, leaving the beneficiary responsible for \$31.16, or 20 percent of the doctor’s fee. However, because Dr. Stone is a non-participating doctor the private plan will pay only 75 percent of its “allowance” of \$155.78. That means the plan will pay \$116.84 towards the cost of this physician’s bill of \$500. This leaves the beneficiary responsible for \$383.16: \$38.94 for coinsurance (25 percent of the \$155.78 PPO charge), and an additional \$344.22 to make up the difference between the PPOs “allowable” charge of \$155.78 and the \$500 the doctor expects to be paid.

Cost of an Office Visit to Doctor Stone

BCBS PPO		Medicare
\$500.00	Provider Charge	\$500.00
PPO/Medicare Costs & Payments		
\$155.78	Allowable Cost	\$155.78
\$116.84 (75%)	Share of Allowable Cost	\$124.62 (80%)
Patient Costs		
\$38.94 (25%)	Coinsurance (% of Allowable Cost)	\$31.16 (20%)
\$344.22	Balance Billing	\$0.00
\$383.16	Total Patient Costs	\$31.16

Background

The Bush administration, Senate Majority Leader Bill Frist (R-Tenn.), and their allies in Congress are pushing for dramatic changes to Medicare. They would like to see the program, which covers 40 million seniors and people with disabilities, provide coverage through private insurance plans, rather than through the federal government's fee-for-service program. Currently, nearly 9 out of 10 Medicare beneficiaries are in the so-called traditional Medicare program, which is run by the government and provides coverage for beneficiaries to see virtually any provider in the country. Proponents of "privatizing" Medicare argue that their proposed reforms will give beneficiaries more "choice." As this report shows, looking at Medicare beneficiaries in the states of Maine, Oregon, Utah, Vermont and West Virginia collectively, turning the program over to private insurers is likely to lead to significantly less choice of doctor.

Choice of Doctor Is Important to Seniors

Seniors place a high value on the ability to see the doctor of their choice. They are reluctant to participate in programs that reduce their choice of providers. Since 1985, Medicare beneficiaries have had the opportunity to enroll in HMOs that are paid a set amount to cover beneficiaries' health care costs. The result has been that even when HMOs have offered more generous benefits, such as some prescription drug coverage, Medicare beneficiaries have stayed in the traditional program, which, unlike HMOs, gives them the ability to see the doctor of their choice. In 2003, 61 percent of Medicare beneficiaries have access to an HMO that contracts with Medicare,² but only 11 percent of beneficiaries have enrolled in one.³

Luring Seniors into Private Plans with the Carrot of Prescription Drug Benefits

The Bush administration and Senator Frist plan to use two approaches to overcome beneficiaries' objections to private insurance plans. First, they propose to offer coverage for prescription drugs as a carrot to lure seniors out of the traditional Medicare program and into private plans. Second, they propose to greatly expand the PPO program,⁴ because PPOs offer more choice of doctor than HMOs. In essence they would create two classes of Medicare beneficiaries. Those who are willing to sign up for coverage through private insurance plans, either HMOs or PPOs, would be entitled to much more generous coverage, including coverage for prescription drugs, than those who elect to remain in the traditional Medicare program.

Supporters of privatization believe that if insurance companies offer beneficiaries the opportunity to enroll in PPOs, then more beneficiaries will join a private plan.⁵ But as this report shows, while PPOs offer more choice of doctor than HMOs they offer significantly less choice than traditional Medicare.

Federal Employees Health Benefits Program as a Model for Reforming Medicare

The Federal Employees Health Benefits Program (FEHBP) is often referred to by Senator Frist and the Bush administration as their model for reforming the Medicare program.⁶ Under the FEHBP, private insurance companies compete with each other to offer coverage to 8.6 million federal employees and their dependents. The Office of Personnel Management (OPM), which

administers the program, solicits bids from private companies interested in offering health care coverage to federal workers and retirees and makes that information available to enrollees.

Except in seven states where there are no HMOs available, FEHBP enrollees in general can elect to receive their health insurance coverage from either an HMO or a PPO (there is no fee-for-service option). The PPO plans generally offer some coverage for enrollees to see any provider. However, enrollees' out-of-pocket costs are higher if they see a provider that does not participate with their plan. The Bush administration's document describing its framework for Medicare reform fails to discuss the additional costs associated with seeing an out-of-network doctor in a PPO. Instead, the document describes the PPO plans participating in FEHBP as offering enrollees the ability to "choose any doctor."⁷ For those unable to afford the additional costs of seeing an out-of-network doctor this is clearly untrue.

There are seven PPO plans that claim to offer coverage to FEHBP enrollees nationwide.⁸ In reality the three largest PPO plans – those offered by Blue Cross and Blue Shield, the Government Employees Hospital Association (GEHA) and Mail Handlers – cover 65 percent of all FEHBP enrollees, and make up 90 percent of those enrolled in PPO plans through FEHBP. The largest plan, Blue Cross and Blue Shield, covers 49 percent of all enrollees – far more than any other plan. It also generally offers the broadest network of providers of any of the FEHBP plans. Many of the other plans offer spotty coverage.

Survey Methodology

In order to establish what the chances are that beneficiaries could continue to see the same doctors if the Bush proposal led them to leave the traditional Medicare program and join a private insurance plan, this study looked at the generalists and doctors in two specialties that accept Medicare patients and looked to see how many of these doctors accept patients through private PPO plans that participate in FEHBP. The category of generalists included family practitioners, general practitioners, and specialists in internal medicine. The two specialties chosen were Cardiology and Oncology.

A total of 20 counties were studied, four from each of the five states of Maine, Oregon, Utah, Vermont, and West Virginia. The counties were selected as follows: Counties in each state were arranged in order by population and divided into quartiles. In each of these quartiles the county with the median population was chosen, providing results that are generalizable to the five states studied.

This study looked only at doctors offering care through one of the seven PPO plans that are open to all federal employees and retirees in FEHBP. It did not look at coverage offered by PPO plans that are restricted to employees and retirees from particular agencies. Also, since the Bush administration acknowledges that HMOs limit enrollees' choice of doctor, the study does not examine the breadth of HMO networks. Instead, it looks at the PPOs, in which the administration claims enrollees can "choose any doctor."⁹

The names of doctors participating in Medicare by specialty and county were obtained from www.medicare.gov in May 2003. (This information was obtained after an update to the CMS

website in May 2003.) The participation of these doctors in the FEHBP private plans was established from data available on individual plan web sites, which can be accessed on the web at <http://fehbo.opm.gov/03/spmt/plansearch.aspx>.

Because only four counties in each state were studied we are not able to make conclusions about each state individually from our data. However, because we have systematically sampled a total of 20 counties in the five states, our results are a valid assessment of the situation in the five states combined.

Data for the five states follows.

Maine

Figure 3 shows the following findings in Maine:

Generalists. In the smallest county studied, Franklin, there were 47 generalists who participate in Medicare. Only 24 (51 percent) of those doctors participate in the American Postal Workers Union PPO, the private insurance plan with the most Medicare doctors. All of the other private plans had fewer Medicare participating doctors. In the largest county studied, Penobscot, there were 272 Medicare participating generalists. Only 103 of these doctors (38 percent) participate in the American Postal Workers Union PPO, the private plan with the most Medicare doctors. For the smaller PPOs, even fewer doctors would participate.

Cardiologists. In the smallest county studied, Franklin, there were two cardiologists who participate with Medicare. There was one Medicare participating cardiologist in the Blue Cross and Blue Shield PPO plan. There were 27 cardiologists participating in Medicare in Penobscot, the largest county studied. Only 18 of these cardiologists (67 percent) participate in the Blue Cross and Blue Shield PPO, the private plan with the most Medicare participating cardiologists.

Oncologists. There was one oncologist covered by Medicare in the smallest county, Franklin. This doctor did not participate with any of the private PPO plans. In the largest county studied, Penobscot, there were 30 oncologists participating with Medicare. Ten of those oncologists (33 percent) participate in the American Postal Workers Union PPO, the private plan that covers the most Medicare doctors.

Figure 3

Number and Percentage of Medicare Doctors Participating in Maine FEHBP PPO Plans, By Specialty & County

Generalists Participating in Medicare & Maine FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Franklin</i>	47	20 (43%)	19 (40%)	0	24 (APWU) (51%)
<i>Small/Medium Waldo</i>	32	18 (56%)	0	0	23 (APWU) (72%)
<i>Medium/Large Oxford</i>	78	21 (27%)	15 (19%)	21 (27%)	23 (APWU) (29%)
<i>Large Penobscot</i>	272	96 (35%)	6 (2%)	9 (3%)	103 (APWU) (38%)

Cardiologists Participating in Medicare & Maine FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Franklin</i>	2	1 (50%)	1 (50%)	0	-
<i>Small/Medium Waldo</i>	3	2 (67%)	0	0	-
<i>Medium/Large Oxford</i>	5	3 (60%)	3 (60%)	3 (60%)	-
<i>Large Penobscot</i>	27	18 (67%)	0	1 (4%)	-

Oncologists Participating in Medicare & Maine FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Franklin</i>	1	0	0	0	-
<i>Small/Medium Waldo</i>	1	1 (100%)	0	0	-
<i>Medium/Large Oxford</i>	0	0	0	0	-
<i>Large Penobscot</i>	30	4 (13%)	0	0	10 (APWU) (33%)

*Plans and numbers of Medicare doctors are listed only if they had a greater number of doctors than any of the three largest plans.

Oregon

Figure 4 shows the following findings in Oregon:

Generalists. In the smallest county studied, Harney, there were 19 generalists who participate in Medicare. Only 6 (32 percent) of those doctors participate in the Government Employees Hospital Association PPO, the private plan that covers the most Medicare doctors. All of the other private plans had fewer Medicare participating doctors. In the largest county studied, Marion, there were 271 Medicare participating generalists. Only 133 of these doctors (49 percent) participate in Blue Cross and Blue Shield, the PPO plan with the most Medicare doctors.

Cardiologists. In the smallest county studied, Harney, there was 1 cardiologist who participates with Medicare. This doctor did not participate with any of the private PPO plans. However, there were 14 cardiologists participating in Medicare in Marion, the largest county studied. No private PPO plan had more Medicare participating cardiologists than Blue Cross and Blue Shield, with 10 cardiologists, or 71 percent.

Oncologists. There was one oncologist covered by Medicare in the smallest county, Harney. This doctor did not participate with any of the private PPO plans. In the largest county studied, Marion, there were 14 oncologists participating with Medicare. Ten of those oncologists (71 percent) participate in the Government Employees Hospital Association PPO, the private plan that covers the most Medicare doctors.

Figure 4

Number and Percentage of Medicare Doctors Participating in Oregon FEHBP PPO Plans, By Specialty & County

Generalists Participating in Medicare & Oregon FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Harney</i>	19	5 (26%)	6 (32%)	0	-
<i>Small/Medium Wasco</i>	36	19 (53%)	16 (44%)	8 (22%)	-
<i>Medium/Large Polk</i>	47	17 (36%)	15 (32%)	1 (2%)	-
<i>Large Marion</i>	271	133 (49%)	90 (33%)	40 (15%)	-

Cardiologists Participating in Medicare & Oregon FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Harney</i>	1	0	0	0	-
<i>Small/Medium Wasco</i>	1	1 (100%)	1 (100%)	0	-
<i>Medium/Large Polk</i>	8	0	7 (88%)	0	-
<i>Large Marion</i>	14	10 (71%)	10 (71%)	8 (57%)	-

Oncologists Participating in Medicare & Oregon FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Harney</i>	1	0	0	0	-
<i>Small/Medium Wasco</i>	8	0	0	0	(1-APWU) (1-NALC)
<i>Medium/Large Polk</i>	0	0	0	0	-
<i>Large Marion</i>	14	5 (36%)	10 (71%)	8 (57%)	-

*Plans and numbers of Medicare doctors are listed only if they had a greater number of doctors than any of the three largest plans.

Utah

Figure 5 shows the following findings in Utah:

Generalists. In the smallest county studied, Wayne, there were 2 generalists who participate in Medicare. Both of these generalists participate with Blue Cross and Blue Shield and the Government Employees Hospital Association PPOs, so beneficiaries in Wayne would see no change in the availability of generalists if they switched to one of the private plans. In the largest county studied, Weber, there were 176 Medicare participating generalists. Only 94 of these doctors (53 percent) participate in the Government Employees Hospital Association PPO, the plan with the most Medicare doctors.

Cardiologists. In the smallest county studied, Wayne, there were no cardiologists participating with Medicare. However, there were 21 cardiologists participating in Medicare in Weber, the largest county studied. The private PPO plans with the most Medicare participating cardiologists were Blue Cross and Blue Shield and the Government Employees Hospital Association with 13 cardiologists each, or 62 percent.

Oncologists. In the smallest county studied, Wayne, there were no oncologists participating with Medicare. However, in the largest county studied, Weber, there were 9 oncologists participating with Medicare. Seven of those oncologists (78 percent) participate with Blue Cross and Blue Shield, the private PPO plan that covers the most Medicare doctors.

Figure 5

Number and Percentage of Medicare Doctors Participating in Utah FEHBP PPO Plans, By Specialty & County

Generalists Participating in Medicare & Utah FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Wayne</i>	2	2 (100%)	2 (100%)	1 (50%)	-
<i>Small/Medium Emery</i>	4	0	0	0	-
<i>Medium/Large Sanpete</i>	32	27 (84%)	24 (75%)	16 (50%)	-
<i>Large Weber</i>	176	78 (44%)	94 (53%)	86 (49%)	-

Cardiologists Participating in Medicare & Utah FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Wayne</i>	0	0	0	0	-
<i>Small/Medium Emery</i>	0	0	0	0	-
<i>Medium/Large Sanpete</i>	0	0	0	0	-
<i>Large Weber</i>	21	13 (62%)	13 (62%)	10 (48%)	-

Oncologists Participating in Medicare & Utah FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Wayne</i>	0	0	0	0	-
<i>Small/Medium Emery</i>	0	0	0	0	-
<i>Medium/Large Sanpete</i>	0	0	0	0	-
<i>Large Weber</i>	9	7 (78%)	4 (44%)	3 (33%)	-

*Plans and numbers of Medicare doctors are listed only if they had a greater number of doctors than any of the three largest plans.

Vermont

Figure 6 shows the following findings in Vermont:

Generalists. In the smallest county studied, Lamoille, there were 37 generalists who participate in Medicare. Only 20 of those doctors (54 percent) participate in Blue Cross and Blue Shield, the private PPO plan that covers the most Medicare doctors. All of the other private plans had fewer Medicare participating doctors. In the largest county studied, Rutland, there were 71 Medicare participating generalists. Only 35 of these doctors (49 percent) participate in Blue Cross and Blue Shield, the PPO plan with the most Medicare doctors.

Cardiologists. In the smallest county studied, Lamoille, there were 4 cardiologists who participate with Medicare. Only 2 of these doctors (50 percent) participate in the Blue Cross and Blue Shield or Mail Handlers PPO, the plans with the most Medicare doctors. There were 12 cardiologists participating in Medicare in Rutland, the largest county studied. Only 5 of these doctors (42 percent) participated with Blue Cross and Blue Shield, the PPO plan with the greatest number of Medicare doctors.

Oncologists. In the smallest county studied, Lamoille, there were 2 oncologists who participate with Medicare. Neither of these doctors participate with any of the private plans. In the largest county studied, Rutland, there were 8 oncologists participating with Medicare. Both the Blue Cross and Blue Shield and Mail Handlers plans PPOs, the plans with the most Medicare doctors, included only 1 (13 percent) on their list of preferred providers.

Figure 6

Number and Percentage of Medicare Doctors Participating in Vermont FEHBP PPO Plans, By Specialty & County

Generalists Participating in Medicare & Vermont FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Lamoille</i>	37	20 (54%)	0	19 (51%)	-
<i>Small/Medium Caledonia</i>	60	20 (33%)	3 (5%)	14 (23%)	-
<i>Medium/Large Windham</i>	85	34 (40%)	8 (9%)	24 (28%)	-
<i>Large Rutland</i>	71	35 (49%)	3 (4%)	15 (21%)	-

Cardiologists Participating in Medicare & Vermont FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Lamoille</i>	4	2 (50%)	0	2 (50%)	-
<i>Small/Medium Caledonia</i>	0	0	0	0	-
<i>Medium/Large Windham</i>	6	1 (17%)	0	0	-
<i>Large Rutland</i>	12	5 (42%)	0	1 (8%)	-

Oncologists Participating in Medicare & Vermont FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Lamoille</i>	2	0	0	0	-
<i>Small/Medium Caledonia</i>	5	0	0	0	-
<i>Medium/Large Windham</i>	7	1 (14%)	0	0	-
<i>Large Rutland</i>	8	1 (13%)	0	1 (13%)	-

*Plans and numbers of Medicare doctors are listed only if they had a greater number of doctors than any of the three largest plans.

West Virginia

Figure 7 shows the following findings in West Virginia:

Generalists. In the smallest county studied, Pendleton, there were 3 generalists who participate in Medicare. Two of those doctors (67 percent) participate in the Government Employees Hospital Association PPO, the private plan that covers the most Medicare doctors. In the largest county studied, Harrison, there were 82 Medicare participating generalists. Only 35 of these doctors (43 percent) participate in both the Government Employees Hospital Association and the Mail Handlers PPOs, the plans with the most Medicare doctors.

Cardiologists. In the smallest county studied, Pendleton, there were no cardiologists participating with Medicare. However, there were 13 cardiologists participating in Medicare in Harrison, the largest county studied. No private plan had more Medicare participating cardiologists than Blue Cross and Blue Shield, with 5 cardiologists, or 38 percent.

Oncologists. In the smallest county studied, Pendleton, there were no cardiologists participating with Medicare. However, in the largest county studied, Harrison, there were 3 oncologists participating with Medicare. All of these oncologists participate in the Blue Cross and Blue Shield and Mail Handlers PPOs.

Figure 7

Number and Percentage of Medicare Doctors Participating in West Virginia FEHBP PPO Plans, By Specialty & County

Generalists Participating in Medicare & West Virginia FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Pendleton</i>	3	1 (33%)	2 (67%)	1 (33%)	-
<i>Small/Medium Taylor</i>	19	13 (68%)	10 (53%)	11 (58%)	-
<i>Medium/Large Jackson</i>	49	11 (22%)	7 (14%)	6 (12%)	-
<i>Large Harrison</i>	82	35 (43%)	37 (45%)	37 (45%)	-

Cardiologists Participating in Medicare & West Virginia FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Pendleton</i>	0	0	0	0	-
<i>Small/Medium Taylor</i>	0	0	0	0	-
<i>Medium/Large Jackson</i>	1	0	0	0	-
<i>Large Harrison</i>	13	5 (38%)	2 (15%)	5 (38%)	-

Oncologists Participating in Medicare & West Virginia FEHBP Plans					
	Medicare Participating Physicians	BCBS In-Network Physicians	GEHA In-Network Physicians	Mail Handlers In-Network Physicians	Remaining Four Smaller PPO Plans*
<i>Small Pendleton</i>	0	0	0	0	-
<i>Small/Medium Taylor</i>	0	0	0	0	-
<i>Medium/Large Jackson</i>	0	0	0	0	-
<i>Large Harrison</i>	3	3 (100%)	2 (67%)	3 (100%)	-

*Plans and numbers of Medicare doctors are listed only if they had a greater number of doctors than any of the three largest plans.

Response to Likely Objection to Public Citizen Findings

Proponents of turning Medicare over to private insurers are likely to respond to the analysis presented here by arguing that more doctors would accept FEHBP-like plans than currently do if all Medicare beneficiaries were to get their coverage through these plans. That may be true. However, it is quite likely that fewer doctors will participate in private plans, which divide up the Medicare population, than participate today in the traditional Medicare program. The reason that so many providers participate in traditional Medicare is because of the program's market clout, which makes it difficult not to participate. That would be less true if the Medicare population were broken up into smaller groups enrolled in separate private insurance plans.

Policy Implications of Public Citizen Findings

Prescription drug coverage should be made available through the traditional Medicare program rather than be used as a carrot to induce beneficiaries to join private insurance plans. Many of the doctors that Medicare beneficiaries rely on do not participate with FEHBP's PPO plans. Therefore, the administration's proposal would force many beneficiaries to choose between paying more, perhaps substantially more, to see the doctor of their choice and getting significant drug coverage. Seniors should not be forced to make this choice.

Public Citizen Study Results Are Confirmed By Other Research

- **The Congressional Research Service (CRS) confirms the results of Public Citizen's study.** The CRS, Congress' source of nonpartisan, objective analysis and research on all legislative issues, finds a more narrow network of doctors participate in FEHBP's private plans than participate in Medicare. CRS also finds that enrollees in a FEHBP plan can be forced to pay more to see the doctor of their choice than under the traditional Medicare program. In a 2002 report CRS wrote that:

“Some providers (including both hospitals and physicians) that furnish specialized care do not participate in PPOs because they do not compete for patients on the basis of price. However, participation in Medicare is virtually universal among providers of covered health services, and Medicare's payment systems limit payments from Medicare as well as from beneficiaries, even for specialized services. Thus, when certain specialized care is needed or a specialized facility is used, Medicare beneficiaries may pay less than a FEHBP enrollee without Medicare would pay for the same care.”¹⁰

- **Narrow networks in private plans force enrollees to seek higher cost out-of-network care from 7 to 31 percent of the time.** The Office of Personnel Management, which runs the FEHBP program, reports that enrollees in Blue Cross and Blue Shield -- the most heavily enrolled plan -- seek out-of-network outpatient care 7 percent of the time.¹¹ Enrollees in the Mail Handlers PPO seek out-of-network care for all services 31 percent of the time. The Congressional Research Service has found that enrollees who seek care out-of-network often will not know until they are billed by the doctor what their costs will be for seeing their provider of choice.¹²

- **Limitations in the network of participating doctors in private plans in comparison with Medicare result from different approaches to controlling costs.** As this Public Citizen analysis of data from five states shows, fewer doctors participate in FEHBP PPO plans than in traditional Medicare. This is because of the way PPOs operate. They selectively contract with certain providers that agree to charge plans lower fees in exchange for being included in the plan's list of preferred providers. The payoff to providers for agreeing to accept lower rates is that they are more likely to be sought out by enrollees in the plans than doctors not on the list. Patients are generally forced to pay more if they choose to see a doctor who is not a preferred provider. In contrast to PPOs, Medicare holds down program costs by paying a set amount for care by any provider willing to accept Medicare rates. Because of the market clout that comes with covering 41 million beneficiaries, despite the fact that Medicare generally pays less than private insurers, providers are unable to refuse to accept Medicare patients. According to the Medicare Payment Advisory Commission, 96 percent of doctors that are accepting new patients accept new Medicare patients.¹³

Conclusion

The effects of a dramatic transformation of the Medicare program are difficult to predict. Certainly, if Medicare were transformed into a FEHBP-like structure it would not be a carbon copy of that system. Nevertheless, from this analysis of doctors participating in Medicare and FEHBP it is possible to make some judgments about the likely outcomes of such a transformation. Many Medicare beneficiaries in Maine, Oregon, Utah, Vermont, and West Virginia who would be lured into joining a PPO with the promise of prescription drug coverage, would find that their doctors do not participate with their PPO. In order to continue seeing their doctor they would have to pay more, in some cases significantly more. Under the Bush administration's Medicare reform proposal, those unable to afford the cost of seeing their doctor as an out-of-network provider would be forced to choose between getting more comprehensive drug coverage in a private insurance plan or staying with their doctor under traditional Medicare, which would provide much more limited prescription drug coverage. Seniors should not be forced to make this choice.

Endnotes

¹ See “21st Century Medicare: More Choices – Better Benefits: A Framework to Modernize and Improve Medicare,” available online at www.whitehouse.gov.

² M+C Changes in Access, Benefits, and Premiums 2001 to 2002, Centers for Medicare and Medicaid Services, available on CMS website.

³ Kaiser Family Foundation, “Medicare at a Glance,” February 2003.

⁴ As of February 2003 there were only two PPOs in operation in the Medicare+Choice program, not including those participating as part of a demonstration program. These two plans enrolled just over 21,000 beneficiaries. As of June 2003 the demonstration plans enrolled about 66,000 beneficiaries.

⁵ See “21st Century Medicare: More Choices – Better Benefits: A Framework to Modernize and Improve Medicare,” available online at www.whitehouse.gov. Emily Heil, “Frist Predicts Passage of Medicare Reform Legislation,” *Congress Daily*, April 28, 2003.

⁶ See “21st Century Medicare: More Choices – Better Benefits.”

⁷ Ibid.

⁸ Carolyn Merck, “Health Insurance for Federal Employees and Retirees,” Congressional Research Service, January 2, 2002, p. 5.

⁹ See “21st Century Medicare: More Choices – Better Benefits.”

¹⁰ Ibid, p. 38.

¹¹ Abby Block, OPM “Purchasing Healthcare Services in a Competitive Environment” Questions for the Record, April 29, 2003.

¹² Carolyn Merck, “Health Insurance for Federal Employees and Retirees,” Congressional Research Service, January 2, 2002, p. 12.

¹³ Medicare Payment Advisory Commission, “Report to the Congress,” March 2003, p. 157.

Appendix A

Blue Cross and Blue Shield “Explanation of Benefits” Document for a Non-Participating Provider Visit



Explanation of Benefits
THIS IS NOT A BILL

CAREFIRST BLUECROSS BLUESHIELD
550 12TH STREET, S.W.
WASHINGTON, D.C. 20065
202-489-1650 1-800-848-9766
TDD NUMBER 202-479-3546

WWW.CAREFIRST.COM



EXPLANATION OF BENEFITS AT A GLANCE	
Benefit Check Enclosed	
Patient Name:	[REDACTED]
Dates of Service:	09/25/2002 - 09/25/2002
You Owe the Provider:	\$383.16

ID Number: [REDACTED]
Claim Number: [REDACTED]
Claim Paid On: 01/15/2003
Claim Received On: 12/30/2002
Claim Processed On: 01/15/2003
Check Number: 923947

Provider: STONE
Type: NON-PARTICIPATING PROVIDER
Dates of Service: 09/25/2002 - 09/25/2002

Type of Service	Submitted Charges	Plan Allowance	Remark Codes	Deduct	Coinsurance Or Copay	Medicare/Other Ins.	What We Paid	You Owe the Provider
MEDICAL CARE	75.00	28.00	405		7.20		21.60	75.00
OFFICE VISIT	425.00	126.98	621 405		31.74		95.24	425.00
TOTALS:	\$500.00	\$155.78		\$0.00	\$38.94	\$0.00	\$116.84	\$500.00

EXPLANATION OF REMARK CODES

405--YOU DO NOT HAVE TO MEET A CALENDAR YEAR DEDUCTIBLE BECAUSE YOUR FAMILY HAS ALREADY MET THE FAMILY CALENDAR YEAR DEDUCTIBLE FOR THE YEAR IN WHICH THESE CHARGES WERE INCURRED.

621--WE PROVIDE BENEFITS FOR COVERED SERVICES BY NON-PARTICIPATING PROVIDERS BASED ON THE NON-PARTICIPATING PROVIDER ALLOWANCE. FOR MORE INFORMATION, SEE THE DEFINITIONS SECTION OF YOUR BLUE CROSS AND BLUE SHIELD SERVICE BENEFIT PLAN BROCHURE. YOU ARE RESPONSIBLE FOR THESE CHARGES.

YOUR RESPONSIBILITY TO THE PROVIDER(S) IS \$500.00. WE PAID \$116.84.
THE PROVIDER CAN COLLECT \$500.00 FROM YOU FOR THESE SERVICES.

Continued On Next Page