

# Federal Actions May Spur, Deter Chronic Special Needs Market

BY ROY MOORE

Florida is a natural fit for the chronic special needs plan concept with a large senior population that's clustered around major metropolitan areas, supportive of managed care and suffering from a variety of debilitating conditions. But these advantages have not translated into significant inroads for companies that focus on this segment in Florida, and recent actions in Washington, D.C. have yet to stabilize the market.

Accordingly, the C-SNP market could either be poised for significant growth or be put out of business in a couple of years. New rules could either drive out those companies with questionable benefit designs, leaving the market to those that are focused heavily on helping chronically ill seniors. Or, the attempt to stamp out superfluous plans could actually hinder growth for the rest.

As the deadline for submitting proposals for special needs plans approaches, insurers in this market are dealing with a back-and-forth dynamic that jeopardizes the future of this market.

The ability of insurers to navigate this intriguing—and potentially lucrative—market will be put to the test, possibly bringing new programs into Florida, where thousands of seniors suffer from chronic illnesses. Those insurers willing to enter this market will find pockets of opportunities in some Florida counties, which has a disproportionate number of seniors suffering from chronic conditions.

## From Part D Law, A Program Is Born

When Congress established the C-SNP market in 2003's Medicare Modernization Act, the legislation was hailed by those who support disease management as a way to improve health and hold down costs.

Table 6-1: Leading Causes Of Death Among Florida Seniors

	65-74	75-84	85+
Cancer	9,896	12,103	6,648
Heart diseases	5,783	12,243	16,896
Chronic lower respiratory diseases	2,001	3,516	2,588
Stroke	1,168	2,758	3,510
Diabetes	1,146	1,518	1,043

Source: Florida Vital Statistics Annual Report, 2007

They believed that stratifying seniors with certain chronic conditions, such as diabetes or heart disease, into separate plans that focused exclusively on those conditions would result in better outcomes.

The Centers for Medicare & Medicaid Services gave health plans plenty of leeway in developing their SNPs, which fell under the Medicare Advantage program. Health plans targeted a variety of conditions—many overlapping—and started enrolling thousands of seniors. By January 2009, some 267,881 U.S. seniors were enrolled in these plans.

“I think they’ve been very well received and accepted by potential members. That aspect has met or exceeded expectations,” said Paul Serini, executive vice president of XLHealth, which has transformed itself from a disease management firm to a company with a primary business focus on C-SNP products serving seniors in Arkansas, Georgia, Maryland, Missouri, South Carolina and Texas.

Through its Care Improvement Plus C-SNP, XLHealth has leveraged its years in the disease management space, building its benefit offerings around disease management and care coordination instead of traditional unit pricing and managed care controls. Care Improvement Plus has a system that customizes the level of intervention based on a variety of data and health risk assessments as well as face-to-face meetings with patients, claims data and medication data.

From this information, patients are placed in one of several tracks and are continually monitored for necessary adjustments in their care. Among the interventions offered include a healthcare provider trained in disease management performing house calls. In addition, there’s traditional call center-based communication and electronic home monitoring. “We keep on top of the members the way any disease management program would, but with the benefit of improved access to member health information and providers as the designated health insurer. One-hundred percent of our members are in some type of program, so we live and eat this every day. It’s a large dedication of time and resources,” Serini said.

Such heavy involvement is needed for a population that can suffer from four or five conditions, see more than a dozen physicians each year and take up to 50 prescriptions. The biggest driver of cost for Medicare Advantage is hospitalization, and up to 40 percent of hospitalizations are avoidable. By ensuring members see their physicians and take their medicines, the company cuts down on unnecessary emergency room visits.

**Table 6-2: Prevalence Of Death From Chronic Conditions Among Florida Seniors**

County	Disease State	Deaths Among Over-65 Residents	Senior Population	Senior Population As Percentage of Overall Population	Deaths as Percentage of Senior Population
Duval	Heart Diseases	1,158	87,428	14.4%	1.32%
Broward	Heart Diseases	3,316	250,737	14.2%	1.32%
Miami-Dade	Heart Diseases	4,364	341,013	14.2%	1.28%
Hillsborough	Heart Diseases	1,624	133,488	10.4%	1.22%
Palm Beach	Heart Diseases	3,166	271,700	9.5%	1.17%
Duval	Cancer	1,004	87,428	10.4%	1.15%
Pinellas	Heart Diseases	2,163	191,703	21.5%	1.13%

Source: Florida Vital Statistics Report, 2007, U.S. Census Bureau

Despite the promise of better treating a vulnerable population, the growth of these plans sparked criticism. Unlike the rest of Medicare Advantage that is limited to enrolling members during Medicare’s annual and open enrollment periods (running from November 15 to March 31 of each year). SNPs are permitted to enroll members year-round enrollment. Insurers realized that if they failed to meet their MA membership goals in the open enrollment period, they could switch their efforts to SNPs to make up for the shortfall. In addition, some SNPs, such as those targeting high cholesterol plans and obesity, were accused of not focusing on legitimate chronic conditions.

After a one-year moratorium on new SNPs, Congress last July restricted future enrollment in C-SNP plans to those conditions that threatened life or to patients who were at high risk of hospitalization or other adverse health outcomes and required specialized care delivery. To add some clarity to the disease management C-SNP purpose, CMS convened a panel late last year to establish regulations for chronic SNPs, an area that

the Bush Administration supported as a way to improve health outcomes among seniors.

The group identified 15 chronic conditions for 2010 contract eligibility. They included such common ailments as diabetes, stroke, heart failure and end-stage renal disease. High cholesterol and obesity were out.

Plans pushed back, arguing that it's difficult to target one condition because the people they serve have multiple conditions and rules shouldn't limit them, said Jean D. LeMasurier, director of the Employer Group Practice at Gorman Health Group.

As a result, CMS issued a draft call letter that gave some flexibility to patients with multiple conditions. CMS would allow certain chronic diseases that are commonly comorbid and clinically linked under five common combinations. In one, patients must have one of five groups: diabetes and chronic heart failure; CHF and cardiovascular disorder; diabetes and cardiovascular disorder; diabetes, CHF and cardiovascular disorders; and stroke and cardiovascular disorders.

On Jan. 22, 2009, CMS withdrew the call letter, pending review by the new administration. No one is certain what will emerge. CMS will not be able to comment until after the 2010 draft call letter is released, said spokesman Joe Kuchler. "They aren't saying you can't have special programs. They're just saying it has to be targeted for one disease," LeMasurier said.

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Humana, which operates SNPs targeting diabetes and osteoarthritis in Florida, doesn't anticipate any significant impact on its SNPs. The company has taken steps to fully comply with CMS' new rules and regulations for 2009, said Scott Latimer, M.D., Humana's central/north Florida market president for senior products.

At the end of 2010, the authorization for SNPs will expire, and the industry is pushing to ensure it remains in existence. Proposed cuts to Medicare Advantage reimbursements would sting the SNP industry, which believes that risk adjustments aren't enough for the level of care their members need.

**Despite Demographics, Florida Lags In C-SNPs**

Florida has largely been absent from the chronic care market, with only Humana and its affiliate CarePlus offering these products. Instead, insurers are mostly focused on dual-eligible special needs plans. Only 38,497 seniors in Florida are enrolled in Medicare SNP's.

The new rules may not have much of an effect on Florida, which is already a hotbed for Medicare Advantage activity. However, state data shows that significant opportunities in this field remain for those insurers willing to set up the networks and care coordinating programs for chronically ill seniors.

Based on an analysis of state mortality data by HealthLeaders-InterStudy, the greatest opportunities for chronic SNP's lie in catering plans to seniors with heart diseases or cancer.

The focal points of these efforts should be the Miami and Tampa markets. Both have a disproportionate number of seniors within them, many of whom are suffering from these chronic conditions. In 2007, 1.3 percent of seniors in Miami-Dade, Broward and Palm Beach counties died of heart disease, an illness that strongly lends itself to care management programs. In fact, heart disease presents significant opportunity in just about every major county in Florida, state data shows.

Jacksonville, Orlando and Tampa also show opportunities for SNPs built around treating cancer. Cancer presents opportunities in every major county as well. Outside these two main disease states, chronic lower

respiratory diseases and stroke offer opportunities equally in all Florida markets. For stroke, SNP opportunities lie in Jacksonville, Broward County and Tampa. For CLRD, the opportunities are in Jacksonville, Orlando and Tampa. Diabetes is the least-leading cause of death for Florida's major cities but has a heavy prevalence throughout the state.

### **Outlook**

***Florida is a major Medicare Advantage market, but has lagged significantly in chronic special needs plan enrollment. Part of that shortfall is the lack of desire by most insurers to field products for this group. They haven't had to because high reimbursement levels in Florida have made them unnecessary for economic survival. However, insurers such as Humana are preparing for a day when the reimbursement levels aren't so generous, and they will be best positioned to produce savings from actually managing care and utilizing disease management programs. When that day happens, expect SNPs to focus on cancer and heart disease in the Tampa and Miami-Dade markets.*** ■