Medicare Suspends Fee-for-Service Plan Sponsors

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Several Medicare Advantage fee-for-service plan sponsors have agreed to voluntarily suspend marketing of their plans until officials at the Centers for Medicare and Medicaid Services can verify that they are in compliance with certain management controls.

CMS officials announced this temporary marketing moratorium as part of an effort to halt deceptive marketing practices in the private fee-for-service Medicare market.

"It is our strong belief that while most agents and brokers are helpful and responsible in describing and explaining choices to beneficiaries, there are a few bad actors operating in the marketplace that need to be removed from the system," Abby Block, director of the Center for Beneficiary Choices at the CMS, said during a press briefing. "This voluntary agreement demonstrates that the plans are stepping up to ensure that deceptive marketing practices end and that beneficiaries fully understand what they are purchasing."

From last December through April, CMS officials received about 2,700 complaints from beneficiaries regarding Medicare Advantage plans, with many of those complaints relating to private fee-for-service plans.

However, Ms. Block pointed out that the 2,700 complaints account for a small fraction of the 1.3 million Medicare beneficiaries who have elected to enroll in such plans.

The problems reported range from agents encouraging the misperception that the private plans are just like traditional Medicare and are accepted by all providers who accept Medicare to more blatant cases of deception in which agents have told beneficiaries they are still enrolled in traditional Medicare and are purchasing a Medigap supplemental insurance policy.

The seven private fee-for-service Medicare plans that recently signed an agreement with the CMS to suspend their marketing efforts are: United Healthcare, Humana, WellCare, Universal American Financial Corporation (Pyramid), Coventry, Sterling, and Blue Cross Blue Shield of Tennessee. Together, they account for about 90% of enrollment in private fee-for-service plans, according to the CMS.

According to CMS, the real concern involves actions by a small number of rogue brokers and agents with whom these and other organizations may contract.

"These are clearly the major players in the industry," Ms. Block said.

The plans were not singled out because of particular problems with their marketing practices, Ms. Block said. The real concern relates to actions by a small number of rogue brokers and agents with whom these and other organizations may contract, she said.

The temporary moratorium does not apply to enrollment among the plans and does not affect the employer market, where CMS has not received complaints of issues with marketing tactics.

The marketing moratorium will be lifted on a plan-by-plan basis when the CMS certifies that the plan has both systems and management controls in place that meet conditions spelled out by the agency in guidance earlier this year.

For example, plan sponsors will have to show that all of their advertising, marketing, and enrollment materials include model disclaimer language provided by the CMS that private fee-for-service Medicare plans are not the same as traditional Medicare or Medigap and that not all providers will accept the plan. All representatives selling products on behalf of a plan sponsor will have to pass a written test demonstrating familiarity with Medicare and fee-for-service plans.

Plans must also agree to provide a list of individuals who are marketing the plan upon request by the CMS or state agencies. The CMS will begin to review plans as soon as they indicate they are in compliance, Ms. Block said.

In addition, the CMS will be monitoring all private fee-for-service plans to ensure they are not engaging in deceptive marketing practices. "We will be watching very carefully as the entire industry begins marketing in October for the 2008 benefit year," Ms. Block said. ■