Written Testimony of Susan E. Rawlings, Senior Vice President and President, Senior Services, WellPoint, Inc. Before the Senate Finance Committee

Hearing on Medicare Drug Benefit Implementation

Introduction

Chairman Grassley, Senator Baucus, and distinguished members of the Committee, thank you for the opportunity to discuss implementation of the Medicare Part D Prescription Drug Benefit and the unique role that WellPoint's Facilitated Enrollment process is playing to address the challenges related to the transition of full-benefit dual eligibles to the Part D program. Facilitated Enrollment is functioning as an additional layer of protection to help fulfill the nation's promise to Medicare beneficiaries with special needs.

I am Susan Rawlings, Senior Vice President and President in charge of Senior Services for WellPoint, Inc. I have been with WellPoint since November, 2004. WellPoint, Inc. is the largest publicly traded commercial health benefits company in terms of membership in the United States. WellPoint is an independent licensee of the Blue Cross Blue Shield Association and serves its members through Blue Cross and Blue Shield plans in fourteen states and UniCare.

In positions held prior to WellPoint, I focused on Medicare programs, retiree health and applying the principles of geriatric medicine. At WellPoint, I am building on my experience by developing products, programs and services that meet the needs of our senior and disabled populations; for example, a key focus of mine over the last year has been the planning and application processes associated with the participation of WellPoint companies in the new Medicare Part D program. I am also continuing my efforts to broaden the understanding about older adults among multiple stakeholders. I believe that greater insight will be required to ensure that the health care system and the Medicare program are well prepared as the baby boomers age.

WellPoint Participation in Part D Prescription Drug Benefit Program

WellPoint has a long history of providing services to Medicare beneficiaries, including offering Medicare supplemental insurance and Medicare Advantage programs. As of 12/31/05, we were serving over 1 million beneficiaries in these programs across the country. Prior to the launch of Part D, we offered the interim prescription drug card. We have continued that tradition with the new Medicare Part D program. We offer the prescription drug benefit through our Medicare Advantage-Prescription Drug Plans (MA-PDs) in several regions, including the newly available Regional Preferred Provider Organization (PPO) in three regions, as well as stand-alone Prescriptions Drug Plans (PDPs) in all 34 regions, encompassing the 50 states and the District of Columbia. WellPoint offers three benefit plan options, enabling Medicare beneficiaries to choose the benefit plan that best meets their individual medical and financial needs. The formularies that support these products are consistent across the country. Our formulary designs meet or exceed the minimum requirements established in the law. Our pharmacy network is made up of 51,000 pharmacies nationwide, representing 90% of available retail pharmacies.

WellPoint is pleased to report that we have an estimated 1.2 million Part D members, of which approximately 60% are auto-assigned dual eligibles. In January, we processed an estimated 3.5 million prescriptions of which approximately 575,000 were processed through the Facilitated Enrollment program.

WellPoint Commitment to Part D Success

WellPoint is committed to supporting the effective implementation of Part D for all Medicare beneficiaries. We are focused first on making sure that these people get the prescriptions they need filled timely, then resolving issues and problems so that all of our Part D members have a good experience when they go to the pharmacy. The transition to Part D for dual eligibles, and particularly those that were missed in the auto enrollment process, was not flawless and should have been easier for them. WellPoint shares the concern for the beneficiaries, and the frustration of pharmacists, elected officials, advocates, the States and CMS, *but we are not discouraged.* WellPoint's primary goal is to ensure that beneficiaries receive all the benefits of their health coverage, including

access to prescription drugs, in a timely and beneficiary-friendly manner. We are doing everything in our power to make the transition a success and believe that progress is being made.

As all of the stakeholders work to improve the transition and implementation of this program, we must all keep in mind the tremendous value of adding a comprehensive prescription drug benefit to the Medicare program. Millions of seniors will not only see cost savings, but true improvements in their quality of life. The mindset at WellPoint is to focus obsessively on enabling seniors and disabled beneficiaries to receive their prescriptions, even when they were not initially assigned a plan. The recent report that nearly 24 million now have prescription drug coverage is not just great news, but reminds us that we must keep our full attention on resolving barriers to service. As Part D members begin using their new prescription drug coverage, the confusion in the marketplace will abate and a solid foundation for the Part D program will begin to take hold.

Recognizing Dual Eligibles As a Vulnerable Population

Continuing to improve the enrollment process is especially critical for the 6.3 million dual eligibles which often have more health care needs than other Medicare beneficiaries. Many dual eligibles live with chronic conditions that require multiple medications. They may have physical or cognitive disabilities, including mental health illness and Alzheimer's disease. They may suffer from diabetes or HIV/AIDS, and they may live in a nursing home. We provide services to dual eligibles facing cultural, linguistic and literacy barriers.

A "Customer First" Approach to Problem-Solving

"Customer first" is a core value at WellPoint. Our number one priority for this new drug program is that each beneficiary leaves the pharmacy with their prescriptions filled at the appropriate cost to them. For this reason, WellPoint is committed to shielding beneficiaries from complex work-around solutions and shielding pharmacists from unavoidable back-end reconciliations.

The level of collaboration among CMS, plans, pharmacies and other stakeholders is unprecedented. Continuing to improve on the progress we've made requires maintaining

this collective effort. A shared approach to problem solving is the essential ingredient for making this new program work for all beneficiaries. Stakeholders are stepping up to the plate and accepting mutual accountability for meeting the challenges and ensuring the success of the Part D program. When all parties are bound by a common interest in putting the beneficiary first, an environment is created that allows for constructive criticism and open dialogue. The results being timelier implementation of the steps needed to achieve a smooth transition, faster identification of new issues, and smarter problem resolution.

Facilitated Enrollment Program: A Pharmacy Point of Service (POS) Solution

In early November, 2005, CMS approached WellPoint to develop a pharmacy-based solution to ensure that any dual eligible who was not auto enrolled would still get a needed prescription filled. WellPoint was ideally positioned for this role because we were the only company offering a plan with a premium below the low-income benchmark in all fifty states. On November 21, 2005, WellPoint signed the contract to become the "Facilitated Enrollment", or "Point-of-Service" (POS) vendor, for CMS. We agreed with CMS that no dual eligible, who are among Medicare's most vulnerable beneficiaries, should experience any gaps in coverage.

Once the contract was signed, WellPoint began a massive effort to operationalize the Facilitated Enrollment process in time for a January 1st effective date. A successfully designed safety net program would require executing many tasks related to claims administration, staff training, outreach and education, and other core areas of operation in both our health plans and our PBM. WellPoint was particularly focused on communication strategies, recognizing that working jointly with CMS to educate pharmacists would be critical to their use of this new process.

The Facilitated Enrollment process makes enrollment possible in those situations where a full benefit dual eligible visits the pharmacy and the pharmacist discovers that the individual has not been auto-enrolled into a Part D plan. With special facilitated enrollment, a dual eligible is enrolled into a WellPoint plan and can immediately access their Part D prescription drug benefits. A beneficiary can, however, also opt out and select a different Part D plan at any time. Pharmacy associations, chains and individual pharmacies have been provided information describing our Facilitated Enrollment solution.

The Facilitated Enrollment process is straightforward and consistent with putting the dual eligibles first: establishing a minimum threshold for proving Medicaid and Medicare eligibility in order to reduce the burden on the beneficiary. Let me describe the steps that a pharmacist can follow on behalf of a dual eligible that visits the pharmacy before he or she has been auto-enrolled but who has a Medicaid card:

1. The pharmacist bills Medicaid and the claim is denied.
2. Pharmacist checks for Medicare eligibility by one of the following:
    - Submitting an E1 query into the TROOP facilitator;
    - Calling 1-800-MEDICARE;
    - Requesting to see a Medicare card;
    - Requesting to see the Medicare Summary Notice (MSN); or
    - Requesting to see a letter from SSA stating that s/he may be eligible for Medicare.
3. If the pharmacist is unable to verify Medicare eligibility and/or enrollment in a Part D plan through these mechanisms, she/he provides the prescription drug to the beneficiary at the $1/$3 co-payment levels and bills a special WellPoint account which WellPoint has provided on its payer sheet to pharmacists.

At WellPoint, the claim is flagged as being outside its normal claims process in order to prevent it from being rejected and then the claim is paid. If the pharmacy is not contracted with WellPoint, the pharmacy is sent special instructions to establish the mechanism for payment. WellPoint also flags this individual for CMS's vendor, Z-Tech, to verify their full dual eligibility status. At this point in the process the dual eligible is enrolled in a WellPoint plan, (but can always opt out and choose a different plan later). If Z-Tech confirms the dual eligible was previously enrolled in another Part D plan, WellPoint still pays the pharmacy and works directly with that plan. This approach is consistent with our principle of shielding pharmacies from back-end reconciliations. The pharmacy is responsible for verifying the individual's eligibility for Medicare and Medicaid at the point of sale. As mentioned above, this is done through reviewing the Medicare and Medicaid cards or paperwork. This is a critical step in the process. The pharmacy is a key partner in caring for these duals, and drugs should be dispensed only to those eligible for the program. Although the pharmacy is responsible for verifying Medicaid and Medicare eligibility, the Facilitated Enrollment program only requires the

pharmacist to enter appropriate, minimal information such as name, address, birth date and a valid Medicare number into the processing system. This requirement, in effect, streamlines the electronic edits at retail and mail to facilitate more rapid prescription processing. At the same time, the minimal data provided acts as important safeguards that minimize risk exposure to pharmacists and potential abuse of the program.

Additional Proactive Steps To Support Implementation Goals

Based on our experience with launching new programs and serving seniors and disabled beneficiaries, we planned for a higher call volume and a longer average call length that we thought would be appropriate for this program. However, like other Part D plans, our estimates of the difference in magnitude fell short; for example, we experienced calls lasting more than twice as long and call volume nearly 50% higher than we predicted. Beneficiaries and pharmacists were negatively impacted, experiencing lengthy hold times and busy signals. Some abandoned their calls in frustration. Overall electronic eligibility challenges across the program, particularly in early January, also created additional volume as pharmacies wanted to discuss eligibility over the phone.

WellPoint staff has worked collaboratively with CMS, pharmacies, industry trade groups, etc. to resolve the issues facing the program. We have been working literally day and night to fix these problems as our first priority is that Medicare beneficiaries get the prescriptions they need on a timely basis. Many of the issues facing the program are systemic and data related and are being aggressively worked by industry and CMS workgroups. We must continue this collaborative work across the industry and with CMS – it is improving daily, but there is much more to do.

To improve our own service levels, some of the most effective mid-course corrections we have taken include:

- Increasing staffing as quickly as possible. We have already increased Part D staff from 455 people at January 1 to 545 at January 31. By end of February we will have nearly doubled staff, with 900 trained people serving Medicare beneficiaries and pharmacies.
- Extending the hours of operation daily and to seven days a week.
- Adding additional T-1 lines in the PBM to speed up phone service and reduce busy signals.

- Providing connectivity and availability to interface with CMS on a 24/7 basis.
- Implemented internal procedures to address urgent situations as they arise.

Recognizing that our rapid response must also include strategies that assist Medicare beneficiaries and our pharmacist partners, we have also implemented the following:

On Behalf of Beneficiaries

- Voluntarily extended our formulary transition rules from 30 days to 90 days beginning January 1st prior to CMS mandating such a change for all health plans.
- Extended the Facilitated Enrollment prescription quantities from an allowed 14 days to 30 days.
- Increased beneficiary education to inform them about any changes they may experience during the transitional drug period.
- Contracted with outside vendors to accelerate information gathering from Part D program applicants to complete applications. When possible, information is obtained from external data sources to expedite automatic completion in order to minimize contacting beneficiaries directly.

On Behalf of Pharmacists

- Adopted an inclusive network development strategy to contract with a range of pharmacies, including independent and rural pharmacies, to increase pharmacy access to network advantages and to enhance beneficiary access to affordable prescription drugs.
- Enhanced outreach by constantly communicating with pharmacies through fax blasts, weekly conference calls with independent pharmacy associations (e.g. National Association for Independent Pharmacies and other independent chain groups) and chain drug stores (e.g. National Association of Chain Drug Stores and smaller work groups formed from major chains), and individualized calls to reach as many pharmacists as possible about Facilitated Enrollment.
- Engaged in active training through our PBM on the Facilitated Enrollment process for pharmacists when they call in.

- Provided direct technical assistance to pharmacies and their vendors if necessary to address software issues.

In brief, WellPoint has developed multiple mechanisms to eliminate the obstacles that interfere with dual eligibles receiving their medications and to ensure that pharmacists can serve their Medicare customers according to their own high service standards, while receiving timely and accurate reimbursement.

Customer Service Improvements: Progress To Date

Improvements Benefiting All Members and Pharmacies. Our customer phone service has not yet reached normal levels, but it is improving. Our average speed-of-answer has improved by 20-25 percent as compared to early January. Busy signals, dropped calls and abandoned calls have been reduced by 50 percent.

Facilitated Enrollment Results. As noted previously, WellPoint's Facilitated Enrollment program, has processed approximately 575,000 claims, enabling an estimated 120,000 beneficiaries to receive their prescriptions. As we monitor Facilitated Enrollment, we are finding that the process truly operated as a "safety net" in response to data and transaction issues. The good faith behind this program has also created an incentive for non-network pharmacists to join our network and enjoy faster payment through electronic reimbursement. Overall, early skepticism regarding receiving payment seems to be yielding to an increased comfort level among pharmacists as evidenced by the increased claims volume.

Remaining Challenges and Recommendations

A number of challenges remain that require all stakeholders to work in partnership to establish a high performance Medicare Part D program that will make a difference in the lives of so many older and disabled Americans. With enrollment growing daily, we must not only invest our time and energy, but capitalize on the new relationships and knowledge gained from this experience. Addressing issues related to dual eligibles and the Facilitated Enrollment process is a top priority for WellPoint. These more vulnerable Medicare beneficiaries are also at the forefront of CMS's efforts as well. For this reason, I would like to take this opportunity to recommend some additional administrative strategies that

CMS, as our partner, might take to further optimize the Part D implementation process, benefiting all constituencies – beneficiaries, pharmacists, CMS and health plans. Our recommendations include:

1. ***Intensify efforts to provide correct, accurate eligibility information***. Many of the current challenges associated with Part D implementation stem from the need for clean, accurate eligibility data. Resolving this single issue will accelerate the pace at which the overall program is functioning smoothly. Improving data accuracy and the process for updating and validating the CMS eligibility file will ensure claims are paid by the correct plan and the beneficiary is charged the correct cost sharing amount, as well as eliminate the incentive for pharmacists to substitute the phone or the Facilitated Enrollment process for the more appropriate E1 transaction.

2. ***In order to avoid confusion and frustration for beneficiaries, CMS should clarify that beneficiaries who choose to switch plans and enroll after the 15th of the month may not have their enrollment materials before the first day of the following month.*** Allowing those beneficiaries that enroll in or switch their Part D plan prior to the 15th of the month to be enrolled with their new plan on the first day of the following month would help address this issue. CMS should likewise educate beneficiaries accordingly about the importance of enrolling prior to the 15th of the month. It is important to note that most states already use a similar approach with respect to dual eligibles applying for Medicaid eligibility. This recommendation would go a long way towards avoiding disruption for those Medicare beneficiaries for whom the data files may not yet correctly indicate their eligibility for the low-income subsidy.

3. ***Increase Pharmacy Outreach to Create One-Stop Shopping For Help.*** CMS has been conducting educational outreach to pharmacies and we commend the efforts – and we recommend it continue in earnest. Additionally, we recommend that CMS train their call centers to handle additional pharmacy related calls, particularly when pharmacies call about the Facilitated Enrollment process. Currently, CMS refers pharmacists to our call centers when contacted about the Facilitated Enrollment process or edit questions. Since the process is not complicated, we would suggest

that CMS directly provide instruction to pharmacies on how to process a Facilitated Enrollment (FE) claim during the initial call or, as we add the editing of the Health Insurance Claim Number (HICN), share the reason for the FE edit. Pharmacists would appreciate the timely assistance and many would use the information to trigger the FE enrollment process without having to make a second call to WellPoint. We would be pleased to work with CMS to train their staff.

Conclusion

The January 1st effective date for the launch of the Medicare Part D program brought with it a surge of business operations activity and customer service requests. In preparation, WellPoint did extensive advanced implementation planning and outreach, knowing that the program was complex, with many moving parts that had to work in synchrony. Our hope was that we had anticipated the major barriers that might arise as seniors navigated the enrollment system and pharmacists attempted to fill prescriptions. While it was not possible to foresee all the challenges that this enormous undertaking would pose, it is in WellPoint's DNA to be a part of the solution. We will continue to strive to get past the hurdles because the Medicare Part D prescription drug program is worth it.

Thank you for your time. I would be happy to answer any questions you may have.