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## **Medicare Part D**

Medicare Part D is an optional coverage that can be purchased by eligible beneficiaries who already received coverage from Medicare Part A and Part B. The program is meant to provide prescription drug coverage for beneficiaries. What is unique about this coverage is that it is provided by private insurance companies, not the government. The insurance companies will then receive reimbursement from the Centers for Medicare and Medicaid Services. There are many prescription drug plans available, and the insurance companies devise these plans. They may vary by drugs covered and co-pay. For example, some plans may require that the insured use generic drugs, or it may exclude a particular class of drugs. As of April 2006, the top three providers were UnitedHealth, 27%, Humana, 18%, and WellPoint, 7%.

Medicare Part D seems to oscillate between an insurance affair and a social program. While insurance companies choose to devise plans and provide coverage, there could be circumstances where they have to provide coverage not included in the plan. In the case of a medical emergency, which is obviously very subjective, the plan must provide coverage that may or may not be reimbursed by the Centers for Medicare and Medicaid Services. This is a major problem for pricing this insurance. The work that goes into ratemaking and underwriting requires the awareness of possible risks and then pricing for these risks. If at some times, they are required to provide coverage that is not defined by the plan, this corrupts the whole process, and it could result in higher rates.

Another problem deals with the age of the insureds. They are old. This could be a problem from an operational standpoint. The elderly may have many questions and not

be able to use computers very well, so the company would have to have the appropriate staff who could handle the insureds. Also, because they are elderly, they could very easily be exploited and tricked into thinking they need more or higher coverage than they really do. Further, providing drug coverage is a problem that perpetuates itself.

Longevity has risen over time and so has quality of medical coverage. The older the person gets, the more likely it is that they will consistently need drugs so that they can stay healthy, and because of this, they will live longer. Medicare Part D is a delicate dance between being a social program and an insurance operation, and because of this, it will always be scrutinized.