



Disease Management Spreads to Medicare Fee-for-Service Plans

by Stephen Barlas



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Despite noises in Congress, there will not be a Medicare fee-for-service (FFS) prescription drug benefit anytime soon. But Medicare might be easing some recipients into a drug-benefit plan through a back door labeled “disease management.”

Medicare managed care plans, which are segregated in the Medicare+Choice (M+C) program, do offer disease-management programs. The problem is that M+C plans continue to be unpopular and the participation of insurance companies unstable, in large part because of Medicare reimbursement policies.

The overwhelming majority of Medicare recipients are in FFS plans in which disease management is almost non-existent. But the absence of disease management is extremely costly, both to Medicare and to its recipients. A small number of Medicare beneficiaries—12%—account for 75% of all Medicare FFS payments. Typically, these beneficiaries suffer from chronic illnesses such as diabetes, asthma, or coronary heart disease. “In many cases, these high costs are from repeated hospitalizations as a result of poor medication compliance, lack of adherence to a prescribed treatment plan, and lack of patient self-management skills,” says Representative Nancy Johnson (R-Conn.), chairman of the House Ways & Means Health Subcommittee.

Disease-management programs are meant to help physicians, and insurers—whether they are Medicare, Medicaid, or their private partners, or pharmacy benefit managers (PBMs)—provide patients who have chronic conditions with broader, continuous, post-acute care. This care, which can include counseling and careful pharmaceutical management, including access to drugs, might not be available (or regarded as necessary) without a disease-management program.

Congress has authorized a few disease-management programs within Medicare FFS. A diabetes outpatient self-management training benefit was created in 1997 and then expanded in 2000 with the addition of a medical nutrition therapy (MNT) benefit, which became available on January 1, 2002. This was intended for beneficiaries with diabetes and renal disease.

But Medicare apparently now believes that, with the baby boomers on the threshold of eligibility, it cannot wait for Congress to approve additional FFS disease-management programs. Instead, it will try to expand M+C to include insurance plans that are somewhere between managed care and FFS, e.g., point-of-service (POS) and preferred provider organization (PPO) plans. On April 15, Tom Scully, the administrator of the Center for Medicare and Medicaid Services (CMS), announced a new demonstration aimed at attracting POS and PPO plans and cited the need to become more aggressive in including disease management in these programs. The announcement of that demonstration plan came on

the heels of a notice from Medicare in February asking for participants in a demonstration of disease-management for Medicare beneficiaries with advanced-stage congestive heart failure, diabetes, or coronary heart disease. Under the Medicare demonstration, disease-management organizations will be paid a monthly premium for coordinating the care of patients in the studies and for the cost of prescription drugs. Congress gave Medicare clearance to register up to 30,000 Medicare beneficiaries a year.

Medicare’s new interest in disease-management offers PBMs both possibilities and pitfalls. In terms of the latter, Schering-Plough Corp. has acknowledged that it is being investigated by the U.S. Attorney’s Office for the eastern district of Pennsylvania for one or more transactions with managed care organizations to which Schering-Plough offered or provided deeply discounted pharmaceutical products, free or discounted disease-management services, and other programs. The government is investigating whether the transactions were aimed at putting the company’s drugs on the managed care organization’s formulary list for reimbursement.

This kind of cautionary note is worth considering. However, there is no getting around the fact that drug manufacturers and PBMs will play a crucial role in the evolution of disease-management programs. So it might make sense for them to get together with CMS and make sure that the rules of engagement, for both Medicare and Medicaid, are as evident as the divider down the middle of a highway. ■