

When You're 64

What Consumers Don't Know About Medicare

Introduction

Over the next five years, more than 1 million Californians will become eligible for Medicare,¹ and the number will continue to grow as the leading edge of the baby boom generation reaches age 65. As health care costs to consumers continue to increase and employers move toward reducing benefits for retirees, it is especially important that those aging into Medicare understand what they must do to secure adequate health care coverage.

Yet despite an abundance of Medicare information and counseling resources, many Californians new to Medicare lack a basic understanding of this crucial federal health insurance program. Research undertaken by the California HealthCare Foundation (CHCF) shows that many consumers are making decisions at enrollment time without really knowing how Medicare works or how to get the most from their Medicare benefits.²

Medicare is complex. Part A, Part B, and the new Part D prescription drug plan each provide many different benefit options and require multiple decisions from participants. Lack of knowledge can lead California's new-to-Medicare consumers to make less-than-optimal decisions that could increase their costs and limit their options in the future. For example, a consumer may choose not to enroll in Part B, thinking that he or she is healthy and will save the cost of the premium. Months or years later, a health issue emerges that causes the consumer

to seek coverage, only to discover that there is a waiting period until the next open enrollment period, as well as a financial penalty.

Consumers don't fully understand Part B, and many don't know that Medicare involves significant cost sharing, including premiums, deductibles, and copayments. The added complexity of the new drug benefit will likely increase lack of understanding about Medicare and the poor decisions that result.

Research suggests that 64-year-olds are receptive to learning about Medicare.³ Younger Americans show little interest in the subject, but once they reach 64, they begin to think about Medicare and are in need of basic information. To understand how Californians aging into Medicare can be better informed, CHCF commissioned The HSM Group, Ltd. (HSM) to research these questions:

- Do 64-year-olds need more basic information about Medicare?
- Are current resources meeting their needs?
- Are 64-year-olds reachable and receptive?
- What information is needed and what are the most effective ways to convey and distribute it?

Both quantitative and qualitative approaches were used to gain insights from 64-year-old Californians and a variety of intermediaries who interact with the state's Medicare consumers. (See Methodology, page 6.) HSM conducted

three work sessions and 18 indepth interviews with intermediaries, including Health Insurance Counseling and Advocacy Program (HICAP) counselors, health plan marketing executives, employers, insurance brokers, and agents focused on Medicare. A telephone survey and 13 focus groups were conducted with a demographic mix of 64-year-olds, including Spanish-speaking and Chinese-speaking consumers.

HSM investigators found that Californians aging into Medicare are woefully uninformed about its most basic aspects. Many leave their Medicare decisions to chance, assuming they will be contacted and guided by the government since this is a benefit they have earned. Those who have sought out the existing information resources usually find them confusing and overwhelming. For the most part, consumers are unaware of resources available to help them in their Medicare decision making. They want to know what to do when, where and how, with information presented in simple language from an objective source that is not trying to sell them something. Moreover, they want this basic information to find them, rather than the reverse.

Findings

Lack of Medicare Knowledge

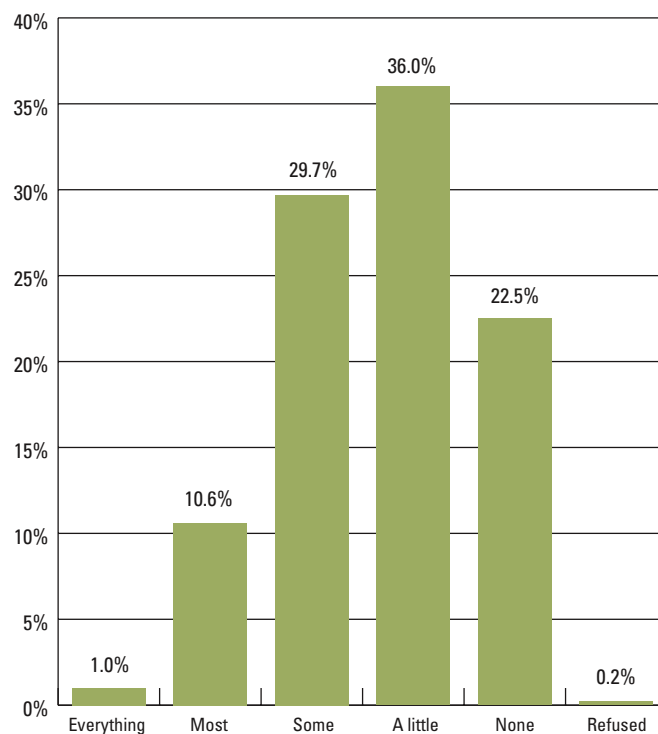
Very few 64-year-olds feel they have a good understanding of Medicare. They lack information on what to do, when to do it, and where to turn for help. Most don't take the initiative to seek information. For many who are accustomed to receiving benefits through employers, this is the first time they have had full responsibility for health care decisions. Some think they won't need to take any action because Social Security will do it for them. As one respondent said, "I wasn't even going to look because I thought this was something that I'd just hear about. So now I kind of feel anxious about wanting to investigate it."

The telephone survey of 64-year-olds revealed the following:

- Only 11 percent of respondents said they know "all" or "most" of the information they need about the program (Figure 1).
- Nearly 60 percent said they know "nothing" or "only a little" about it.
- Almost one-third of those who were less than three months away from turning 65 still have not gathered any information on Medicare.
- Once they decide to learn about Medicare, nearly 43 percent said they have limited knowledge of where to find information. More than half will rely on someone else, such as a family member or friend, to tell them what is best.

Figure 1. Medicare Knowledge Among 64-year-old Californians

"How much do you feel you know about the Medicare program?"



Source: HSM telephone survey of 64-year-old Californians, July/August 2005

More than half of the respondents (56 percent) were not aware of coverage options beyond basic Medicare, and even more (61 percent) said they had not heard anything about the new Part D drug benefit. Of those who had heard of Part D, only 16 percent felt they understood it.

Intermediaries confirm that many Medicare consumers have little or no knowledge about the very basic elements of Medicare Parts A and B, even when they have been in Medicare for some time.

In several focus groups, participants had already received their Medicare card and were still wondering where to turn to find out the difference between Part A and Part B, and whether they should enroll in B. The addition of Part D has only added to this considerable confusion since its January launch.

Current Resources Are Not Sufficient

In focus group discussions, many 64-year-olds indicated that they want to be more informed, but when they try to use readily available resources, they become frustrated and confused, and often shut down. Most indicate that existing resources fail to answer their questions in ways they can understand. They are overwhelmed by the official government publication *Medicare & You*, which comes by mail. As one commented, “I’ve tried to read the Medicare book they sent but I gave up. I am hoping when I turn 65 something magical will happen and I’ll get it.”

Other information materials that reach this population, such as insurance sales brochures, are often not trusted. The 64-year-olds who have not made a decision on coverage frequently report that they discard these materials because they do not regard them as objective and anticipate that they will receive appropriate information when the time comes.

None of the focus group participants who had visited the Medicare.gov Web site had requested copies of materials, and only one had downloaded or printed any of the information.

Intermediaries indicated that the majority of the written resources that are now available are too wordy and lengthy for many clients to absorb. Almost all the intermediaries said one-on-one counseling is the best option for consumers, but recognize that the resources for such counseling are quite limited.

When told about HICAP, a volunteer program that provides free, unbiased Medicare information and counseling, some participants said it might meet their needs. However, they had no knowledge about HICAP resources or where to find them. Although many said they would like to attend a seminar to learn about Medicare, few had done so. Many focus group participants also said they rely on family and friends for information and advice because they think they can learn from the real-world experience of individuals they trust. Consumers who are satisfied with their current health coverage said they are more likely to rely on the insurer or health plan for information about their options under Medicare.

64-year-olds Are Reachable and Interested

California’s 64-year-olds are interested in information about Medicare if it is from an objective, trusted source and the material is understandable. Many 64-year-olds in the focus groups indicated they would read, respond, or act on certain information if it were provided to them. The closer these respondents were to their 65th birthdays, the greater their level of interest.

It is possible to identify this population segment and to obtain information that allows direct and personal contact. Targeted mailing and phone lists identifying 64-year-olds with their birthdates and contact information can be purchased. A purchased marketing list

would contain approximately 80 percent of the state's estimated 64-year-old population, and a purchased list of Hispanic 64-year-olds in California would contain approximately 60 percent of that population segment,⁴ making it realistic to reach these audiences directly.

Information Must Be Presented in a Radically Simple Way

Californians aging into Medicare want information that tells them how Medicare works, where to enroll, and the consequences if they don't act. The most popular sample resource tested in the focus groups was a simple timeline titled, *Planning Ahead for Medicare Benefits*. It gave participants information on what needs to be done starting three months before their 65th birthdays and in increments up to six months afterward.

In the focus groups, the moderator explained that the timeline would include basic information on the consequences of not acting. Every focus group unanimously wanted the timeline.

In both the focus groups and the telephone survey, 64-year-olds said they want elementary, easy-to-understand explanations of Medicare Part A, Part B, and Part D, including costs and coverage, options for supplementing what isn't covered, and where to find additional information and assistance.

Printed Information Is Essential

A multimedia approach—including print, audio, video, and interpersonal communication—is required to appeal to different learning styles. Still, there are some definite priorities for conveying information most effectively. Printed information is strongly preferred by most 64-year-olds, and they want to receive it by mail. With print, they can re-read and make notes. For print to be effective, focus group participants said it should be broken into short topic

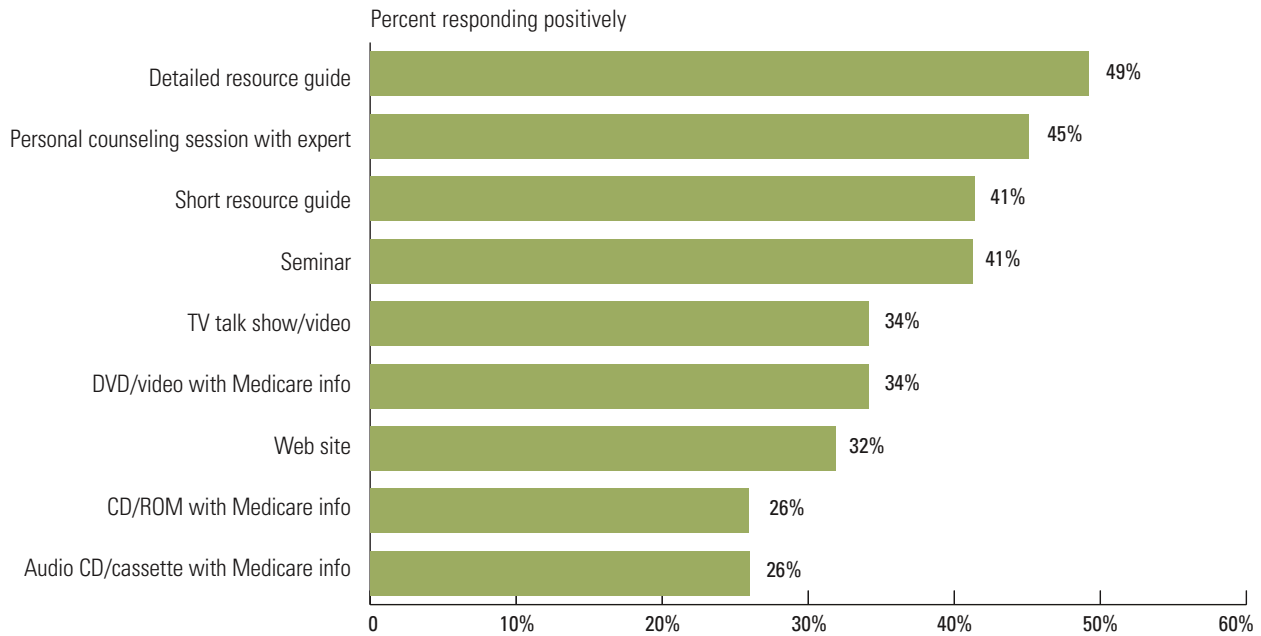
segments so readers aren't overwhelmed. They would also like to see graphs and tables that help explain or compare options, but few, if any, photos so the information isn't mistaken for a sales promotion.

The Internet has strong appeal among focus group participants, but they would like to receive a postcard telling them about a Web site rather than searching for it on their own. They would also like Web sites to address more of their individual issues, such as what to do if they have limited income or if they have employer coverage. In the telephone survey, 59 percent of respondents said they use the Internet, but in the focus groups, many participants indicated they are reluctant to print out long documents and still want to receive printed information. Seminars are regarded positively if the presenter is a trusted and unbiased source, and seminars are also viewed as opportunities to hear questions asked by others.

In the quantitative telephone survey, 64-year-olds showed an interest in many types of resources on Medicare, including print, personal counseling, seminars, Internet, and television (see Figure 2 on page 5).

The researchers found that Spanish-speaking and Chinese-speaking focus group participants were more likely to want to learn through personal interaction, such as one-on-one counseling, and to rely more heavily on someone they trust for answers. When written information is provided, they would like it to be produced in their first language, as well as in English. Hispanics participating in the research study were more receptive than other population segments to watching a television program or DVD/videotape on Medicare.

Figure 2. Preferred Formats for Receiving Medicare Information



Source: HSM telephone survey of 64-year-old Californians, July/August 2005

How Consumers Want to be Contacted

Overall, this research shows that 64-year-olds want to be contacted initially, but they are willing to follow up to obtain additional information. More than 43 percent of survey respondents said they prefer receiving information on Medicare in the mail. At the same time, focus group participants indicated they would like information to give them addresses, phone numbers, or Web sites they can contact for additional help. Focus group participants said they are very receptive to receiving a postcard promoting a seminar. Ideally, the postcard would also provide useful Medicare information, such as a timeline. Most respondents said they would be likely to return a tear-off card to register for an informational seminar or indicate a choice of resources that could be sent to them.

In addition, 64-year-olds in the focus groups said that once their interest is piqued, they gather information in a variety of locations. Publications and venues geared to those who are retired or close to it provide secondary opportunities to reach 64-year-olds. Venues

might include Social Security offices, senior centers, doctor's offices, pharmacies, libraries, churches, and selected grocery stores.

The Most Trusted Resources

Survey respondents and focus group participants rated Social Security as the source they would most trust to provide information on Medicare. Many connect Medicare with Social Security and don't know that the health care program is administered through the Centers for Medicare and Medicaid Services (CMS). Focus group participants also viewed nonprofit organizations as trusted sources, provided these organizations don't have specific agendas. Most were not aware of HICAP, but once it was explained, they rated HICAP along with the Department of Aging as highly trusted sources for dependable information about Medicare. The American Association of Retired Persons (AARP) has strong name recognition with 64-year-olds, but received mixed reviews as some focus group participants note that the organization wants to sell its own products. Others believe AARP's information is not biased and easy to understand.

Conclusion

The majority of California residents aging into Medicare are not prepared to make the Medicare health insurance decisions that will help ensure their access to affordable, quality health care in the next stage of their lives. Many don't even realize they need to make decisions. They don't know about many of the resources available to guide them and the Medicare information they do see is complicated, confusing, and overwhelming.

The 64-year-olds who participated in this research study had not made their Medicare decisions yet, but their lack of knowledge and enrollment intentions strongly suggest that they will make less-than-optimal decisions. Interviews with HICAP counselors, as well as other research with 65-year-olds who have crossed the eligibility threshold provide numerous examples of how consumers failed to act or made poor choices based on inadequate information, with negative consequences.

There is a great need to directly reach Medicare-eligible 64-year-olds with information that clearly spells out the actions they must take and where they can find help to transition into Medicare. In addition, new resources should be developed to simplify Medicare information and deliver "the basics" in multiple formats that will effectively educate consumers with different learning styles.

The new, simplified *Welcome to Medicare* brochure produced by the Centers for Medicare and Medicaid Services represents one step in the right direction.⁵ The brochure, which identifies the decisions that must be made by Medicare-eligible consumers, is being mailed directly to 64-year-olds as part of the enrollment packet with their Medicare cards. Those assisting consumers with Medicare decision making should be familiar with the new brochure and how it may help people better understand their choices. (An evaluation of the brochure's effectiveness is available in an accompanying fact sheet at <http://www.chcf.org/topics/view.cfm?itemID=118740>.)

Methodology

HSM facilitated three work sessions with 20 diverse intermediaries recruited from attendees of California Health Advocates (CHA) educational programs in Northern and Southern California. Participants shared their views on how to help those aging into Medicare to better understand their options and the impact of their decisions. In addition, 18 indepth interviews were conducted with Health Insurance Counseling and Advocacy Program (HICAP) counselors, health plan marketing executives, employers, and broker and agents focused on Medicare. The research identified knowledge gaps and common misunderstandings among Medicare populations, resources that currently exist to address the gaps, and the most appropriate ways to distribute Medicare information.

Findings from the work sessions and interviews were used to help develop a consumer telephone survey and focus groups. During July and August 2005, HSM fielded a quantitative telephone survey with 64-year-olds, including Spanish-speakers, to gain insight into consumers' understanding of Medicare and preparedness for transitioning into the program. The mix of 417 respondents closely matched the demographic mix of California's actual 64-year-old population segment.

Also during July and August 2005, HSM conducted 13 focus groups with 64-year-olds, including an Internet-savvy group, one dual-eligible group, one group of retirees with employer-sponsored benefits, three Spanish-speaking and one Chinese-speaking groups. Among these, three were conducted in rural locations and 10 in cities. The focus groups explored participants' use of existing Medicare information resources, specific questions about Medicare and Medicare Part D, and trusted sources of information. Participants also reviewed existing and sample information resources.

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The California HealthCare Foundation's program area on Health Insurance works to serve the public by increasing access to insurance for those who don't have coverage, and helping the market work better for those who do. For more information on the Health Insurance program area, contact us at insurance@chcf.org.

ENDNOTES

1. U.S. Census Population of 60 to 64-year-olds. California State Census Data Center.
2. California HealthCare Foundation, Internal Report, *Assessment of the Role of the Guide to California Medicare Options in Meeting Consumers' Needs*, October 2004.
3. Ibid.
4. U.S. Census 2004 population estimates were used to compare size of purchased marketing lists to California's 64-year-old population segment and 64-year-old Hispanic population segments.
5. The brochure is also available on the Medicare.gov Web site (www.medicare.gov/Publications/Pubs/pdf/11095.pdf).