



## Medicare Advantage

October 2011

Medicare Advantage plans, covered under Medicare Part C, are private health insurance plans for the elderly and disabled that provide traditional Medicare covered benefits as well as additional health services, such as vision, hearing, and dental care. Medicare Advantage participation has grown in recent years because of the low cost of coverage for these additional services.<sup>1</sup>

However, the Patient Protection and Affordable Care Act (ACA) recently targeted Medicare Advantage plans for expenditure cuts<sup>2</sup> because of the high cost to government of providing benefits compared to traditional Medicare.<sup>1</sup> The Congressional Budget Office projects that the ACA will cut over \$136 billion from Medicare Advantage plans by 2019.<sup>3</sup> These cuts raise questions about the future of Medicare Advantage and the consequences for enrollees.

### Medicare Advantage Eligibility

- ◆ Participation in Medicare Advantage plan requires that the enrollee be eligible for Medicare Part A (hospital coverage), enrolled in Part B (medical insurance), live in the plan's geographic region, and not have end-stage renal disease.<sup>4</sup>
- ◆ Enrollees must complete an enrollment request and agree to all rules of the Medicare Advantage organization to which they applied.<sup>4</sup>

### National Statistics, 2011

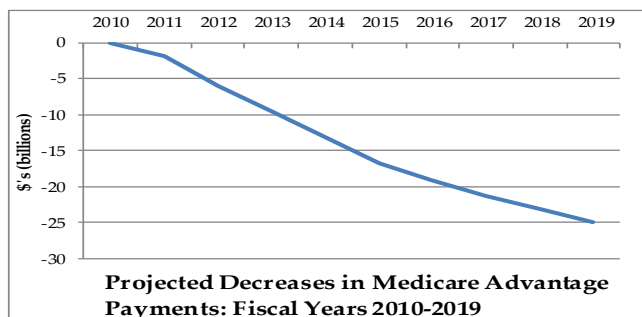
- ◆ There are approximately 11.5 million Medicare Advantage enrollees.<sup>5</sup>
- ◆ 26% of Medicare beneficiaries are enrolled in Medicare Advantage.<sup>5</sup>
- ◆ The share of Medicare beneficiaries who participate in Medicare Advantage varies greatly by state from less than 1% in Alaska to over 44% in Minnesota.<sup>5</sup>
- ◆ The majority of Medicare Advantage enrollees (65%) participate in HMO plans, followed by 27% in local and regional PPOs, and 5% in private fee-for-service plans.<sup>6</sup>
- ◆ Monthly premiums vary greatly across plan types

and markets.<sup>7</sup>

- ◆ Five firms/affiliates account for nearly 62% of Medicare Advantage enrollment.<sup>6</sup>
- ◆ The national average monthly payment rate per enrollee, paid by the federal government, is \$887.<sup>5</sup>

### Virginia Statistics, 2011

- ◆ There are approximately 156,000 Medicare Advantage enrollees in Virginia; this is the 24th highest number in the nation.<sup>5</sup>
- ◆ The share of Medicare beneficiaries who participate in Medicare Advantage in Virginia is 14%; 17th lowest in the nation.<sup>5</sup>
- ◆ 70% of enrollees participate in plans provided by three firms.<sup>6</sup>
- ◆ The average monthly payment rate is \$793; this is the 18th lowest in the nation and below the national average.<sup>5</sup>



Source: Congressional Budget Office, 2010

### Medicare Advantage Spending Pre-ACA

- ◆ In 2008-2009, Medicare Advantage payments per enrollee were estimated at 113-114% of the cost of traditional fee-for-service Medicare services; in 2009 this represented \$12 billion more in spending.<sup>8</sup>
- ◆ In its 2009 Report to Congress, the Medicare Payment Advisory Commission advised that increased enrollment and additional funding for Medicare Ad-

vantage plans has “not necessarily resulted in cost containment or better quality of care for enrollees.”<sup>8</sup>

- ◆ Other reports argued that Medicare Advantage enrollees have fewer unnecessary hospitalizations and readmissions than do people enrolled in traditional Medicare, thus lowering overall costs for Medicare.<sup>9</sup>

## Medicare Advantage Post-ACA

- ◆ ACA provisions affecting Medicare Advantage will be phased in from 2011 to 2017.<sup>3</sup>
- ◆ CBO projects Medicare enrollment to drop 35% by 2019 under current provisions of the ACA.<sup>3</sup>
- ◆ The share of Medicare beneficiaries enrolled in Medicare Advantage is expected to decrease to 14% by 2020.<sup>11</sup>
- ◆ The actual consequences of the ACA on Medicare

Advantage are unknown but policymakers predict that changes will have significant effects on insurers and enrollees.

- ⇒ Insurers may choose to increase premiums and cost-sharing, reduce benefits, or leave the Medicare Advantage market as payments decrease.<sup>11</sup>
- ⇒ Increases in premiums could disproportionately affect minorities and low-income individuals. Minorities are more likely than non-minorities to choose Medicare Advantage over traditional Medicare, and low-income individuals may be less able to afford supplemental insurance to cover the co-pays and deductibles in traditional Medicare.<sup>1</sup>
- ◆ However, uncertainties for Medicare Advantage resulting from the ACA suggest that more research is needed on the effects of this part of healthcare reform.

### Sources

<sup>1</sup> Cassidy, A. 2011. Health Policy Brief: Medicare Advantage Plans. *Health Affairs*. Available at <http://www.rwjf.org/files/research/72510medicare201106.pdf>.

<sup>2</sup> Patient Protection and Affordable Care Act of 2010, Pub. L. No. 111-148. Available at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/pdf/PLAW-111publ148.pdf>.

<sup>3</sup> Congressional Budget Office. Letter to Nancy Pelosi, Speaker of the U.S. House of Representatives in Selected CBO Publications Related to Health Care Legislation, 2009-2010. Available at <http://www.cbo.gov/ftpdocs/120xx/doc12033/12-23-SelectedHealthcarePublications.pdf>.

<sup>4</sup> Centers for Medicare and Medicaid Services. 2011. “Final MA Enrollment and Disenrollment Guidance Update for CY 2012: Medicare Managed Care Manual.” Available at <https://www.cms.gov/MedicareMangCareEligEnrol/>.

<sup>5</sup> The Henry J. Kaiser Family Foundation. State Health Facts: Medicare. Available at <http://www.statehealthfacts.org/comparecat.jsp?cat=6&rgn=48&rgn=1>.

<sup>6</sup> Gold M., Jacobson G., Damico A., & Neuman T. 2011. “Medicare Advantage Enrollment Market Update.” Kaiser Family Foundation

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<sup>10</sup> Ellen Bayer. 2010. “An Update on Health Plan Initiatives to Address National Healthcare Priorities.” America’s Health Insurance Plans, Center for Policy and Research. Available at <http://www.ahipresearch.org/pdfs/innovations2010.pdf>.

<sup>11</sup> The Henry J. Kaiser Family Foundation. 2010. Medicare: Medicare Advantage Fact Sheet. Available at <http://www.kff.org/medicare/upload/2052-14.pdf>.

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