

Implementing the ACA: Medicare Advantage

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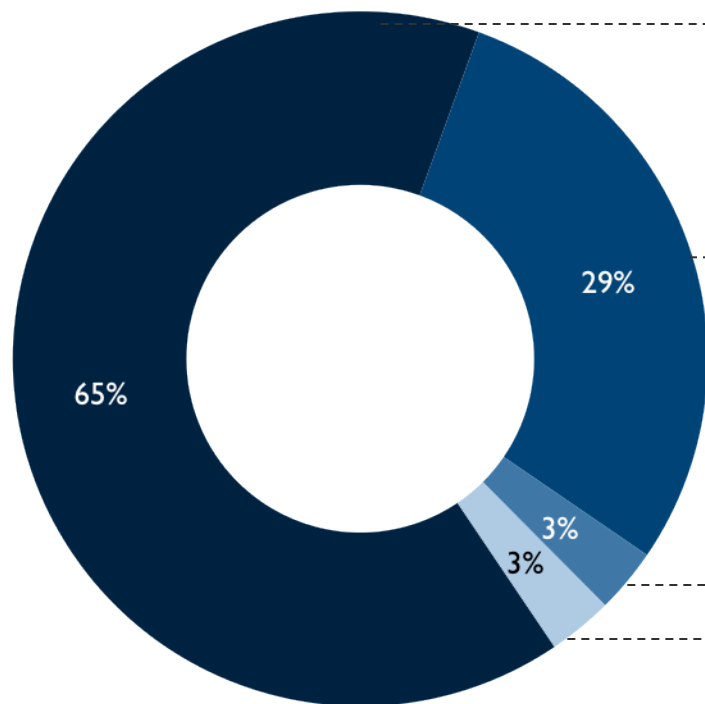
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Medicare Advantage Gives Options for Medicare Benefits Under Private Health Plans

Medicare Advantage Plans and Distribution Among MA Enrollees



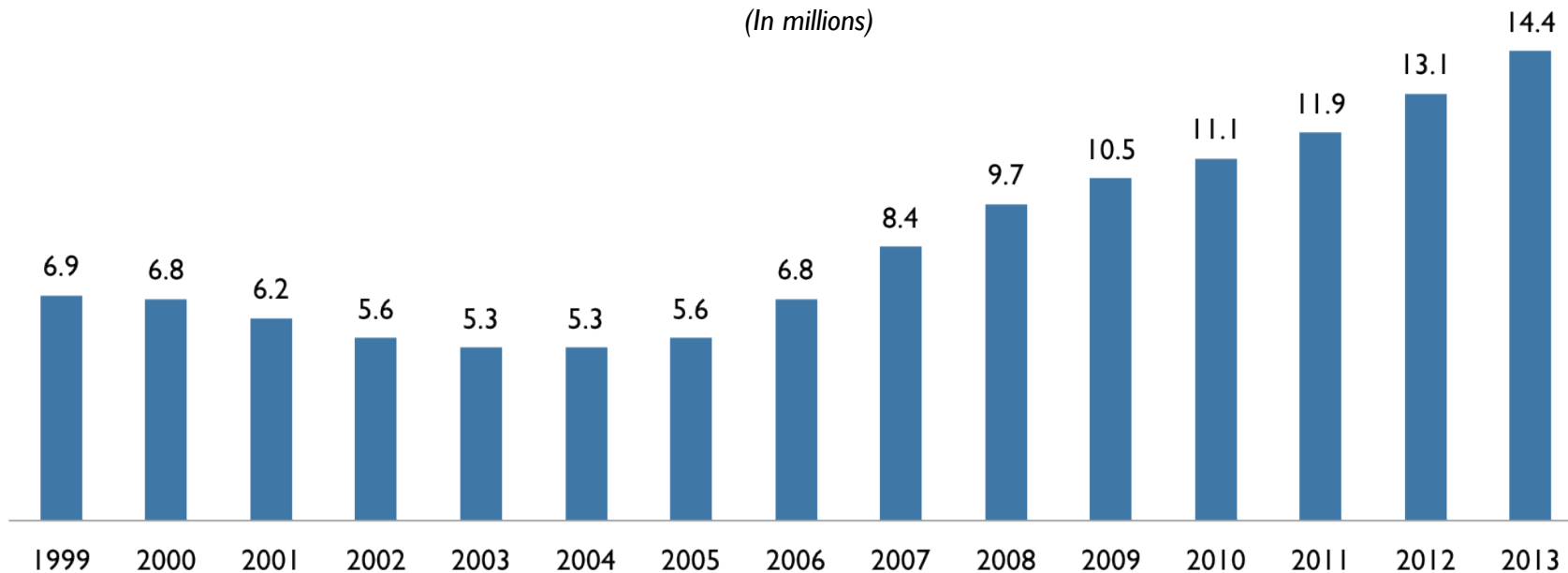
Plan	Description
Health Maintenance Organization (HMO) Plan	Provides care and services from doctors and providers in the plan’s network, excluding emergency care, out-of-area urgent care, or out-of-area dialysis
Preferred Provider Organization (PPO) Plan	Provides less expensive care and services from doctors and providers in the plan’s network, although care from out-of-network providers is allowed at a higher price; can be local or regional
Private Fee-for-Service (PFFS) Plan	Provides health care and services from any Medicare-approved doctor or provider that accepts the plan’s payment terms; some PFFS plans have networks
Special Need Plan (SNP)	Provides limited eligibility to people with specific diseases or characteristics, such as people who live in nursing homes, are dually eligible for Medicare <i>and</i> Medicaid, and have specific chronic conditions

Analysis

Since the 1970s, Medicare beneficiaries have had the option to get Medicare benefits through private health plans; the Medicare Modernization Act of 2003 renamed this option “Medicare Advantage”

Medicare Advantage Tripled Between 2004 and 2013

Total Enrollment in Medicare Private Health Plans, 1999-2013
(In millions)



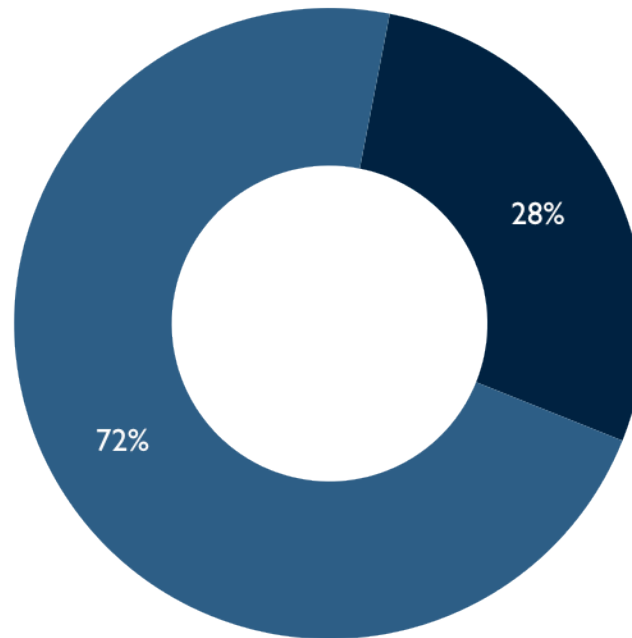
Analysis

- Medicare Advantage (MA) enrollment dipped in the early 2000s due to payment changes and medical cost inflation that caused plans to decrease coverage; medical cost inflation also forced many plans to raise premiums and reduce benefits for enrollees, thus resulting in disenrollment
- Since 2004, however, MA enrollment has nearly tripled

MA Enrollees Account for Nearly One-Third of Beneficiaries

Percentage of MA Enrollees Among Total Medicare Beneficiaries, 2013

■ Medicare Advantage Enrollees ■ Other Medicare Beneficiaries



Analysis

Due to MA's popularity, MA enrollees accounted for approximately 28% of the 52 million Medicare beneficiaries nationwide in 2013

ACA Reassesses Payment Structure, Could Cost Patients More

Analysis

- Medicare pays for MA plans via a bidding process; plans submit “bids” on estimated costs per enrollee and bids are accepted if they meet all requirements and are then compared to benchmark amounts
- If the bid exceeds the benchmark, enrollees pay the difference between the benchmark and bid via their monthly premium
- If the bid is lower than the benchmark, the MA plan and Medicare split the difference, with the plan providing a rebate to enrollees comprised of additional benefits
- The Affordable Care Act (ACA) reduces benchmarks, which in turn increases premiums when bids are higher and reduces rebates when bids are lower
- According to the Center for Medicare and Medicaid Services (CMS), the administration intends to cut benchmarks by 1.9% in 2015
- Cuts will continue over the next decade as part of a \$716 billion reduction in Medicare

Medicare Comparison of Bids with Local Benchmarks

