

## Medicare Advantage: Just the Facts

### What is Medicare Advantage?

- Medicare Advantage is a health benefits program available to individuals who are 65 or older, and the disabled, provided through private health plans, and required to meet or exceed the standards set by the Original Medicare program.
- Medicare Advantage plans often include additional benefits such as prescription drugs; vision; hearing; dental; fitness; mental health; management of chronic illness and disease; nurse help hotlines; enhanced coverage of home personal care and durable medical equipment; and personal health records to offer beneficiaries greater control over their health information.
- Medicare Advantage plans offer out-of-pocket maximum limits – not offered by Original Medicare – to help protect seniors from catastrophic health care expenses that otherwise might pose a serious threat to their financial security.

### Who are Medicare Advantage Beneficiaries?

- More than **14 million seniors, or roughly 28% of all Medicare beneficiaries nationwide**, have opted out of Original Medicare and into a Medicare Advantage plan
- 1 in 5 MA members is a Minority:**
  - 31% percent of African-American Medicare beneficiaries and 38% of Hispanic beneficiaries are enrolled in MA plans
- 41% of MA members have incomes below \$20,000**
  - 61% of minority beneficiaries enrolled in MA plans have incomes less than \$20,000
- 65% of all seniors have two or more chronic conditions**

### Myth vs. Fact

**myth:** MA plans are over-paid

**fact:** While the Medicare Modernization Act of 2003 included incentive payments to MA plans delivering care coordination, prevention and wellness programs, the ACA tied MA payments below or near Original Medicare costs

**myth:** The only payment cuts facing MA plans are the benchmark reductions in the ACA

**fact:** MA plans face a \$205 billion reduction (2013 – 2019) as a result of the ACA, the bulk of which derives from changing the way benchmark rates for the payments private plans receive from Medicare are set. These cuts are in addition to the new Health Insurance Tax, the MA cuts in the American Tax Relief Act of 2012, and reduced funding as a result of Sequestration

**myth:** MA beneficiaries will not feel the impact of the ACA's MA cuts

**fact:** CMS implemented a nationwide demonstration from 2012 – 2014 that provided MA plans with 3 and 3.5 Star Quality Ratings to receive bonus payments. The 28% of Medicare beneficiaries with an MA plan will feel the impact of the payment cuts in their 2014 benefit package including: increased cost-sharing for primary and specialist visits, increased premiums, premiums for the first time, a reduction in the provider network, fewer plan choices and elimination of certain supplemental benefits. With the sunset of the Star Ratings Demonstration in 2014, 2015 MA cuts are expected to have an even greater impact on MA beneficiaries

**myth:** MA plans received a windfall payment increase from CMS in the April 1, 2013 Final Rate Notice

**fact:** While CMS' change regarding the assumption of the "doc fix" in estimates of Medicare program growth provided some relief for MA plans in 2014, MA plans still face a -6.7% payment cut relative to 2013 payment rates

**myth:** MA beneficiaries have greater financial means than those in Original Medicare

**fact:** MA is the lifeline for millions of low-income and minority Medicare beneficiaries who rely on the high-quality coverage and innovative programs and services these plans provide. Forty-one percent of Medicare Advantage recipients have an annual income of less than \$20,000, compared with 37% of all Medicare beneficiaries

**myth:** MA plans deliver the same quality as Original Medicare

**fact:** Research has found that MA plans are more effective than the fee-for-service part of Medicare at addressing crucial patient care issues facing the nation, including reducing preventable hospital readmissions, increasing primary care visits, and managing chronic illnesses

The Medicare Advantage readmission rate was about 13% to 20% lower than Medicare FFS program – American Journal of Managed Care

Beneficiaries with diabetes in a MA special needs plan (SNP) had "seven percent more primary care physician office visits; nine percent lower hospital admission rates; 19 percent fewer hospital days; and 28 percent fewer hospital readmissions compared to patients in FFS Medicare." – Health Affairs

Medicare Advantage plans outperformed the Medicare FFS program in 9 out of 11 clinical quality measures – American Journal of Managed Care

"Medicare Advantage Outperformed Medicare FFS in 9 out of 11 Clinical Quality Measures" – Brookings

## Protecting Seniors' Medicare Advantage Benefits

*Severe Underfunding of the Medicare Advantage Program Puts Beneficiaries At Risk*



More than 14 million seniors have opted out of Original Medicare and selected a Medicare Advantage (MA) plan because they value access to high quality care, with additional benefits and innovative services. In fact, MA plans have a strong track record of innovation, cost and quality management, and provider engagement to improve care delivery..

The Medicare Advantage program faces continued severe underfunding in 2014, 2015 and beyond which negatively impacts seniors. In order to avoid further disruption for beneficiaries, adequate funding levels to the program should be restored and future cuts should be avoided.

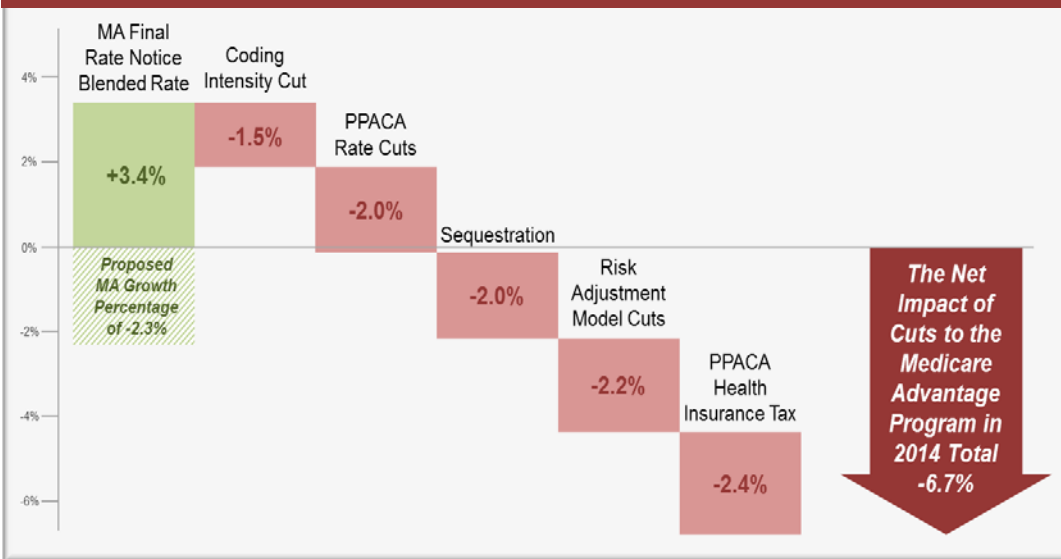
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## Medicare Advantage Faces Significant Cuts in 2014, Which Will Result in Higher Out of Pocket Costs, Reduced Benefits, and Fewer Coverage Options for Seniors

The continued severe underfunding of the Medicare Advantage program in 2014, combined with the impacts of the Health Insurance Tax and continued sequestration effects, threatens beneficiary access to this popular program.

### Overview of Medicare Advantage Cuts Scheduled to Take Effect in 2014



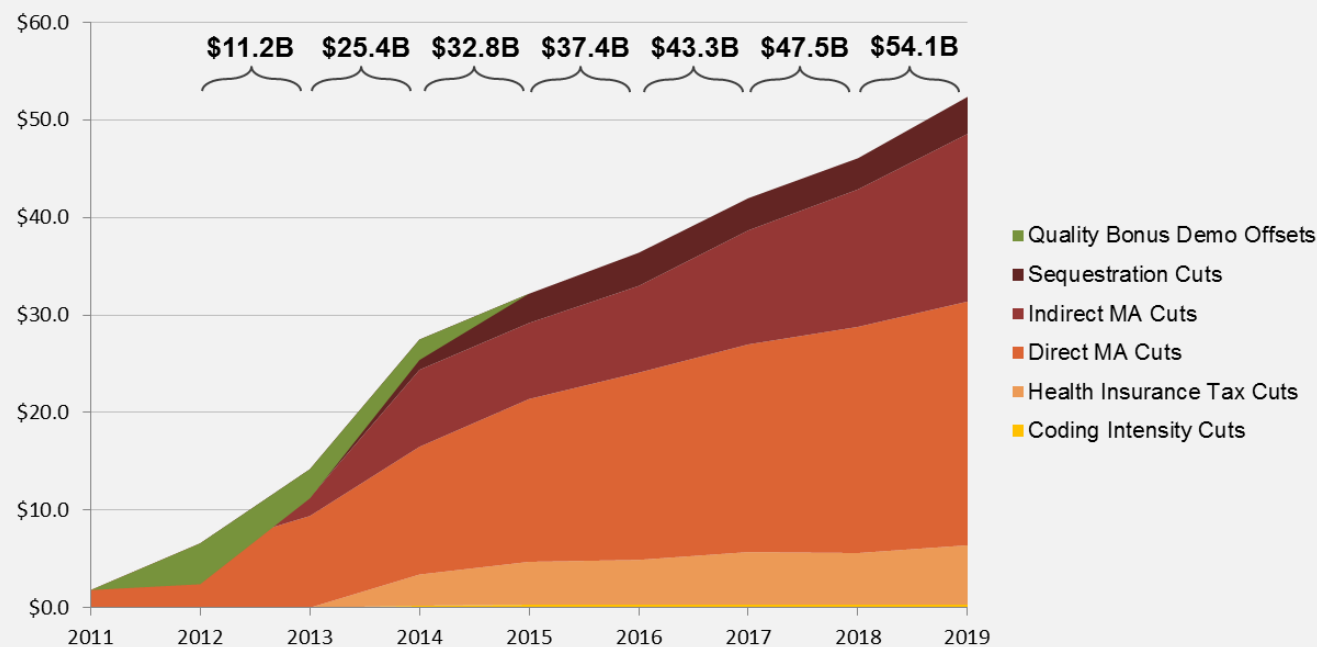
The underfunding of Medicare Advantage will result in **disruption for seniors** as plans:

- are forced to exit certain market areas,
- reduce the number of plan offerings,
- reduce benefits,
- Increase out-of-pocket costs; and
- tighten provider networks.

Medicare Advantage beneficiaries are starting to experience changes to their health care, yet only 10% of the Affordable Care Act's (ACA's) MA cuts have gone into effect by the end of 2013. In the next several years, intensifying in 2014 and 2015, the \$205 billion reduction in the ACA, the new Health Insurance Tax, cuts in the American Tax Relief Act of 2012 (ATRA), and reduced funding as a result of sequestration will continue to erode the Medicare Advantage program causing further disruption and loss of benefits and options for seniors.

### Accumulating Cuts to the Medicare Advantage Program (\$ Billions)

The Congressional Budget Office (CBO) estimates that the ACA alone will reduce funding for the benefits of MA enrollees by more than \$200 billion over ten years (2010 – 2019)



## Medicare Advantage Has a Proven Record of Providing Value, Enhancing Quality, And Improving Efficiency

Medicare Advantage (MA) plans have a strong track record of cost and quality management, delivery system efficiency and providing value, choice, and savings for millions of disabled and senior Americans.

MA plans are designed to provide care through a coordinated care model. They provide beneficiaries with a comprehensive set of integrated benefits that are coordinated across a continuum of health care services and are localized to fit the circumstances of particular communities. This type of care model helps to ensure that beneficiaries receive the right care at the right time. The Medicare fee-for-service (FFS) program (or, Original Medicare) is not designed to promote effective, evidence-based care and care coordination for beneficiaries with chronic conditions. Private sector involvement has maintained patient satisfaction, lowered costs, and increased the quality of care.

Medicare Advantage's results transcend the Medicare program. According to the National Bureau Of Economic Research, "when more seniors enroll in Medicare managed care, hospital costs decline for all seniors and for commercially insured younger populations. Greater managed care... is associated with lower costs and shorter stays per hospitalization."

### Utilization Differences Between Medicare Advantage and Original Fee-For-Service\*



\*Health Affairs, Medicare Advantage Chronic Special Needs Plan Boosted Primary Care, Reduced Hospital Use Among Diabetes Patients, 2012.

### United States Senate WASHINGTON, DC 20510

"We are strong supporters of the MA program. Medicare Advantage plans provide comprehensive benefits to over 14 million seniors, and help to improve care and control costs through disease management programs, nurse-help hotlines, and care coordination."

– U.S. Senators Lamar Alexander (R-TN), Michael Bennet (D-CO), Richard Blumenthal (D-CT), Richard Burr (R-NC), Bob Casey (D-PA), Saxby Chambliss (R-GA), John Cornyn (R-TX), William Cowan (D-MA), Mike Crapo (R-ID), Mike Enzi (R-WY), Kirsten Gillibrand (D-NY), Chuck Grassley (R-IA), Kay Hagen (D-NC), Johnny Isakson (R-GA), Amy Klobuchar (D-MN), Jeff Merkley (D-OR), Rob Portman (R-OH), Pat Roberts (R-KS), Chuck Schumer (D-NY), John Thune (R-SD), Mark Udall (D-CO), and Ron Wyden (D-OR), March 15, 2013

### Congress of the United States Washington, DC 20515

"We believe that a strong and carefully structured MA program not only offers higher quality care to beneficiaries, but is also the foundation for addressing Medicare's long term fiscal challenges."

– U.S. Senate Finance Committee Ranking Member Orrin Hatch (R-UT), U.S. House Energy & Commerce Committee Chairman Fred Upton (R-MI), and U.S. House Ways & Means Chairman Dave Camp (R-MI), February 26, 2013

### PFM Partnership for the Future of Medicare

"Broad, across-the-board cuts threaten continued efforts in innovation across the Medicare program and limit the potential for comprehensive, thoughtful reform that will ensure the sustainability of the program and delivery of more valuable and higher-quality care to beneficiaries... Any reform must be evidence-based and take into account both cost and quality measures. This approach to reform is the only way to ensure the sustainability of the Medicare program for future generations."

– Douglas Holtz-Eakin, President of the American Action Forum, and Ken Thorpe, Chairman of the Department of Health Policy and Management at Emory University, Co-Chairs of the Partnership for the Future of Medicare, March 4, 2013