The Medicare Advantage Makeover

The new health care law includes important provisions to reduce wasteful Medicare spending. This will strengthen the solvency of the Medicare program and reduce the rate of increase in Part B premiums for all Medicare beneficiaries. The law also seeks to improve the care provided to Medicare Advantage enrollees and to limit their out-of-pocket costs.

Private Medicare Advantage (MA) plans were being paid on average 13 percent more per enrollee than it cost to provide comparable care in traditional Medicare. These subsidies—which cost over $11 billion in 2009—are paid for by taxpayers and by all beneficiaries, whether or not they are enrolled in a private plan.

Prior to the enactment of the Affordable Care Act, it is estimated that every couple receiving Medicare, including the 75 percent in traditional Medicare, was paying about $90 in additional Part B premiums this year to subsidize those in the private MA plans.

The health care reform law phases down subsidies for MA plans over time so that on average plans will ultimately receive payments comparable to what it would cost traditional Medicare to cover the same seniors. These savings will be used to improve Medicare for everyone by improving prescription drug coverage—i.e., closing the donut hole—and covering preventive services with no out-of-pocket costs for beneficiaries.

Limiting Out-of-Pocket Costs for Medicare Advantage Enrollees

Health care reform does not eliminate Medicare Advantage plans or reduce the extra benefits they provide.
It is up to each private insurer to decide what extra benefits to offer; they are required to offer all benefits covered by traditional Medicare.

The health care reform law prohibits Medicare Advantage plans from charging seniors more than traditional Medicare for services such as chemotherapy administration, skilled nursing home care, and other specialized services.

Often beneficiaries do not realize what their costs will be for these services until they need them.

**Care vs. Profits**

Health care reform requires Medicare Advantage plans to spend at least 85 percent of their revenue on senior care rather than profits or overhead, beginning in 2014.

Plans that do not spend at least 85 percent of their revenue on patient care will be required to return money to the government and could be suspended or terminated from the program if their spending on patient care remains below 85 percent for two or more years.

**Bonus Payments for Improving Care**

Health care reform creates an incentive system to increase payments by at least five percent to plans that provide high quality care.

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