

AHIP Statement on Medicare Advantage

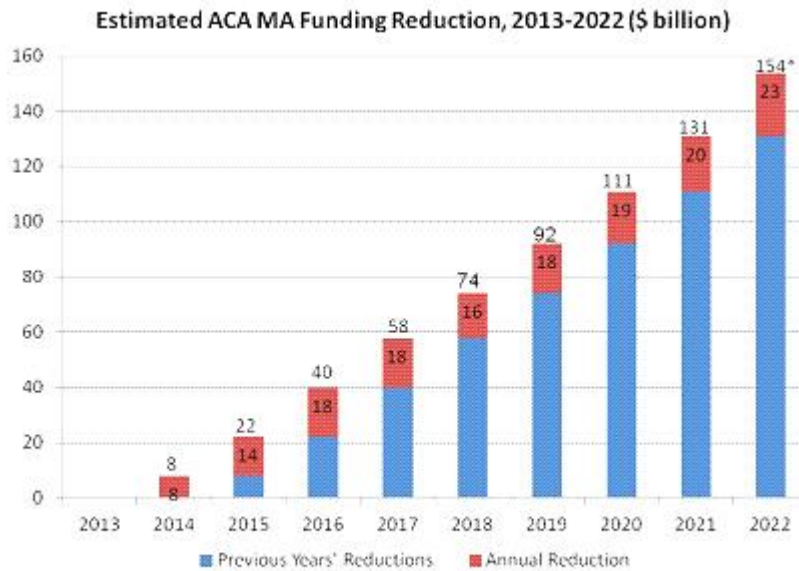
Washington, DC – America’s Health Insurance Plans (AHIP) President and CEO Karen Ignagni released the following statement on the announcement today by the Department of Health and Human Services that enrollment in Medicare Advantage is projected to increase by 11 percent in the next year and premiums will remain steady:

“Today’s announcement is good news for the millions of seniors and people with disabilities who rely on Medicare Advantage for their health security. Medicare beneficiaries are choosing to enroll in Medicare Advantage because of the high-quality, affordable coverage these plans provide. Medicare Advantage plans protect enrollees from high out-of-pocket costs and provide access to innovative programs and services that improve the quality and safety of patient care. Recent research has found that Medicare Advantage beneficiaries have more primary care physician office visits, lower hospital admission rates, and fewer preventable hospital readmissions compared to those in the fee-for-service part of Medicare.

“We remain concerned that the benefits and coverage Medicare Advantage beneficiaries rely on today could be put at risk as the health care reform law’s unprecedented \$200 billion in cuts to the program are phased in and a new premium tax begins in 2014. As the payment cuts and new taxes take effect, Medicare health plans will continue to do everything they can to preserve benefits and keep coverage as affordable as possible for the millions of seniors and people with disabilities they serve. However, given the size and scope of these cuts, Medicare beneficiaries are likely to face higher costs and coverage disruptions in the coming years.”

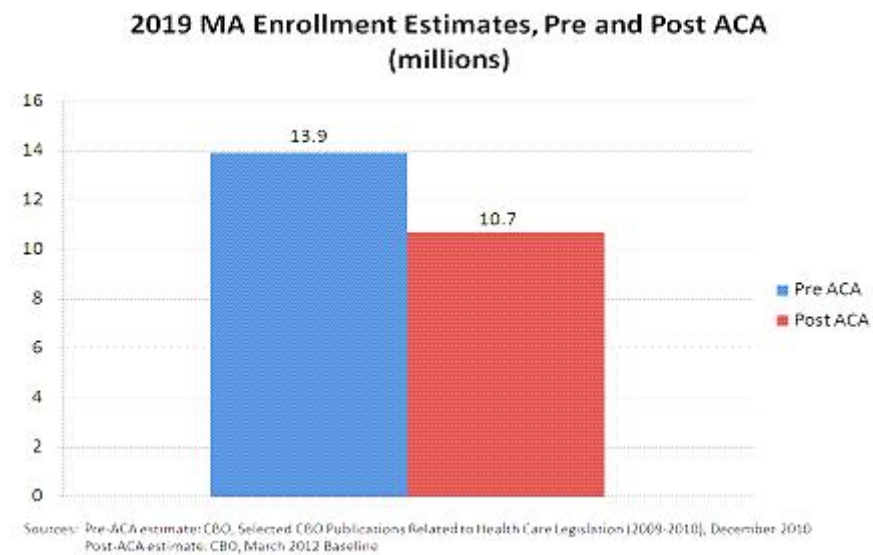
Background on Impact of Health Care Reform on Medicare Advantage:

According to the 2010 estimates from the Congressional Budget Office (CBO), the ACA will directly reduce funding for the Medicare Advantage program by an estimated \$136 billion over ten years (2010-2019). CBO further estimated that, because of the linkage between Medicare Advantage payment benchmarks and Medicare FFS spending, the ACA’s other Medicare FFS reimbursement changes will indirectly reduce funding for Medicare Advantage by an additional \$70 billion over ten years. More recently, in July of this year, CBO issued revised estimates indicating that the ACA would directly reduce Medicare Advantage funding by \$156 billion in the current ten-year budget window (2013-2022). This estimate did not include information on the ACA’s indirect cuts to the Medicare Advantage program.



Source: CBO Letter to the Honorable John Boehner (July 24, 2012)
 *NOTE – Rounding Effect: CBO reports total 10-yr funding cut = \$156 billion

In its March 2012 baseline, CBO projected that the ACA’s funding cuts will cause Medicare Advantage enrollment to decline to 10.7 million in 2019. This decline represents a 23 percent reduction from the pre-ACA enrollment level of 13.9 million that was anticipated for 2019 according to CBO estimates issued in 2010.



Medicare Advantage enrollees also will be impacted by the new health insurance premium tax established by the ACA. An actuarial study by the Oliver Wyman firm, commissioned by AHIP, found that the new premium tax is likely to increase costs – through higher premiums or higher cost-sharing – for beneficiaries enrolled in Medicare Advantage plans. According to the Oliver Wyman study, Medicare Advantage plans will pay \$220 per member in 2014 and \$450 per member in 2023 as a result of this tax, for a total tax burden of \$3,590 per member over ten years.

Cost Increase for Medicare Advantage Enrollees Due to ACA Premium Tax



Source: Oliver Wyman study, October 2011

Background on the Value Medicare Advantage Plans Provide:

More than 13 million Medicare beneficiaries – accounting for roughly 27 percent of all beneficiaries nationwide – currently are enrolled in Medicare Advantage plans and are receiving comprehensive, high quality, affordable coverage with benefits and innovative services that go well beyond the coverage offered by the Medicare fee-for-service (FFS) program.

- **Coordinated Care:** Seniors and people with disabilities are choosing Medicare Advantage plans because they have developed systems of coordinated care for ensuring that beneficiaries receive health care services on a timely basis, while also emphasizing prevention and providing access to disease management services for their chronic conditions. These coordinated care systems provide for the seamless delivery of health care services across the continuum of care. Physician services, hospital care, prescription drugs, and other health care services are integrated and delivered through an organized system whose overriding purpose is to prevent illness, improve health status, and employ best practices to swiftly treat medical conditions as they occur, rather than waiting until they have advanced to a more serious level.

- **Protections Against Unpredictable Out-of-Pocket Costs:** Medicare Advantage plans also protect beneficiaries from catastrophic health care costs. In 2012, all Medicare Advantage plans offer an out-of-pocket maximum limit for beneficiary costs, and about 78 percent of Medicare Advantage enrollees are in plans that have annual out-of-pocket maximums of \$5,000 or less. These out-of-pocket maximums – which are not offered by the Medicare FFS program – help protect Medicare beneficiaries from catastrophic health care expenses that otherwise might pose a serious threat to their financial security. Medicare Advantage plans also help reduce out-of-pocket costs for enrollees by reducing premiums for Part B and Part D, and by limiting cost-sharing for Medicare-covered services, including primary care physician visits and inpatient hospital stays.
- **Access to Additional Services:** The following are additional specific examples of the extra benefits and services that are not included in the Medicare FFS program, but are offered by Medicare Advantage plans to improve enrollees’ coverage and manage their overall health and well-being on an ongoing basis:
 - Case management services
 - Disease management programs
 - Coordinated care programs
 - Prescription drug management tools integrated with medical benefits
 - Tools and data collection to address disparities in care for racial and ethnic minorities
 - Nurse help hotlines
 - Enhanced coverage of home infusion, personal care and durable medical equipment
 - Personal health records to offer beneficiaries greater control over their health information and to coordinate information better
 - Vision, hearing, and dental benefits coordinated with medical services
- **Higher Quality Care:** Peer reviewed research has demonstrated that Medicare Advantage plans are more effective than the Medicare FFS program at addressing crucial patient care issues facing the nation, including reducing preventable hospital readmissions, increasing primary care visits, and managing chronic illnesses. The following are several examples:
 - One recent study published in the American Journal of Managed Care (AJMC) found that the Medicare Advantage readmission rate was about 13 percent to 20 percent lower than that in the Medicare FFS program.
 - A study published in the January 2012 edition of Health Affairs found that beneficiaries with diabetes in a Medicare Advantage 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.”

- Additional research co-authored by researchers affiliated with The Brookings Institution concluded that Medicare Advantage plans outperformed the Medicare FFS program in 9 out of 11 clinical quality measures. This means that Medicare Advantage enrollees received the level of effective care recommended by a doctor with greater frequency than patients in Medicare FFS, for 9 of the 11 procedures studied.