

New Report:

CMS' Proposed Medicare Advantage Cuts Will Result in Higher Costs, Fewer Benefits for Seniors

Washington, D.C. – Seniors and people with disabilities enrolled in Medicare Advantage plans will face higher premiums, reduced benefits, and loss of coverage options if new Medicare Advantage cuts proposed by the Centers for Medicare & Medicaid Services (CMS) take effect next year, according to a new analysis by Oliver Wyman prepared for America's Health Insurance Plans. The report estimates that the new proposed payment cuts combined with the reform law's payment cuts and taxes will result in benefit reductions and premium increases of an average \$50 to \$90 per month for a typical Medicare Advantage beneficiary next year.

Medicare Advantage is the part of Medicare through which private health plans provide comprehensive medical coverage to seniors and other Medicare beneficiaries. More than 14 million seniors, or roughly 28 percent of all Medicare beneficiaries, have chosen to enroll in a Medicare Advantage plan because of the better services, higher-quality care, and additional benefits these plans provide.

CMS recently proposed a 2.3 percent *reduction* in Medicare Advantage payments for 2014 at a time when medical costs are projected to *increase* by three percent. This is the lowest growth rate in the history of the Medicare Advantage program, and it is far below the 2.8 percent *increase* in payment rates for 2013.

"The proposed changes to Medicare Advantage payments are a crushing blow to the millions of seniors and people with disabilities who count on this critically important part of Medicare," said AHIP President and CEO Karen Ignagni.

The new proposed payment cuts are in addition to the Medicare Advantage cuts and the new health insurance tax included in the Affordable Care Act (ACA). Only *four* percent of the ACA's \$200 billion in Medicare Advantage cuts have gone into effect thus far, and the Congressional Budget Office projects that, when fully phased in, these cuts alone will result in three million fewer people enrolled in the program. The ACA's new health insurance tax starts in 2014, and Oliver Wyman previously estimated that this tax alone will result in seniors facing \$220 in higher out-of-pocket costs and reduced benefits next year and \$3,500 in additional costs over the next ten years.

AHIP commissioned actuaries at Oliver Wyman to assess the cumulative impact of all these changes on Medicare Advantage beneficiaries. The new report found that the combined effect of the changes included in the ACA and the new payment cuts proposed by CMS will result in an estimated 6.9 to 7.8 percent cut to Medicare Advantage plans in 2014, causing benefit reductions and premium increases of \$50 to \$90 per member per month.

According to the Oliver Wyman report, “Virtually all of the 14.1 million Medicare beneficiaries are likely to be affected by these changes, either through increased premiums, reduced benefits, or plan exits from local markets. Many beneficiaries could lose access to MA plans and their approach to care which has resulted in preventable hospitalizations, better access to primary care according to recent studies.”

Oliver Wyman also projects that individuals with lower incomes and those more likely to need medical services will be particularly adversely impacted by these cuts. “Those who utilize services the most will be required to pay even higher cost sharing or be forced by higher MA premiums or loss of access to MA plans to move back into FFS Medicare with its large cost sharing requirements and lack of coordinated care,” the report said.

The new report follows a [previous analysis](http://www.ahip.org/News/Press-Room/2013/Low-Income-and-Minority-Medicare-Beneficiaries-Rely-on-Medicare-Advantage-for-their-Health-Security.aspx) (<http://www.ahip.org/News/Press-Room/2013/Low-Income-and-Minority-Medicare-Beneficiaries-Rely-on-Medicare-Advantage-for-their-Health-Security.aspx>) by AHIP which found that low-income and minority Medicare beneficiaries continue to rely on the high-quality health care coverage provided by Medicare Advantage plans. According to that report, 41 percent of Medicare beneficiaries with Medicare Advantage coverage had incomes of \$20,000 or less. By comparison, 37 percent of all Medicare beneficiaries had incomes of \$20,000 or less. In addition, 31 percent of African-American Medicare beneficiaries and 38 percent of Hispanic beneficiaries were enrolled in Medicare Advantage plans.

For more information, view the full report [here](http://www.ahip.org/ProposedChangestoMedicareAdvantage/).
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