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AHIP Statement on Medicare Advantage

Washington, D.C. – Statement from AHIP President and CEO Karen Ignagni on the Medicare Advantage premiums announced by CMS today:

“Medicare health plans are doing everything they can to keep coverage as affordable as possible for the more than eleven million seniors in Medicare Advantage. Medicare health plans continue to demonstrate their strong and long-term commitment to this program. Nevertheless, as deep cuts go into effect in the coming years, government experts have forecasted that millions of seniors will experience higher costs, reduced benefits and fewer choices.”

Additional information on Medicare Advantage premium rates:

- MA plans have worked hard to cushion the blow of the payment reductions on beneficiaries for 2011. The ACA freezes 2011 benchmark rates at 2010 levels. This means that in 2011, MA plans will not receive rate increases to account for recent healthcare cost growth or Medicare physician payment increases enacted since the announcement of 2010 MA benchmarks last year. Yet despite this rate freeze, MA plans are continuing to offer affordable plans to Medicare beneficiaries, with most plans making little change in premiums from 2010 while continuing to offer robust benefits. These offerings demonstrate the hard work MA plans are putting forward to continue to provide value to Medicare beneficiaries in light of the ACA funding cuts.
- History demonstrates that plans strive to keep the program as stable as possible for beneficiaries in the years before large program cuts become fully effectuated. Previous experience suggests that despite the efforts of Medicare health plans to maintain stability for their enrollees, beneficiaries are likely to be affected in coming years by reductions in MA program funding. For example, in 1997 Congress enacted the Balanced Budget Act (BBA) which kept Medicare health plan rate increases below medical cost trend. MA enrollment in 1998, the first year in which the BBA payment changes were implemented, increased from 1997 and remained stable into 2000. However, private plans were ultimately forced to leave the program in many areas. Nearly 2.4 million Medicare beneficiaries were affected by plan withdrawals and service area reductions before enactment of the Medicare Modernization Act of 2003 reversed this trend.
- MA funding reductions jeopardize beneficiary access to the better care offered in MA plans. Recent reports demonstrate that MA plans reduce hospital readmissions and unnecessary hospitalizations compared to fee-for-service (FFS) Medicare. For example, one AHIP study found reductions in risk-adjusted hospital readmission rates of 14-29% compared with FFS enrollees. MA plans will continue to work hard in the face of future funding cuts to provide

beneficiaries with access to coordinated care and disease management techniques that have lead to these results.

New Heritage Foundation Report

The Heritage Foundation released a new report entitled “Reductions in Medicare Advantage Payments: The Impact on Seniors by Region”. The report examines the new health care reform law’s impact on Medicare Advantage beneficiaries. The full report can be [read here](#).

Here are some highlights:

- “The Patient Protection and Affordable Care Act substantially alters Medicare Advantage and, as a consequence, reduces the access of senior citizens and the disabled to quality health care by restricting and worsening the health care plan options available to them.”
- “About three-fourths of the cuts will hit those with incomes of less than \$32,400 per year in today’s dollars.”
- “The loss of benefits will also vary widely by geography, with beneficiaries in the hardest-hit counties facing cuts almost five times as large as cuts for residents in the least-hit counties. In every county, the average beneficiary will lose at least 15 percent of his or her benefits.”
- “According to the Office of the Actuary at the Centers for Medicare and Medicaid Services (CMS), by 2017, when the changes are fully phased in, 14.8 million senior citizens and disabled Americans who would have had Medicare Advantage benefits under the previous law will be denied coverage for many services and incur higher out-of-pocket costs. About half will lose Medicare Advantage coverage entirely.[3] Others will stay in Medicare Advantage, but at reduced benefit levels and possibly in different plans that do not meet their needs as well.”
- “...half of those who would have chosen MA under prior law either will be unable to enroll in MA plans at all or will no longer find it attractive to do so.”
- “...instead of reducing waste, the MA cuts will simply cut health care services available to patients and transfer spending from Medicare Advantage to other federal programs and other payers (including patients), thus increasing federal and state spending on Medicaid and patient spending on Part D, supplemental care plans, and out-of-pocket costs.”
- “By 2017, Medicare beneficiaries who would have enrolled in Medicare Advantage under prior law will lose an average of \$1,841 due to the MA changes alone and \$3,714 when the effects of the entire bill, including the FFS cuts, are considered.”
- The effects of the PPACA on Medicare Advantage enrollees will be dramatic and negative. The most obvious effects will be:
 - o Reductions in health care services delivered.
 - o Worse and fewer options for seniors and the disabled.
 - o Fragmentation of care.

- o Disproportionate harm to low-income and minority beneficiaries.
- o Higher state and federal Medicaid costs.
- o Higher prescription drug spending.

CBO: Millions to Lose Medicare Advantage Coverage, Benefits Cut in Half

The Congressional Budget Office [released its projections](#) of the impact proposed cuts to Medicare Advantage would have on the millions of seniors across the country who rely on this program for their health security. Here are a few highlights:

- *5 million seniors will lose their coverage:*

According to CBO, Medicare Advantage enrollment in 2019 will drop from 13.9 to 9.1 million.

This is a 35 percent decline in enrollment based on current projections – a loss of 4.8 million seniors.

- *Benefits will be cut in half:*

According to CBO, the average value of additional benefits provided by Medicare Advantage plans will decline from \$135 in 2019 to \$67 – a 50 percent decline.

CMS Actuary: “Less Generous Benefit Packages” and 50 percent of Seniors to Lose Medicare Advantage Coverage

The Centers for Medicare and Medicare Services Chief Actuary Rick Foster [released an analysis](#) of the Patient Protection and Affordable Care Act in late April. The analysis showed that the reform law would have the following impact on Medicare Advantage beneficiaries:

- *Benefit reductions:*

“The new provisions will...result in less generous benefit packages.”

- *7.4 Million seniors will lose coverage:*

“We estimate that in 2017, when the MA provisions will be fully phased in, enrollment in MA plans will be lower by about 50 percent (from its projected level of 14.8 million under the prior law to 7.4 million under the new law.”

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America’s Health Insurance Plans – Providing Health Benefits to More Than 200 Million Americans