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Medicare Advantage enrollees could take hit in 2014

BY LIZ FESTA
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The potential 2.3 percent reduction in Medicare Advantage payments proposed by an arm of the Department of Health and Human Services (HHS) combined with PPACA's payment cuts will result in benefit reductions and premium increases of an average \$50 to \$90 per month for a typical Medicare Advantage beneficiary next year, warned America's Health Insurance Plans (AHIP).

The cuts would affect 14 million seniors, or roughly 28 percent of all Medicare beneficiaries, the lobbyist group says.

The new analysis prepared for AHIP states that the combined effect of the changes included in PPACA and the new payment cuts will result in an estimated 6.9 percent to 7.8 percent cut to Medicare Advantage plans in 2014, causing the net out of pocket for seniors and those with disabilities to rise, according to AHIP.

The cuts were proposed last week by Centers for Medicare & Medicaid Services (CMS) to take effect next year. The analysis is by actuaries at Oliver Wyman, prepared for AHIP.

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."

The cumulative impact of these changes will reduce Medicare Advantage payments next year by more than eight percent, or approximately \$11 billion. These cuts will result in seniors facing higher out-of-pocket costs, reduced benefits, and fewer health care choices, AHIP stated.

"President Obama is sticking it to seniors yet again by cutting Medicare Advantage funding," according to Dan Weber, president of the Association of Mature American Citizens (AMAC).

It was announced last week that the CMS will publish new rules for Medicare Advantage programs on April 1. Subsidies will be slashed and access will be severely restricted, according to insurance industry analysts, AMAC stated in a press release Friday.

Medicare Advantage is the part of Medicare through which private health plans provide comprehensive medical coverage to seniors and other Medicare beneficiaries.

Health insurance stocks reacted to the news negatively, according to a report by the Associated Press. The costs per person for Medicare Advantage plans are a bigger drop than many analysts who cover the industry anticipated, the AP report stated.

Conservative bloggers and the health insurance industry are not happy, arguing the payment cuts are funding entitlement programs and leaving seniors happy with their plans strapped.

AHIP contrasted the cuts against the projections for medical cost increases of 3 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," AHIP stated.

"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 Karen Ignagni, AHIP president and CEO.

However, CMS is expecting per-capita plan medical costs to fall 3.2 percent, CMS officials said in a 199-page description of the 2014 Medicare plan bidding methods.

The new proposed payment cuts are in addition to the Medicare Advantage cuts and the new health insurance tax included in PPACA.

AHIP says that only 4 percent of PPACA's \$200 billion in Medicare Advantage cuts have gone into effect thus far, and the Congressional Budget Office (CBO) projects that, when fully phased in, these cuts alone will result in three million fewer people enrolled in the program.

PPACA's new health insurance tax starts in 2014; Oliver Wyman had previously estimated that this tax alone will result in seniors facing \$220 in higher out-of-pocket costs, reduced benefits next year and \$3,500 in additional costs over the next 10 years.

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.

The new report follows a previous analysis 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.

CMS stated recently that since the Affordable Care Act was passed in 2010, Medicare Advantage premiums have fallen by 10 percent and enrollment is expected to increase by an estimated 28 percent through this year. In addition, costs of the defined standard Part D plan will be lower in 2014 than they are in 2013.

"The Affordable Care Act helps us strengthen Medicare Advantage and Part D," said Jonathan Blum, CMS acting principal deputy administrator and director of the CMS' Center for Medicare in a statement last week. "We are working to ensure that people with Medicare have affordable access to health and drug plans, while making certain that plans are providing value to Medicare and taxpayers."

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