What is Medicare Advantage ? How Does It Work?

Leonard Rodberg, PhD

Professor Emeritus of Urban Studies, Queens College/CUNY

Member, Board of Directors, Campaign for New York Health

April 5, 2021

Overview

- **The City is proposing to replace the current Medicare-based retiree benefit with a private Medicare Advantage plan.**
- **Private insurers have greater costs than public insurers, so they take a variety of actions affecting members' access to care to reduce their expenses.**
- **Medicare Advantage can work for members as long as they don't need much medical care.**
- **For members who need substantial amounts of care, traditional public Medicare with Supplemental Coverage provides more choice, fewer hassles, and lower cost.**

Evolution of US Health Insurance

- 1930s-1940s — Employer-based hospital and medical insurance from a private non-profit company (Blue Cross)
- 1950s — Commercial for-profit health insurance
- 1965 — Medicare and Medicaid public insurance
- 1985 — Private managed care Medicare plans (5%<Mcare)
- 2003 — Medicare Advantage plans (Part D drug plans, too)
- 2010 — Affordable Care Act (Obamacare)
- 20?? — NY Health Act and Medicare for All

Traditional Medicare

- **Hospital (Part A) and Medical/Physician (Part B)**
- **Physician Part B**
  - **-- Annual premium**
  - **-- Deductible**
  - **-- 80% of cost covered, patient pays 20% coinsurance**
- **Hospital**
  - **-- Deductible**
  - **-- Copay for long stays**
- **No limit on out-of-pocket costs**

Traditional Medicare Cost With and Without City Support

Currently:

- **City pays Part B premium and most deductibles & copays**
- **Maximum out-of-pocket cost = $1,053 per year**

Without City support:

- **Part B Premium: $1,800-5,300 per year**
- **Deductibles, copays, no out-of-pocket limit, or --**
- **Supplemental Plan: $3,700 per year (AARP)**

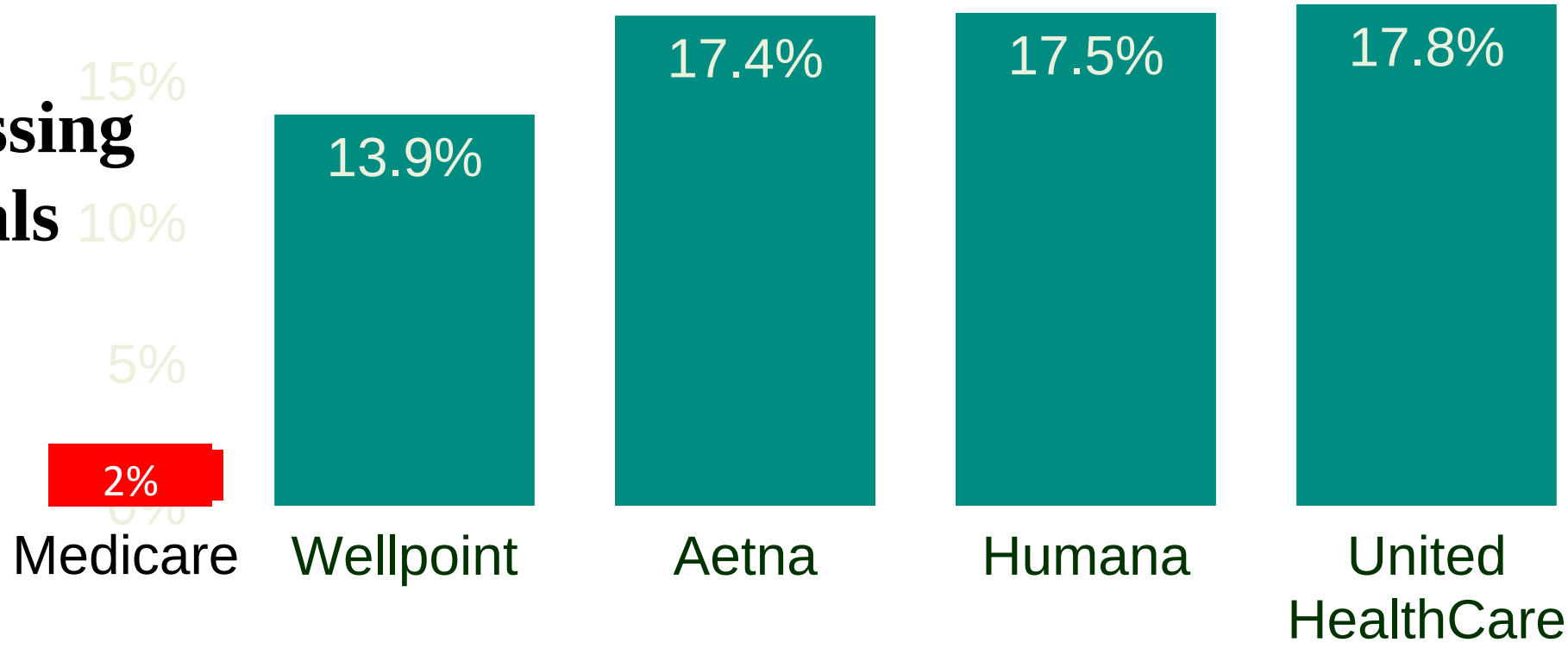
Medicare Advantage Plans

- **City proposal: 5-year contract with a private insurer to provide a Medicare Advantage Plan to retirees**
- **Medicare Advantage = private insurance paid by CMS**
- **Small or sometimes $0 premiums**
- **Same services are covered as Medicare plus some extras: gym membership, dental, eye, hearing benefits**
- **Conditions and cost of service determined by insurer**
- **Maximum out-of-pocket cost = $7,550**

Private Insurance Overhead Costs* Are Greater Than Public Costs

*

- ✓ Claims processing
- ✓ Prior approvals
- ✓ Marketing
- ✓ CEO salaries
- ✓ Profits



Source: SEC Filings/Reports to Shareholders. Data for Q1 or Q2 2017

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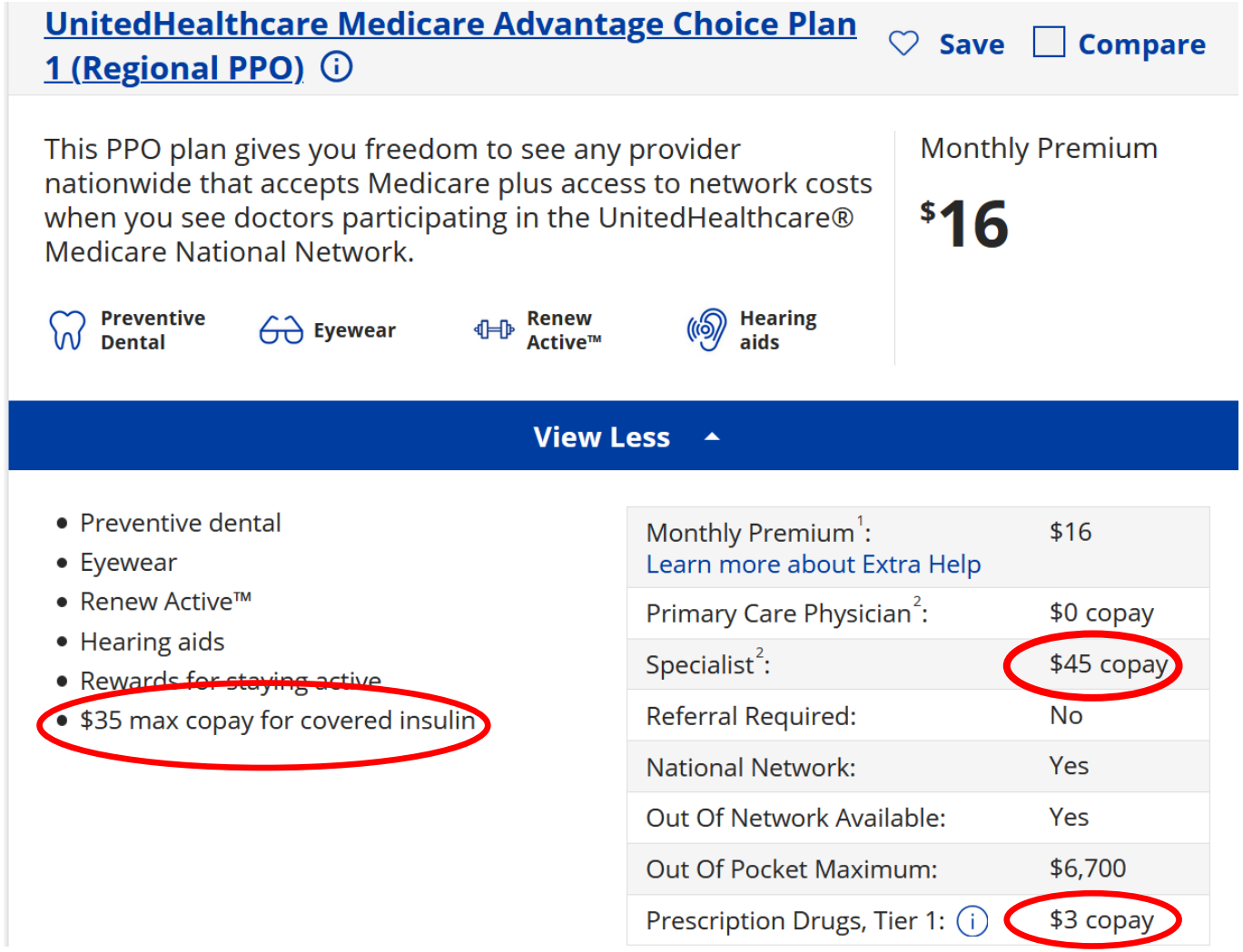

UnitedHealthcare Medicare Advantage Choice Plan 1 (Regional PPO) ⓘ

♡ Save ☐ Compare

This PPO plan gives you freedom to see any provider nationwide that accepts Medicare plus access to network costs when you see doctors participating in the UnitedHealthcare® Medicare National Network.

Monthly Premium

$16

Preventive Dental · Eyewear · Renew Active™ · Hearing aids

View Less ▲

- Preventive dental
- Eyewear
- Renew Active™
- Hearing aids
- Rewards for staying active
- $35 max copay for covered insulin

Monthly Premium[1]: Learn more about Extra Help	$16
Primary Care Physician[2]:	$0 copay
Specialist[2]:	$45 copay
Referral Required:	No
National Network:	Yes
Out Of Network Available:	Yes
Out Of Pocket Maximum:	$6,700
Prescription Drugs, Tier 1: ⓘ	$3 copay

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3. **Lower payments to doctors and hospitals, limiting patient choice**

JAMA Internal Medicine

View Article

JAMA Intern Med. 2017 Sep; 177(9): 1287–1295.
Published online 2017 Sep 5. Prepublished online 2017 Jul 10.
doi: 10.1001/jamainternmed.2017.2679: 10.1001/jamainternmed.2017.2679

PMCID: PMC5710575
PMID: 28692718

Physician Reimbursement in Medicare Advantage Compared With Traditional Medicare and Commercial Health Insurance

Erin Trish, PhD,[1] Paul Ginsburg, PhD,[1,2] Laura Gascue, MS,[1] and Geoffrey Joyce, PhD[1]

Findings

In this analysis of 144 million claims for common services from 2007 to 2012, physician reimbursement in Medicare Advantage was more strongly tied to traditional Medicare rates than to negotiated commercial prices, although **Medicare Advantage plans tended to pay physicians less than traditional Medicare**.

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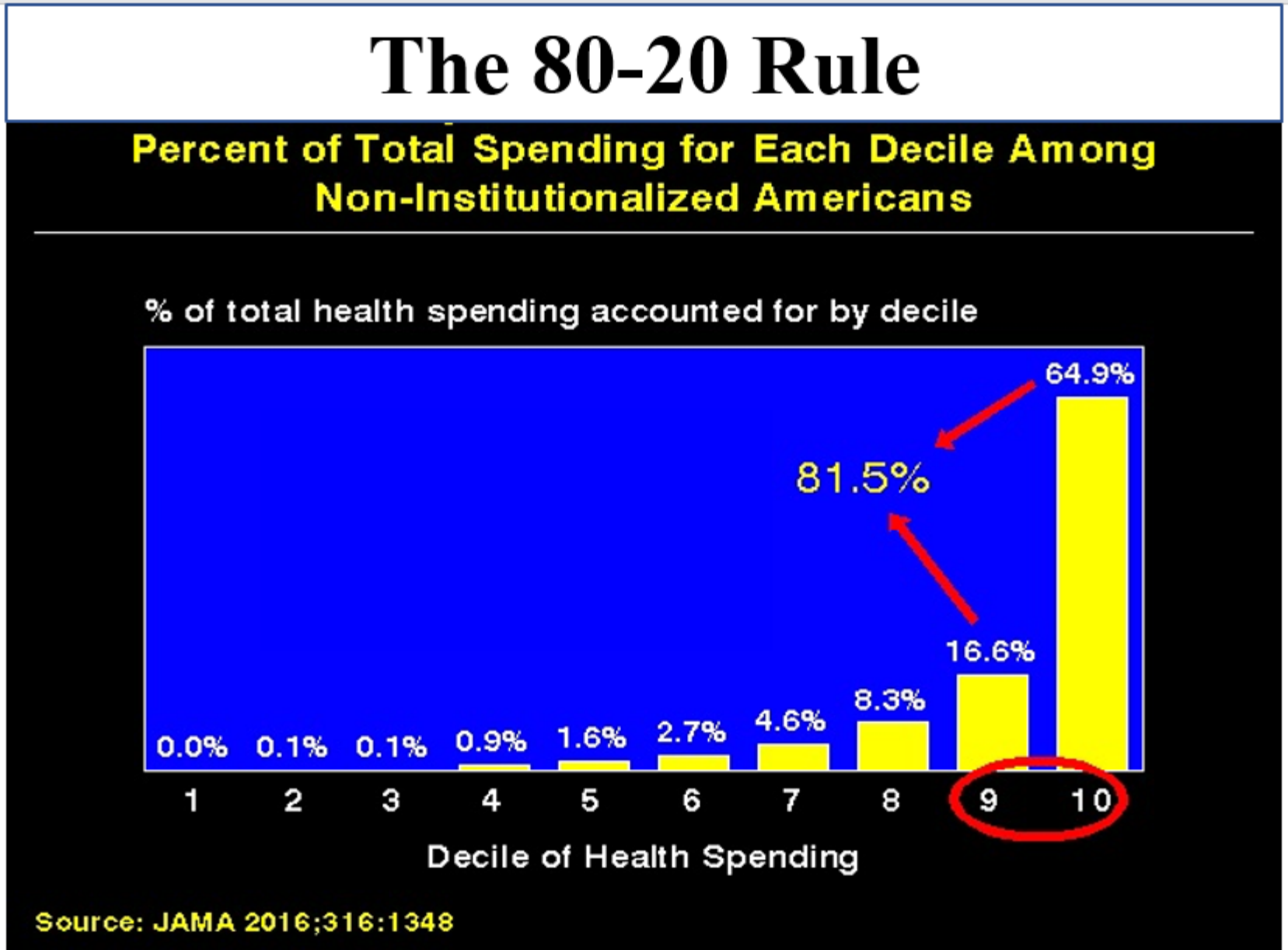

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Medicare & Medicaid Research Review
2012: Volume 2, Number 4

Impact of Continued Biased Disenrollment from the Medicare Advantage Program to Fee-for-Service

Gerald F. Riley
Centers for Medicare & Medicaid Services

Background: Medicare managed care enrollees who disenroll to fee-for-service (FFS) historically have worse health and higher costs than continuing enrollees and beneficiaries remaining in FFS.

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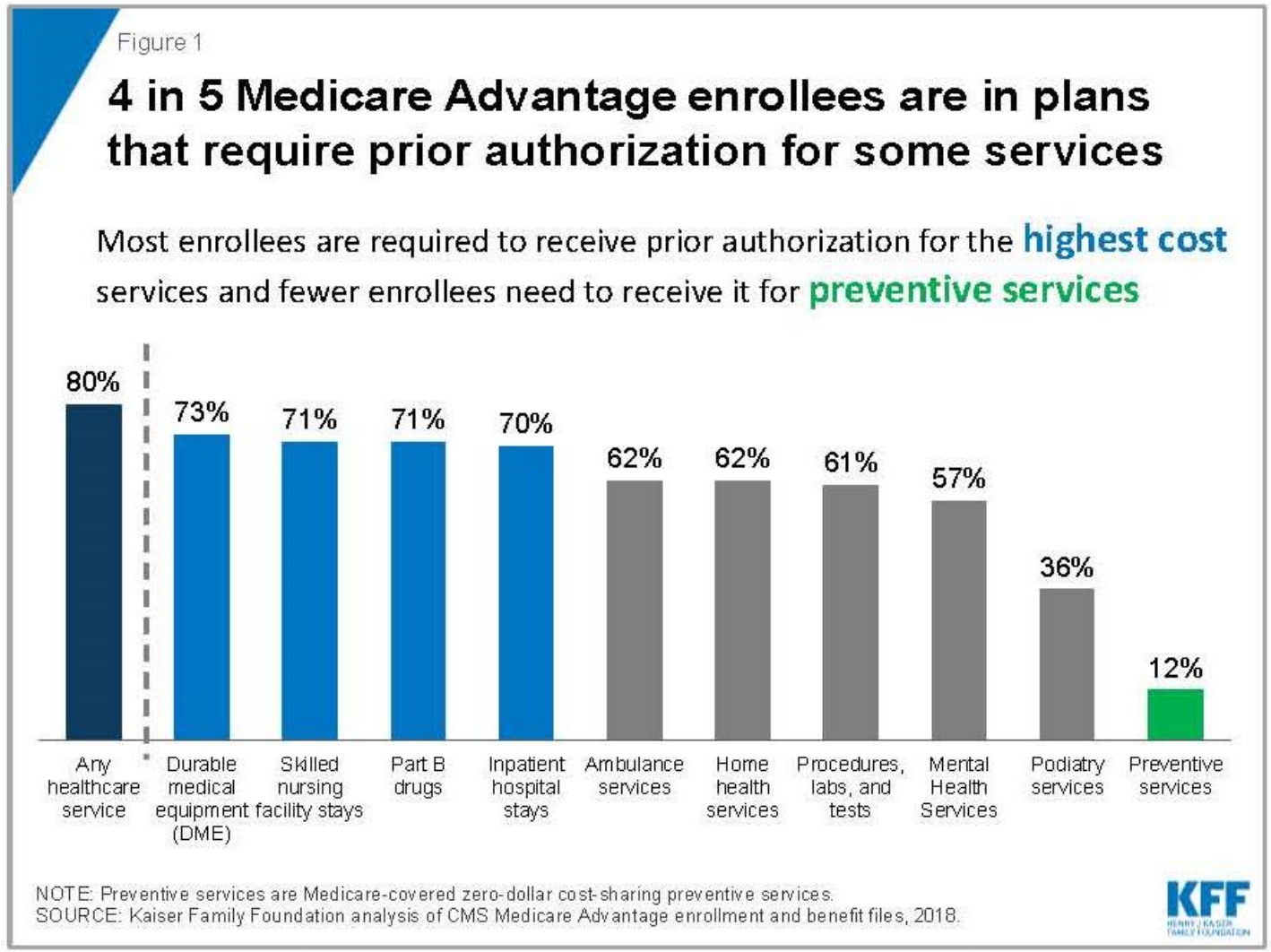

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6. **Requirement for prior approval, and slow payment to MDs**
7. **And, finally, just plain fraud**

7. Fraudulent disease coding

"In 2019, differences in diagnostic coding caused Medicare to pay MA plans $9 billion more than it would have spent if the same beneficiaries had been enrolled in FFS Medicare"

-- Medicare Payment Policy, Report to the Congress, Medicare Payment Advisory Commission, March 2021

Conclusions

- **Medicare Advantage plans have greater overhead expenses and take a variety of actions affecting members' access to care to reduce their expenses.**
- **Medicare Advantage can work for members as long as they don't need much medical care.**
- **For members who need substantial amounts of care, traditional public Medicare with Supplemental Coverage provides more choice, fewer hassles, and lower cost.**
- **If a different type of Medicare Advantage plan is proposed, ask "Since their expenses are greater than Medicare's, how will they balance the books and make money?"**
- **Remember, there is no free lunch!!!**