

# Health Reform Resource Center

Understanding the Changes to Medicare

## Medicare Advantage and Health Reform: What Does It Mean for You?

The Affordable Care Act, signed into law by President Obama in March of 2010, reduces overpayments to private insurance companies that contract with the federal government to offer Medicare Advantage (MA) plans to people with Medicare. At the same time, the law creates new rewards for MA plans that deliver high-quality care. People who are enrolled in MA plans – and those looking to enroll – may have questions about how health reform will affect MA plans and benefits. This document answers some of the more common questions about Medicare Advantage and health reform.

### **1** What is happening to Medicare Advantage plans as a result of health reform?

Beginning in 2012, the government will gradually reduce overpayments to MA plans to make them equal to payments for traditional fee-for-service Medicare, also called Original Medicare. Historically, the Medicare program has paid MA plans about 14 percent more, on average, per enrollee than it does for those enrolled in Original Medicare. Health reform limits these overpayments while providing bonus payments to high-quality plans for their performance. All MA plans must continue to provide the benefits guaranteed by Medicare.

It is important to know that health reform does not reduce Medicare's guaranteed benefits. In fact, health reform requires that savings from these changes to MA plan payments be used to: extend the life of the Medicare trust funds; reduce Medicare premiums and other cost-sharing for all beneficiaries; and protect access to Medicare providers.

### **2** What will happen to my Medicare Advantage plan?

Companies that offer MA plans must continue to cover the same benefits that are offered under Original Medicare, including inpatient hospital and skilled nursing facility stays, physician services, prevention and screening services, medically necessary ambulance trips, and more.

Some private insurance companies that currently offer MA plans may continue to offer the same level of benefits at similar costs. However, some companies may make changes to their plans in response to the new payment levels including:

- reducing the level of extra benefits available to all enrollees;
- increasing the amount of money that enrollees must pay out-of-pocket such as their monthly premiums;
- no longer offering the plan in certain areas of the country; or
- no longer offering the plan in any area of the country.

While it is too soon to know what changes your MA plan will make in response to the new payment levels, you will continue to have options available that guarantee your access to Medicare benefits.

### **3** What are my options in the future? If I am currently enrolled in a Medicare Advantage plan, how will I access my Medicare benefits?

Your decision to stay in your current MA plan will likely depend on how your plan responds to the reduced payments. It is important that you understand any and all changes to your current plan before deciding to stay in your plan or to pursue other options. Be sure to review carefully the summary of benefits and notice of changes that your MA plan will send you in the fall.

If you decide to leave your MA plan, other options to receive your Medicare benefits include:

- enrolling in a new MA plan that meets your health and financial needs, or
- enrolling in Original Medicare. Depending on your health and financial needs, if you return to Original Medicare, you may want to consider buying a Medicare supplement policy, also known as Medigap, to help fill some of Original Medicare's cost-sharing gaps.

To make truly informed decisions about how you access your Medicare benefits, talk with a local benefits counselor at your State Health Insurance Assistance Program (SHIP). SHIPs provide free, personalized and unbiased education and counseling to people enrolled in Medicare, as well as their caregivers. To find your local SHIP, please go to <http://www.hapnetwork.org/ship-locator/> or call 1-800-MEDICARE.

As a reminder, you can make an enrollment choice, whether to access your Medicare benefits through Original Medicare or an MA plan, during the Annual Enrollment Period (AEP) at the end of each year. Ask your local SHIP counselor about the specific AEP dates.

## **4** Why did Congress make changes to the Medicare Advantage program?

The Affordable Care Act seeks to “level the playing field” between private MA plans and Original Medicare. In doing so, it makes the private MA plans more accountable by phasing out overpayments to them over time. There are two important reasons why Congress decided to reduce the overpayments to MA plans:

- The cost of overpaying MA plans has been passed on to people with Original Medicare in the form of higher monthly Medicare Part B premiums.
- Reducing overpayments to MA plans is estimated to save Medicare more than \$150 billion over 10 years, helping to ensure that Medicare is viable for years to come.

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