

Medicare Advantage Needs Reform, Not Cuts

THE ISSUE

The Biden Administration is proposing cuts to Medicare Advantage (MA), the popular private plan alternative to the outdated traditional Medicare program. These cuts would undermine Medicare Advantage plans and hurt seniors' access to higher-quality, comprehensive benefits. To prepare Medicare Advantage for the future, it needs reforms, not cuts.

BIDEN MEDICARE CUTS

- For the second time, the Biden Administration is proposing cuts to the ever-popular Medicare Advantage program.
- The Administration claims that these payment cuts would ensure more accurate payments, protect beneficiaries, and maintain a stable market.
- In reality, these cuts are part of a larger leftist effort to stop, slow, or even eliminate private plan competition in Medicare and shift enrollment back into the one-size-fits-all traditional program that limits choice and access to supplemental benefits.

GROWING POPULARITY OF MEDICARE ADVANTAGE

- Medicare Advantage is the fastest growing part of the Medicare program. Today, over 33 million persons—more than half of all seniors—are enrolled in a Medicare Advantage plan, and it is expected that almost 70 percent will be enrolled by 2030.

- Medicare Advantage gives seniors a wide selection of comprehensive, private coverage options. In 2023, there were 4,000 MA plans nationwide, and Medicare enrollees had on average a choice of 43 plans. Plans are available in all states with several states enrolling more than 50 percent of their Medicare population.
- The plans' enrollment represents all income levels, and they are also popular among minorities and those with chronic, complex, and high-cost medical conditions. In 2023, 73 percent of Medicare Advantage enrollees paid no additional premium beyond traditional Medicare premiums and received more comprehensive coverage, including prescription drug coverage, than enrollees in traditional Medicare receive.
- Unlike traditional Medicare, which does not provide any catastrophic protection, Medicare Advantage plans give seniors financial certainty and security by capping out-of-pocket expenses. In 2023, the average cap was \$8,659 for in-network and out-of-network services combined.
- Medicare Advantage plans outperform traditional Medicare across a number of measures, including more preventive care visits, fewer hospitalizations and emergency department visits, and shorter hospital and out-patient facility stays. During COVID, compared to beneficiaries enrolled in traditional Medicare, Medicare Advantage enrollees had greater access to routine medical care, fewer hospitalizations, and relatively lower mortality rates.

This paper, in its entirety, can be found at <https://report.heritage.org/fs265>

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MEDICARE ADVANTAGE NEEDS REFORMS, NOT CUTS

- Instead of trying to stop the growth or get rid of Medicare Advantage, Congress should build on what works and adopt reforms that will strengthen and sustain Medicare Advantage for the future. Congressional and administrative efforts to micromanage these plans will diminish their success and popularity and undermine future innovation in health care delivery.
- The current Medicare Advantage payment and risk-adjustment model are flawed. Linked to the outdated government-set payment rates, the base payment structure is overly complex, and the current way plans adjust for health risks allows for “gaming” and higher costs at taxpayers’ expense.
- The benefit package that MA can offer to enrollees is also unnecessarily restricted. For example, Medicare Advantage plans are prohibited from offering hospice care or offering prescription drug coverage with a medical savings account plan.

STRENGTHENING MA BY INCREASING PERSONAL CHOICE, IMPROVING BENEFITS, AND CONTROLLING COSTS

- **Fix the payment system.** The Medicare Advantage payment model should be detached from traditional Medicare and

replaced by a competitive, market-based bidding system. It also should update its risk adjustment system with a retrospective payment model to reflect the true costs incurred by the health plan more accurately.

- **Improve benefit options for enrollees.** Statutory and regulatory rules limit Medicare Advantage plans’ ability to offer certain benefits. Congress should remove these restrictions to allow plans to develop more innovative options that are tailored to medical needs and conditions.
- **Give seniors better savings options.** Today, if a senior chooses a less expensive, more cost-effective treatment, the insurance plan shares in the savings with taxpayers. Congress should allow seniors to share in these savings through premium and copayment rebates that they can pocket directly or deposit tax-free in a health savings account.
- **Make Medicare Advantage plans the default option for seniors.** Today, Medicare-eligible seniors are automatically enrolled in traditional Medicare. With the dramatic shift toward Medicare Advantage plans, Congress should make them the default option for enrollment.