



Medicare: Today's Issue

February 5, 2004

BETTER BENEFITS – MORE CHOICES

Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!

Investing in our Seniors – Supporting Lower Costs and Enhanced Services for Medicare Beneficiaries

- ❖ Under the new Medicare Prescription Drug, Improvement and Modernization Act, the Centers for Medicare and Medicaid Services is **significantly increasing federal payment rates to Medicare Advantage (MA) health plans** beginning on March 1, 2004. This increase is designed to **support improvements in services and lower costs for Medicare beneficiaries** enrolled in private health plans, as well as **support additional options for Medicare coverage**. Under the new law, payments to health plans will be increased an average of 10.6 percent, up from several years in which the annual increase averaged about 2 percent.
- ❖ The immediate increase in Medicare payments to health maintenance organizations (HMOs) and other private health plans will foster better services, more choices for beneficiaries, enhanced prescription drug coverage, reduced out-of-pocket costs, and more reliable access to the providers in their communities.
- ❖ The provision requires managed care organizations to use the additional funds to:
 - ⌘ Reduce beneficiary premiums or co-pays
 - ⌘ Enhance benefits
 - ⌘ Stabilize or expand the network of doctors and other health care providers available to seniors
 - ⌘ Reserve funds to offset either premium increases or reduced benefits in the future.
- ❖ This new provision gives those managed care organizations that announced they were leaving Medicare Advantage (formerly Medicare+ Choice) or reducing their service areas the opportunity to remain in the program or expand services areas. This provides continued service for seniors who choose a managed care plan.
- ❖ Several insurers have already said they will use their federal payment increases to lower the cost of managed care programs and to enhance benefits. Plans representing more than 93 percent of Medicare Advantage beneficiaries will use the increased payments to reduce monthly premiums – in some cases dramatically. Plans representing more than 80 percent of MA beneficiaries will reduce the cost of co-pays and deductibles, and plans representing 60 percent will expand or enhance benefits.

- ❖ Over the last year, beneficiaries in Medicare+ Choice have seen the program stabilize, with fewer plans leaving than in previous years. Under the new law, this provision will help further increase plan participation and beneficiary interest in voluntary enrollment in private health plans.
- ❖ These health plans are very important for low-income seniors, minority seniors and disabled individuals who rely on them for their health care, to keep costs affordable, and for the valuable benefits that are not available in fee-for-service Medicare. With the increased payments, private health plans will be encouraged to develop attractive benefits and strong networks of providers ensuring that beneficiaries have a range of reliable alternatives so they can choose the coverage options that serve them best.