

Costs Under Private Medicare Advantage Plans Higher Than Traditional Medicare for Some Beneficiaries

Private Medicare Advantage plans can cost beneficiaries more than traditional Medicare for home health care, nursing homes and certain hospital stays, according to a report released February 28, 2008 by the Government Accountability Office. Although Bush administration officials and insurers say that MA plans provide cost savings to beneficiaries in the form of lower co-payments and deductibles, the report found that because the experiences of certain beneficiaries do not align with the average, some pay significantly more out of pocket than they would in traditional Medicare. According to the report, in 2007 "19% of Medicare Advantage beneficiaries were in plans that projected higher cost-sharing for home health services, and 16% of beneficiaries were in plans that projected higher cost-sharing for inpatient services."

The report also found that about 48% of Medicare Advantage beneficiaries were in plans with an out-of-pocket maximum, ranging from \$2,750 to \$4,600. Insurers often say annual limits protect Medicare beneficiaries from high costs, but some MA plans exclude certain treatments and medical expenses from the annual out-of-pocket maximums, according to the report. GAO found that among MA plans with out-of-pocket limits, 29% exclude the cost of certain cancer drugs, 23% exclude some mental health services and 21% exclude home health care expenses. The report found, "Beneficiaries who use these services may pay more in total cost-sharing than is indicated by the plan's out-of-pocket maximum."

Costs to the Government

The report also found that the federal government "spends more per beneficiary in Medicare Advantage than it does for beneficiaries in the original Medicare fee-for-service program, at an estimated additional cost to Medicare of \$54 billion from 2009 to 2012." Of the monthly per-beneficiary payments to MA plans, 87% is used for medical expenses, or \$683 of \$783 per beneficiary per month, according to the report. About 9%, or \$71 per beneficiary per month, is used for non-medical expenses, including administration, marketing and sales. About 4%, or \$30, is considered profit, the report found.

GAO found that the additional money paid to private MA plans, which are reimbursed at higher rates than traditional Medicare, is not well focused. The report states, "If the policy objective is to subsidize health care costs of low-income Medicare beneficiaries, it may be more efficient to directly target subsidies to a defined low-income population than to subsidize premiums and cost-sharing for all Medicare Advantage beneficiaries, including those who are well off" (Pear, *New York Times*, 2/28).

[Kaiser Daily Health Policy Report, Feb 28, 2008]