

# Know Your Facts Part 2

## Understanding Medicare Advantage

*Savings in your retirement years sound appealing until you are faced with denials and limited choices.*



Medicare Advantage (Medicare Part C) is a **REPLACEMENT** of Medicare Part A (Hospital Insurance) and Medicare Part B (Supplemental Medical Insurance). Medicare Advantage benefits are through a private insurance plan rather than from the Original Medicare program run through the federal government. When you agree to participate in a Medicare Advantage plan, you lose your Medicare Part A and Medicare Part B coverage.

Medicare Advantage allows members to select a private plan for health insurance to cover their Medicare Part A and Part B health care expenses, rather than Original Medicare. Some Medicare Advantage plans provide additional benefits compared to coverage under the Original Medicare program. Original Medicare offers additional Medigap plans that cover outstanding deductibles, coinsurance, copayments, additional benefits and out-of-pocket maximums. Members have an opportunity to select a new Medicare Advantage plan or to switch between Medicare Advantage and Original Medicare on an annual basis.

Medicare Advantage may be attractive to Medicare-eligible individuals because plans may provide additional services, have reduced or zero monthly premiums, set out-of-pocket maximums, and include drug benefits in one plan. However, these additional items come with a tradeoff to the members, and individuals need to be aware of them.

**When you agree to a Medicare Advantage (Medicare Part C) plan, you lose your Original Medicare Part A and B coverage.**

### *In this issue ...*

*Understanding Medicare Advantage.*

*How Medicare Advantage plans are reimbursed.*

### Navigating Medicare Together



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### PROS OF MEDICARE ADVANTAGE

- May provide additional services beyond traditional Medicare such as vision, hearing and dental without a supplemental Medigap plan.
- Medicare Advantage has an annual maximum out-of-pocket payment, unlike Original Medicare. In 2024, the maximum cost for a Medicare Advantage plan is \$8,850 and \$13,300 for combined in-network and out-of-network services<sup>1</sup>.
- Many Medicare Advantage plans have the ability to combine drug coverage and medical coverage into one plan. Rather than paying for a separate Part D plan to supplement Medicare Part A and Medicare Part B.

### CONS OF MEDICARE ADVANTAGE

- Medicare Advantage members generally have very limited provider networks. In 2017, a study found that the average Medicare Advantage plan only includes about half of the physicians in the United States<sup>2</sup>.
- Unlike Original Medicare, a majority of the time Medicare Advantage members must seek approval to see a specialist for treatments or other services. If the member is denied approval to see a specialist, the care is not covered.
- Unlike Original Medicare, a majority of the time Medicare Advantage members must seek approval for most prescription drugs, inpatient stays, diagnostic services such as procedures, labs, tests, therapy, dialysis, hearing and many other services. If the member is denied approval for these tests or treatments, the care is not covered.
- Medicare Advantage members may end up spending more than those on Original Medicare with hidden costs and denied coverages.

### How Are Medicare Advantage Plans Reimbursed?

In addition to any monthly premiums from members, Medicare Advantage plans receive an agreed-upon payment from the government for the beneficiaries that they cover. This is a set rate per member, per year in exchange for the plan assuming responsibility for all Medicare Part A and Part B care and expenses related to the member.

Medicare Advantage is not currently cheaper than Original Medicare. In 2023, Medicare paid \$454 billion to private health plans to fund Medicare Advantage<sup>3</sup>. That amount represented 54 percent of total Medicare spending that year – up from 27 percent in 2015<sup>4</sup>. The cost of Medicare is increasing, but Medicare Advantage plans' share of total Medicare spending is growing even faster. In 2023, Medicare Advantage was six percent more expensive per member than if those same individuals were enrolled in Original Medicare<sup>5</sup>.

### SOURCES

1. <https://www.medicare.gov/basics/get-started-with-medicare>
2. <https://www.kff.org/medicare/report/medicare-advantage-how-robust-are-plans-physician-networks/>
3. <https://www.kff.org/medicare/issue-brief/medicare-advantage-in-2024-premiums-out-of-pocket-limits-supplemental-benefits-and-prior-authorization/>
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5. <https://www.commonwealthfund.org/publications/explainer/2024/jan/medicare-advantage-policy-primer#:~:text=Older%20and%20more%20recent%20studies,of%2017%20percent%20in%202009>