

Employer Retiree Medicare Advantage Health Plans

Fact Sheet January 2021

BETTER MEDICARE
ALLIANCE

Key Facts

Over 4 million retirees nationwide, 20% of Medicare Advantage beneficiaries, are in EGWPs. Retiree enrollment continues to grow, doubling since 2010.

Medicare Advantage employer plans provide the following benefits to retirees:

- Comprehensive Medicare coverage as well as supplemental benefits such as vision, hearing, and dental.
- Access to providers nationwide.
- Lower premiums and limits to out-of-pocket costs.
- Improved outcomes.

More than four million beneficiaries are enrolled in Employer Group Waiver Plans (EGWPs), which are employer-sponsored health plans for retirees that provide health insurance coverage through the Medicare Advantage program.

Retiree Coverage in Medicare Advantage

EGWPs allow employers, state and local governments, and unions to provide comprehensive Medicare Advantage coverage to their retirees. EGWPs provide Medicare Part A (hospital) and B (physician) benefits, as well as supplemental benefits. Employers may include Part D (drug) benefits and typically pay Part B premiums and co-pays to reduce cost sharing for retirees. The Centers for Medicare & Medicaid Services (CMS) has waived certain Medicare Advantage requirements for EGWPs. Notably, unlike with other Medicare Advantage plans, employers and unions may target enrollment to their retirees as opposed to an entire population within a service area. This may be particularly helpful to employers or unions with national presence. EGWPs successfully enable employers nationwide to maintain consistent group benefits and stable costs to beneficiaries across the country.

Payment for Retiree Coverage

Unlike other Medicare Advantage plan types, EGWPs do not submit bids. Payments are based on the bids of other non-EGWP individual Medicare Advantage plans and are set as a percentage of the area benchmark, the maximum amount that CMS will pay a Medicare Advantage plan in a given area. Specifically, the payment is calculated as an enrollment weighted average bid-to-benchmark ratio for non-EGWPs in the prior year. EGWPs may also receive quality bonus payments.

Ways to Strengthen Retiree Coverage

- **Avoid changes that result in reductions to payments:** The new payment methodology will start to account for the unique geographic attributes of EGWPs, however, additional adjustments may be necessary. The majority of EGWPs, 76%, are PPOs, which drives up the bid-to-benchmark ratios because it is more expensive to cover beneficiaries over larger geographic areas.
- **Encourage greater access in rural markets:** EGWPs can only serve an employer if there is a direct contracting provider network available to at least 51% of the employer group's retirees. Therefore, implementing additional flexibilities for provider network requirements could address factors that inhibit the formation of direct contract networks that enable more EGWPs to be offered in rural markets, benefitting employers and retirees.
- **Enable Professional or Group Associations to utilize EGWPs:** CMS currently restricts EGWP enrollment to beneficiaries receiving employment-based health coverage from an employer or union sponsored health plan. CMS should work with membership organizations to allow professional trade associations to pool membership to enroll in EGWPs.
- **Educate Stakeholders:** CMS should simplify the EGWP enrollment process and engage in greater promotion of EGWPs by targeting informational materials and outreach to entities, such as trade associations and national organizations that represent eligible beneficiaries, private employers, and state and local governments.