

MEDICARE ADVANTAGE 101

2024

WHAT IS MEDICARE?

Medicare is a federal healthcare program for qualified individuals administered by the Centers for Medicare and Medicaid Services (CMS). This differs from Medicaid, which provides health coverage to low-income individuals and other qualified individuals and is administered at the state level. Individuals can be eligible for both Medicare and Medicaid and are called dually eligible.

Medicare beneficiaries have two options for receiving their Medicare benefits – Fee-For-Service (FFS) Medicare or Medicare Advantage. Medicare Advantage is the managed care option in Medicare and is a public-private partnership, meaning benefits are offered by private health plans and approved by the government.

WHO IS ELIGIBLE FOR MEDICARE?

- People who are 65 or over
- Certain people with disabilities who are under 65, after having disability benefits for 25 months
 - People with ALS who have Social Security Disability Insurance are immediately eligible
- People of any age living with End-Stage Renal Disease, which is a condition of permanent kidney failure requiring dialysis or a kidney transplant

THERE ARE 4 PARTS TO MEDICARE¹

- **Part A:** Hospital Insurance/Inpatient Care
- **Part B:** Medical Insurance/Outpatient Care
 - Covers items such as physicians' services and preventive services
 - Standard 2024 Part B premium is \$174.70
- **Part C:** Medicare Advantage
- **Part D:** Prescription Drug Coverage
 - Optional coverage and available to MA and FFS beneficiaries
 - 66% of MA plans that include a Part D benefit in 2024 will charge no premium (other than the Part B premium)

PATHWAYS TO RECEIVE MEDICARE BENEFITS

FFS Medicare

- Coverage for Parts A and B services
- CMS pays providers directly for health care costs
- Beneficiaries may see any provider who accepts Medicare
- No out-of-pocket limit for beneficiaries
- Separately purchasable Medigap policies are available to reduce beneficiary out-of-pocket-costs



Government Administrators Benefit



Medicare Beneficiary



Medicare Advantage

- Coverage for Parts A and B services, inclusive of all services provided under FFS Medicare, and may include additional benefits in the form of lower cost sharing and premium buy-downs and extra supplemental benefits
- Benefits are administered by private health plans that contract with CMS
- Most Medicare Advantage plans include integrated Part D drug coverage (MA-PD plan)
- Health plans may have preferred provider networks or more restrictive provider networks
- Cost sharing may be above or below FFS Medicare, but must be actuarially equivalent
- Annual out-of-pocket limit for beneficiaries unlike FFS Medicare



Private Plan Administers Benefit



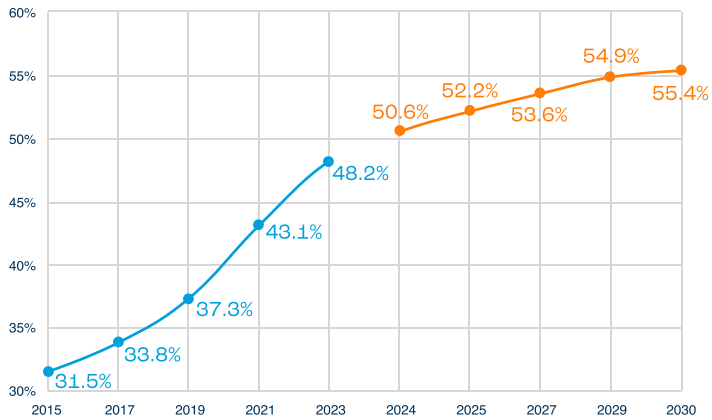
Government Pays Private Plan



Government Contracts with Private Plan

ENROLLMENT IN MEDICARE ADVANTAGE IS PROJECTED TO CONTINUE ITS STEADY GROWTH

Medicare Advantage Enrollment and Growth Projections, 2015-2030



- Actual MA Enrollment as a % of Total Medicare Enrollment (2024 Medicare Trustees Report)
- Projected MA Enrollment as a % of Total Medicare Enrollment (2024 Medicare Trustees Report)



SNAPSHOT OF THE MEDICARE ADVANTAGE POPULATION ²

- 33 M** Over 33 million beneficiaries are enrolled in MA
- 53%** of all Medicare beneficiaries choose MA
- 52.7%** of MA beneficiaries live on less than \$25,000 annually
- 27%** of MA enrollees are Black, Latino, or Asian compared to 17% of FFS enrollees
- 23.5%** of MA enrollees are dually eligible for Medicare and Medicaid
- 1.8 M** Over 1.8 million people in rural counties choose MA

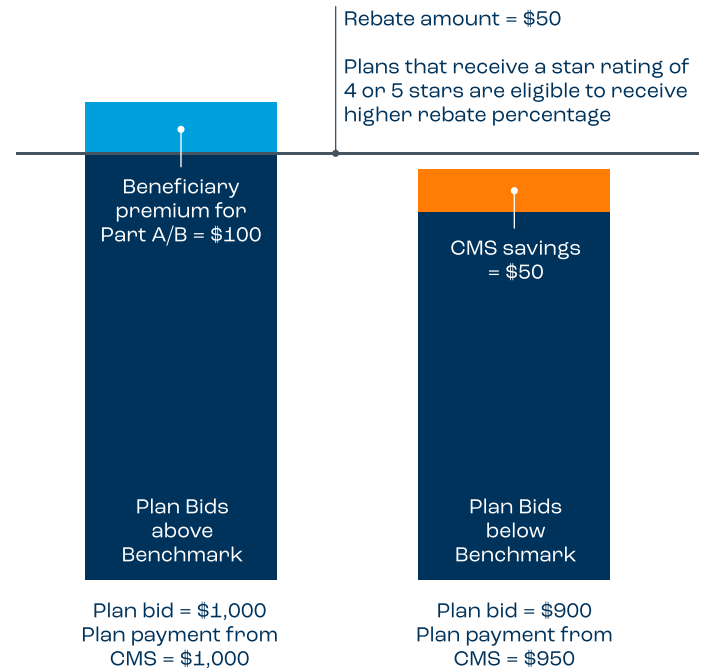
OVERVIEW OF MEDICARE ADVANTAGE PAYMENT

Medicare Advantage plans are paid a monthly capitated rate per beneficiary enrolled in the health plan. This payment is based, in part, on a county benchmark, which is based on the average spending in FFS Medicare in that county. Health plans bid against the county benchmark.

- If a health plan submits a bid that is above the benchmark, beneficiaries will pay a premium for the difference between the plan bid and the benchmark.
- If a health plan submits a bid that is below the benchmark, the plan receives a percentage of the savings - a rebate - and the rebate must be used to offer additional, supplemental benefits or lower beneficiary cost sharing or premiums.

Example of Plan Payment

Benchmark- \$1,000



- Plan bid
- Rebate to plan
- Beneficiary premium

TYPES OF MEDICARE ADVANTAGE PLANS

Individual Plans

Medicare Advantage offers several individual plan options that have various types of access to provider networks, including Preferred Provider Organizations (PPO) and Health Maintenance Organizations (HMO)

Special Needs Plans (SNP)

SNPs enroll beneficiaries who are dually eligible for Medicare and Medicaid (D-SNP), require institutional level care (I-SNP), or have a specific chronic condition (C-SNP)

Employer Group Waiver Plans (EGWP)

EGWPs are offered by some employers to provide health care coverage to retirees through Medicare Advantage and accounts for nearly 20% of Medicare Advantage enrollment

Part D prescription drug coverage can typically be added to all of the above options

MOST MEDICARE ADVANTAGE BENEFICIARIES HAVE ACCESS TO SUPPLEMENTAL BENEFITS¹

97% of beneficiaries have access to some dental, vision, hearing, and fitness benefits

85% of plans cover over-the-counter items

72% of plans offer meal benefits, such as meal delivery

MEDICARE ADVANTAGE EMPOWERS BENEFICIARIES TO CHOOSE HEALTH CARE COVERAGE THAT BEST MEETS THEIR NEEDS¹

99% of Medicare beneficiaries have access to at least one Medicare Advantage plan in their county

99% of Medicare beneficiaries have access to a health plan that includes prescription drug coverage

THE STAR RATING SYSTEM INCENTIVIZES HIGH QUALITY

- Star Ratings measure a health plan's quality of health management and outcomes
- Ratings range from 1-star (lowest quality) to 5-stars (highest quality), based on how health plans perform on average across Part C and D measures, with health plans achieving 4+ star ratings receiving bonus payments
- Current ratings are based on 38 individual measures ranging from clinical performance to consumer experience
- Health plans are rated at the contract level, not the individual plan or county level
- Almost three-fourths of beneficiaries selected a 4+ star plan in 2024³



1. Kaiser Family Foundation, "Medicare Advantage 2024 Spotlight: First Look," November 15, 2023.
2. Analysis of CMS State and County Enrollment File, April 2023; ATI Advisory, Comparing Medicare Advantage and FFS Medicare Across Race and Ethnicity, July 2023.; Better Medicare Alliance, Exploring Rural Beneficiary Experiences Across Medicare Advantage and FFS Medicare, May 2024. Kaiser Family Foundation, "Medicare Advantage and FFS Medicare, January 2024.;" Kaiser Family Foundation, "Medicare Advantage Enrollment, Plan Availability and Premiums in Rural America," September 7, 2023.
3. Centers for Medicare & Medicaid Services, 2024 Medicare Advantage and Part D Star Ratings, October 13, 2023.