LEGISLATIVE DIGEST
HOUSE REPUBLICAN CONFERENCE | CHAIRMAN ADAM PUTNAM
1420 LONGWORTH HOB, WASHINGTON, DC 20515 www.GOP.gov PHONE 202.225.5107 FAX 202.226.0154

JUST THE FACTS: Setting the record straight on Medicare Advantage

GAO Report – Medicare Advantage

"This stilted analysis does not reflect the experience of most Medicare Advantage enrollees or the actual value that these plans provide." (Representative Dave Camp (R-MI))

On February 28, 2008, the Government Accountability Office (GAO) testified in front of the Committee on Ways and Means Subcommittee on Health regarding a report it issued that same day titled "Medicare Advantage: Increased Spending Relative to Medicare Fee-for-Service May Not Always Reduce Beneficiary Out-of-Pocket Costs."

In his opening statement, Representative Dave Camp (R-MI) expressed his concerns with the methodology used to collect data and draw conclusions in this report, and requested that GAO issue another report looking at more balanced data.

GAO Report Claims: "For example, depending on the Medicare Advantage plan in which they were enrolled and their health care needs, some beneficiaries who frequently used home health or inpatient services could have had overall cost sharing that was higher than what they would have paid under Medicare fee-for-service."

> **THE FACTS:** The report does not take into account that Medicare Advantage enrollees across the nation are able to choose the plan that best fit their health care needs. In his opening statement, Representative Camp highlights that, "the report only looks at hypothetical beneficiaries, who use only certain types of services and enroll in a narrow selection of plans."

GAO Report Claims: "Although the rebates have helped to make health care more affordable for many beneficiaries enrolled in Medicare Advantage plans, some beneficiaries may face higher expenses than they would in Medicare fee-for-service."

> **THE FACTS**: Medicare Advantage rebates enable plan providers to lower beneficiary cost sharing and reduce premiums for Medicare Part D and Part B, as well as provide additional benefits. According to CMS, the rebate has enabled 83 percent of plans to cover routine eye exams and 67 percent cover eye glasses. In addition, 86 percent cover additional inpatient days in acute care. "Much of the appeal of Medicare Advantage plans is their ability to offer broader benefits than original Medicare at little or no cost to enrollees." (Kaiser Family Foundation, January 2008) In addition, half of Medicare Advantage enrollees are enrolled in a plan that has an out-of-pocket cap on expenses, which traditional Medicare does not have.

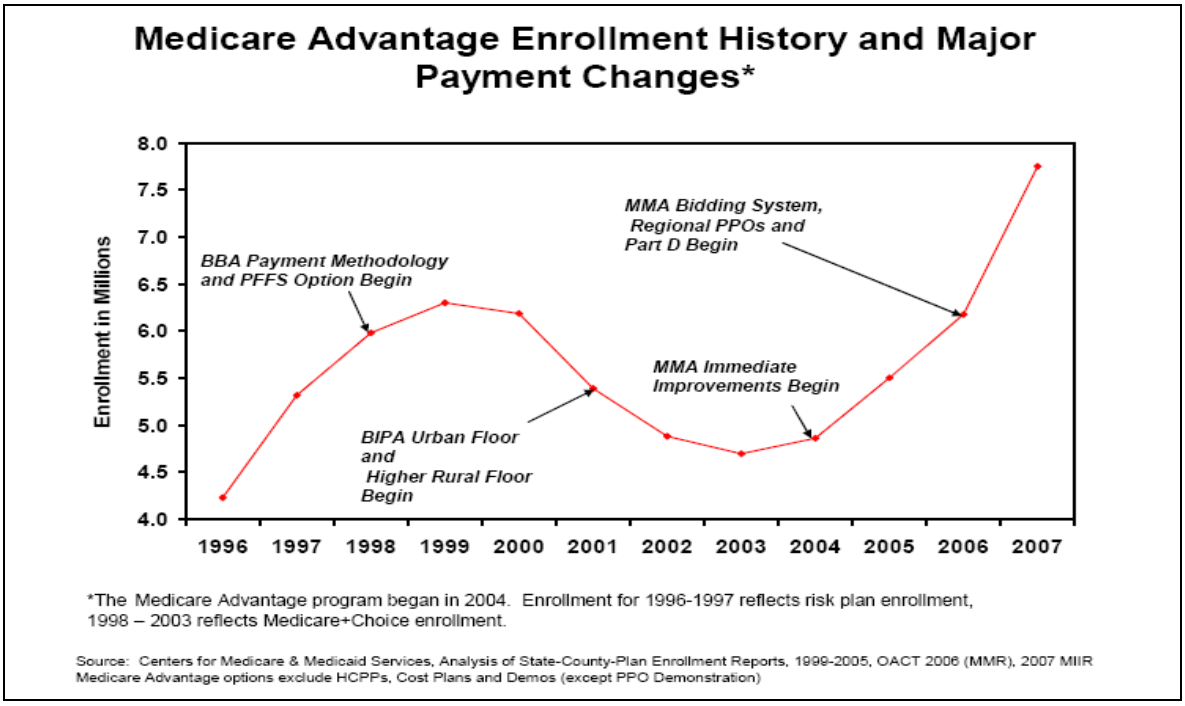
THE FACTS

Although the GAO Report over analyzes the data, it does find that beneficiaries enrolled in Medicare Advantage have 58 percent less cost-sharing than those enrolled in traditional Medicare, resulting in $800 of savings each year. According to results from a survey conducted by the Consumer Assessment of Healthcare Providers and Systems, more than **60 percent of Medicare beneficiaries are satisfied** with their overall health care and Medicare Advantage plan. (CAHPS Survey, December 2007) In addition, Medicare Advantage enrollment has surged to **9 million enrollees**, which is **4.3 million above** the 2004 enrollment level.

Medicare's Response to GAO Report

Kerry Weems, Acting Administrator for the Center for Medicare and Medicaid Services (CMS), testified before the House Ways and Means Subcommittee on Health that, "instead of highlighting the value of additional benefits, and how they vary by plan type, the authors chose to highlight that some MA enrollees are exposed to higher inpatient hospitalization cost sharing." Mr. Weems goes on to say, "This finding was then used to create a general impression that MA plans do not usually reduce all types of out-of-pocket costs for beneficiaries with their rebate dollars. Overall, CMS finds the information in the GAO report confirms that the MA program is working as Congress intended." (Weems Testimony, 2/28/08)

- The Medicare Payment Advisory Commission (MedPAC) has reported that "Beneficiaries will have many more plan options to choose from in 2008 than in the past." They estimate that, on average, 35 plans will be offered per county in 2008, which is an increase of 15 plans per county from 2007. In addition, MedPAC has found beneficiaries have more access to plans with extra benefits in 2008. (MedPAC Report to Congress, March 2008)

- "Overall, compared to fee-for-service Medicare, beneficiaries in Medicare Advantage plans have much lower out-of-pocket costs; they receive significantly more preventive benefits, drug coverage, and services to help them better manage their chronic diseases; they have very high satisfaction rates; and in most cases, their overall care costs are lower." (Mark McClellan Testimony, Former CMS Administrator, 6/28/07)

- "By providing more comprehensive benefits and lower cost-sharing than traditional Medicare, Medicare Advantage plans help racial and ethnic minority populations gain access to health care services that are critical to their long-term health and well-being." (NAACP Letter to Congressional Leaders, 3/14/07)