

Medicare Advantage Employer Retiree Plans

FACT SHEET OCTOBER 2017

Key Facts

Over 3.5 million retirees nationwide, 20% of Medicare Advantage beneficiaries, are in EGWPs. Retiree enrollment continues to grow, nearly 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 in out-of-pocket costs.
- Improved outcomes.

A continued reduction in payment to retiree Medicare Advantage plans will likely cause:

- Higher premiums and out-of-pocket costs for medical services and prescriptions.
- Reduced access to supplemental benefits.
- Reduced investments in innovations.

BMA Policy Recommendations

Better Medicare Alliance supports ensuring the availability of EGWPs by freezing the implementation of the new payment methodology and calculating bid-to-benchmark ratios separately for Health Maintenance Organizations (HMO) and Local Preferred Provider Organizations (PPO) plans. CMS should also engage in greater promotion of EGWPs by targeting informational materials and outreach to entities that represent eligible beneficiaries, private employers, and state and local governments.

Over three and a half million beneficiaries are enrolled in Medicare Advantage Employer-Group Waiver Plans (EGWPs), which are employer-sponsored health plans for retirees that provide health coverage through the Medicare Advantage program.

Retiree Coverage in Medicare Advantage Today

Medicare Advantage employer plans, officially known as Employer-Group Waiver Plans (EGWPs), allow employers, governments, and labor unions to provide comprehensive Medicare Advantage coverage to their retirees. Medicare Advantage employer plans provide Medicare Part A and B benefits, as well as supplemental benefits. Employers typically pay Part B premiums and co-pays to reduce cost sharing for retirees.

EGWPs offer benefits tailored to specific groups of retirees, which are then available wherever the beneficiary may live. Employer-sponsored Medicare Advantage plans successfully enable over 3.5 million retirees nationwide to maintain consistent benefits and contain costs for industries, governments, and beneficiaries.

Potential Future Changes to Retiree Coverage

In 2016, the Centers for Medicare & Medicaid Services (CMS) finalized a proposal to terminate the previous EGWP bid process and replace it with set payment amounts for EGWPs in each county. CMS planned to phase-in the new methodology that would reduce EGWP payments by an estimated 2.5% over two years, beginning in 2017. Given stakeholder concerns, CMS decided to partially freeze implementation of the methodology at the 2017 level for 2018.

What Changes Could Mean for Retirees

Fully phasing-in EGWP payment cuts, as proposed by CMS could result in:

- **Disruption for over 3.5 million retirees who depend on Medicare Advantage EGWP coverage:** In 2017, CMS set EGWP payment rates based on an enrollment-weighted county bid to benchmark ratio calculated using non-employer data. This change was projected to reduce EGWP payments by 2.5%.
- **Reduction in benefits for retirees in Medicare Advantage:** Further payment reductions to EGWPs would likely mean reductions in supplemental benefits such as vision, dental, and hearing, and increases in cost sharing for current and future beneficiaries. It could also lead to reduced access to new innovations, like telehealth and home care for enrollees.
- **Fewer choices for retirees:** Further reductions to EGWPs could cause employers to decide not to offer Medicare Advantage plans to their retirees. Losing access to Medicare Advantage means fewer benefits and less access to the high-quality care Medicare Advantage provides – including early intervention, care coordination, and disease management for individuals with chronic conditions.