

Supplemental Benefits in Medicare Advantage

Fact Sheet September 2019

Key Facts

- Medicare Advantage health plans may provide extra benefits, called supplemental benefits, that are not covered by traditional FFS Medicare.
- Supplemental benefits typically must be directly related to an individual's health care needs and may not solely be used to address non-medical needs.
- There are two types of supplemental benefits: optional, which the enrollee may select and pay an additional premium; and mandatory, which are included as part of the plan and available to all enrollees.
- The most common supplemental benefits are dental, vision, and hearing, with 97% of Medicare Advantage plans offering at least one, and half of all Medicare Advantage plans offering all three in 2019.
- Mandatory supplemental benefits are financed with Medicare Advantage rebate dollars, which are provided to plans based on a portion of the difference between the plan's bid and the county FFS spending benchmark.

Overview of Supplemental Benefits

In Medicare Advantage, health plans may offer benefits not covered by traditional fee-for-service (FFS) Medicare. This flexibility is based on the expectation that plans may be able to provide more benefits for the same government spending due to capitated, full risk payments paid to plans that incentivize early intervention and care management. Supplemental benefits must be used directly for beneficiaries and are required to be directly related to an individual's health care needs. Until recently, they could not be benefits that solely address non-medical needs.¹ The most commonly offered supplemental benefits include coverage for dental, vision and hearing services, as well as wellness or fitness programs, none of which are covered in traditional FFS Medicare.

There are two types of supplemental benefits a Medicare Advantage plan may offer: mandatory or optional. Mandatory supplemental benefits are included in the plan and available to any individual who enrolls in that plan, either at no cost to the enrollee as in zero-premium plans or as part of the plan premium paid by the enrollee. Optional supplemental benefits may be offered and selected by any enrollee who pays an additional premium for that benefit, as beneficiaries do in traditional FFS Medicare.

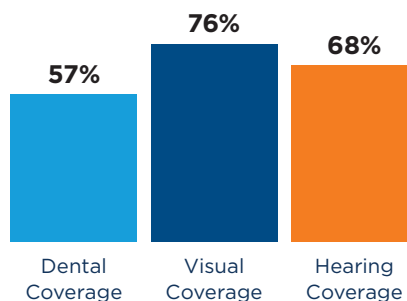
How Supplemental Benefits are Financed

Mandatory supplemental benefits are financed through the use of rebate dollars. Medicare Advantage rebates are calculated as a portion of the difference between the FFS spending benchmark in each county and the plan bid in that county. This ensures that the spending by the government is below 50-75% of the difference between the bid and the spending on a traditional FFS Medicare beneficiary in that county. Higher-quality plans receive a larger percentage of that difference. This funding mechanism creates strong incentives for Medicare Advantage plans to improve quality ratings and keep spending at or below FFS spending rates.

Most Common Supplemental Benefits

The most commonly offered supplemental benefits in Medicare Advantage include coverage for dental, vision and hearing services. Most beneficiaries have access to at least one of these three benefits with a majority having access to all three under the same plan.

Percent of Enrollees by Supplemental Benefits, 2019



¹ Information on the recent changes that allow plans to target non-health related benefits to individuals with certain chronic conditions is described in a separate BMA Fact Sheet.