

# Employer Retiree Medicare Advantage Health Plans

Fact Sheet May 2018

## 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.

## BMA Policy Recommendations

Better Medicare Alliance supports strengthening and growing EGWPs by ensuring the payment methodology captures differences in HMO and PPO EGWP payment, expanding access to EGWPs through network flexibility, and enabling professional associations to access EGWPs. CMS should also engage in greater education and promotion of EGWPs through increased informational materials and outreach.

**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. EGWPs successfully enable employers nationwide to maintain consistent group benefits and stable costs to beneficiaries across the country.

## Changes to Retiree Coverage

In 2016, the Centers for Medicare & Medicaid Services (CMS) decided to terminate the EGWP bidding process and replace it with pre-determined payment rates 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.

In 2017, CMS began phasing in the new methodology by setting payment rates based on 2016 individual Medicare Advantage plan bids weighted by 50% and EGWP bids weighted by 50%. In 2018, given stakeholder concerns about the negative impact of the new methodology, CMS froze implementation at the 2017 levels.

In 2019, CMS will fully transition to using only individual plan bids to calculate bid-to-benchmark ratios to set EGWP payments. CMS will adjust the individual plan bid-to-benchmark ratios to account for the higher proportion of EGWP beneficiaries enrolled in Preferred Provider Organizations (PPOs) than in Health Maintenance Organizations (HMOs). CMS estimates the payment methodology changes will result in an estimated average negative adjustment of 0.1%. In 2020, CMS also plans on seeking comment on an additional adjustment to account for regional PPOs and rural local PPOs.

## 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.