

Enhancing Medicare Advantage: Insights from the Northern Virginia Health Policy Forum

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Applied Policy, a leading authority in health policy and regulation, proudly sponsors the Northern Virginia Health Policy Forum. The Forum brings together key thought leaders, government officials, and industry experts to discuss critical trends in the American healthcare landscape.

On February 28, 2024, the Forum hosted Meredith Freed, Senior Policy Manager at the KFF Program on Medicare Policy, and Gregory Berger, Principal Policy Advisor for Government Relations at Kaiser Permanente. The distinguished panel delved into the expansion of Medicare Advantage programs and their implications for the healthcare system. Jim Scott, President and CEO of Applied Policy, introduced the speakers, emphasizing the independent nature of KFF and Kaiser Permanente.

DRIVING FACTORS BEHIND MEDICARE ADVANTAGE GROWTH

The discussion highlighted the factors propelling the growth of Medicare Advantage plans. Ms. Freed emphasized the appeal of additional benefits like vision and dental coverage alongside cost-saving measures such as out-of-pocket cost limits. The convenience of “one-stop shopping” attracts consumers, while insurers benefit from the market’s profitability. Mr. Berger noted that insurers can lower costs compared to traditional Medicare, using savings for profit and enhanced benefits.

BALANCING COSTS AND BENEFITS IN MEDICARE PROGRAMS

The panelists provided insight into the payment structures of traditional Medicare and Medicare Advantage plans. Government payments to private insurers for Medicare Advantage plans differ from traditional Medicare. The government covers traditional Medicare through a fee-for-service structure, and it pays private insurers administering Medicare Advantage plans a set rate per person per month. These insurers bid against benchmark costs, and plans that bid below the benchmark receive a portion of the difference between the bid and the benchmark as a rebate. Ms. Freed stressed the importance of rebates in reducing costs for beneficiaries, subsidizing premiums, and enhancing benefits. Mr. Berger highlighted the quality incentives in the Medicare Advantage and Part D Star Ratings System, promoting performance excellence incentivized through bonus payments.

ADDRESSING POLICYMAKER CONCERNS

Medicare Advantage plans have recently faced scrutiny about their cost to the government.

The Medicare Payment Advisory Commission (MedPAC) estimated that Medicare will pay 23 percent more for MA beneficiaries than similar beneficiaries enrolled in traditional Medicare in 2024. According to Ms. Freed, MedPAC consistently finds that payments to MA plans are higher and will reach \$88 billion more this year. However, Mr. Berger pointed out the several factors MedPAC did not account for and added that MA plans cover a more generous benefit. He noted that this money is well spent, saying that “the government is spending more but getting more out of its spending for those beneficiaries.”

The discussion extended to policymaker priorities, including prior authorization, marketing tactics, patient experience, and plan competition. The panelists acknowledged concerns over prior authorization’s administrative burden and the need for alignment between providers and insurers. Ms. Freed referenced KFF research showing that 99 percent of MA beneficiaries are in plans that require prior authorization for some items or services. Mr. Berger added that “in a fee-for-service environment, there may not be fully aligned incentives between providers, who are generating revenue by delivering services, and the health insurance plan, who is covering the cost of those services” and the service provided.

Marketing practices are also coming under scrutiny, with CMS tightening its oversight. For example, Medicare Advantage plans cannot use Medicare’s logo in a misleading way in advertising, which Kaiser Permanente supports. According to Mr. Berger, it is in the best interest of Kaiser Permanente and the industry for beneficiaries to understand the product they sign up for.

In addition, the anticipated growth in Medicare Advantage raises questions about the future of Medicare and the Part A Trust Fund’s sustainability. With estimates projecting that MA enrollment will reach 60 percent of eligible beneficiaries by 2030, panelists outlined how the growth trajectory will affect the future of Medicare. Ms. Freed expects the growth of MA plans to increase pressure on the Medicare Part A Trust Fund, which the Board of Medicare Trustees has slated to become insolvent in 2031¹.

Mr. Berger and Ms. Freed do not expect congressional reform until after the presidential election. Both panelists agreed that people are generally satisfied with their coverage, both in traditional Medicare and Medicare Advantage, and they do not expect any major changes in the near future. Mr. Berger advised attendees to review the Alliance for Community Health Plans’ Medicare Advantage for Tomorrow [platform](#), noting its valuable insights to enhance patients’ experiences and foster health plan competition.

This extract was prepared by Applied Policy®.

The entire [Exploring the Growth of Medicare Advantage](#) program can be found on our YouTube page.

¹ <https://www.cms.gov/oact/tr/2023>