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Caveat emptor regarding Medicare Advantage plans

The Commonwealth Fund recently reported that Medicare Advantage Plans are not always a good deal (www.cmwf.org/newroom). To understand why this might be so, it is necessary to have some background as to how Medicare works.

Medicare is insurance which is available to anyone who is 65 years of age, or to some younger disabled beneficiaries. The traditional plan Part A requires no payment of premiums unless the beneficiary, or his or her spouse, did not work 40 or more "quarters" of Medicare covered employment. Part B has a premium (\$98.50 per month in 2007) which is generally deducted from the beneficiary's Social Security check each month.

Although traditional Medicare Part A (which covers hospitalizations and nursing home stays under limited circumstances) has no premium to pay, there is co-insurance required. For instance, a hospital stay of 1-60 days requires an out-of-pocket payment of \$992.00 in 2007. Medicare covered nursing home care costs \$124.00 a day from days 21 to 100. For this reason, Medigap insurance is necessary for those beneficiaries who remain with traditional Medicare, to fill in the "gaps" of coverage. Some people have insurance through a former employer, and some people have the resources to pay premiums for the extra coverage.

Another option for beneficiaries is Medicare Part C, known as Medicare Advantage plans. These plans are HMOs or PPOs for which a premium is paid. The plans are approved by Medicare, but administered by private companies. The premium is often lower than Medigap plans with a Part D prescription drug plan. Most require co-pays, and many require referrals for any doctor visits other than a visit with one's primary physician. Often you are restricted to the use of certain doctors, hospitals, and other medical facilities to obtain covered services. Some plans offer more services than traditional Medicare, such as eye exams, dental exams, and other similar services.

The Commonwealth Fund report of May 19, 2006, indicated that beneficiaries in poor health pay more out-of-pocket in Medicare Advantage Plans than they would have paid if they had chosen traditional Medicare with Medigap coverage. Much of the reason for the discrepancy appears to be related to the beneficiary's inability to adequately compare plans and choose the best option for one's particular situation. Medicare Advantage plans are complicated with an almost infinite variety of benefit packages. The number and choice of benefit packages is confusing for the elderly and disabled. Adding to this are the complications of choosing the best Prescription Drug Plan (Part D). It is no wonder there is little understanding of the benefits and risks of choosing an Advantage Plan.

Many elderly people do not realize that by choosing an Advantage Plan they are giving up many benefits that come with traditional Medicare, such as freedom of choice of health care providers, and stability of their benefit packages, or even stability of the health plans. Many Advantage plans have chosen to withdraw service in certain areas in the past, often with little warning. Nursing home care can be curtailed suddenly due to the need for plan approval for continued care.

Medicare Advantage Plans can be the best, most cost-effective option for some Medicare beneficiaries. However, this is definitely an area where the buyer must be aware and be a savvy consumer.