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AAHP-HIAA Survey Shows Results of 2004 Medicare Advantage Funding: Lower Premiums, Better Benefits, Increased Availability for Beneficiaries

Survey Shows Many Companies Planning to Offer HSAs, Rx Discount Cards, New Medigap Packages

Ignagni: Survey Shows Funding Is "Helping Beneficiaries as Congress Intended"

(Washington, DC) – AAHP-HIAA today released a survey of member companies participating in the Medicare Advantage program showing that the new 2004 funding rates released two weeks ago by CMS will result in more affordable, enhanced coverage for Medicare Advantage beneficiaries.

The survey provides concrete evidence that the Medicare prescription drug bill is having an immediate benefit on coverage for America's Medicare beneficiaries.

"This survey provides clear evidence that millions of beneficiaries will receive better benefits, lower premiums, and expanded choices in 2004 as a result of the Medicare reform legislation," said AAHP-HIAA President and CEO Karen Ignagni. "The funding is helping beneficiaries as Congress intended, and the process of building a strong foundation for expanding choices in Medicare is off to a strong start."

The survey showed that all Medicare Advantage beneficiaries will see immediate improvement in their coverage in 2004, including in the following areas:

- ✓ **Lower premiums:** Plans representing more than 93 percent of Medicare Advantage will use the money to lower monthly premiums, in some cases dramatically. In a typical example, one health plan in New England will decrease its premiums by an average of 23% -- with beneficiaries saving as much as \$67 per month.
- ✓ **Enhanced benefits:** Plans representing more than 60 percent of beneficiaries will use the funding to enhance or increase benefits, including prescription drug coverage, preventive screenings and disease management programs.
- ✓ **Cost sharing:** Plans representing 80 percent of beneficiaries will reduce the cost of co-pays and deductibles.

- ✓ **More choices of doctors and hospitals:** Plans representing more than 75 percent of beneficiaries will use the funding to strengthen and broaden the networks of physicians and hospitals that provide services to seniors.
- ✓ **Increased enrollment:** Medicare Advantage plans representing 81 percent of beneficiaries said they expect enrollment to increase in 2004. After five years of slow growth and declining availability of private Medicare plans, the vast majority of plans are expecting to add – not subtract – beneficiaries in the program. That is a strong sign of confidence in the direction of Medicare reform.
- ✓ **Expanded Markets:** Based on the payment rates that were published a little over two weeks ago, roughly a quarter of Medicare health plans said they expect to further expand the markets in which they will partner with Medicare this year.
- ✓ **New Products:** Thirty-three companies plan to offer Health Savings Accounts, with 30 other companies still considering it. Thirty-seven companies indicated on the survey that they are applying to offer drug discount cards. Thirty-one companies are considering offering new Medigap packages in 2006.

“These early results are promising,” said Ignagni. “However, it is important to understand that this is only the tip of the iceberg. The survey reflects decisions made by private health plans *just two weeks* after the new rates were announced by CMS.

“The effects of years of under-funding for Medicare Advantage will not be reversed overnight. But this is clear evidence that the process of stabilizing – and ultimately enhancing – Medicare choices is well under way. We will continue to work diligently with the Administration and Congress to ensure that Medicare beneficiaries will have access to the full range of affordable coverage options.”

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AAHP-HIAA is the national trade association representing nearly 1,300 member companies providing health insurance coverage to more than 200 million Americans.