

Medicare Advantage enrollees face a bumpy '25

By Kris B. Mamula
Pittsburgh Post-Gazette

Few things go better with health insurance than free stuff — and there's been a lot of that in the past several years — but that may be ending soon.

Athletic sneakers, dental fillings — even pickleball paddles — have been part of the gusher of free things seniors with Medicare Advantage health insurance have enjoyed over the past four years along with a variety of plans that have low or no monthly premiums.

Altoona resident Dan McGrath, 67, did the math in comparing traditional fee for service Medicare and Medicare Advantage when he turned 65 and said there was no contest.

"It's just amazing how inexpensive it was," said Mr. McGrath, a retired accountant whose premium for a Highmark plan is about \$25 a month. "To me it made sense to take the Medicare

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Advantage plan."

But the gravy train may come to a stop in 2025 with carriers pulling out of certain counties and eyeing higher premiums and pared benefits. Even seniors with traditional fee-for-service Medicare coverage are likely to see higher prescription costs and fewer stand-alone prescription drug plans as little guys get squeezed out of the market.

And so, here is consumer Exhibit A in the need to shop around before renewing your Medicare Advantage plan next year. Changes are coming.

Because 38% of Medicare Advantage plan members earn less than \$25,000 a year, lower income people and rural health care providers are likely to feel the sting most from fewer plan choices and thinned-down benefits that are ahead for many plans.

Medicare Advantage plan members won't know the details of the changes until October, but early hints of what's to come are emerging. What's certain is that Medicare Advantage's champagne days end Jan. 1 when new government rules for the plans go into effect.

"Together, these rules will disrupt day-to-day operations in every Medicare Advantage plan, intensify friction with providers over network design, coverage and reimbursement negotia-

who might have to pay more or change plans," health care adviser Paul H. Keckley wrote in his Keckley Report in April.

"So, the transition from Medicare Advantage circa 2024 to Medicare Advantage 2025 will be the most significant since Medicare Choice was introduced in the Balanced Budget Act of 1997."

Highmark and UPMC Health Plan, Western Pennsylvania's biggest health insurers, aren't immune to the federally mandated changes, but each declined to comment about their Medicare Advantage plans. Insurers had until June 3 to submit details of their Medicare Advantage plans to the government for approval, which won't be publicly disclosed to members until October.

What will changes mean?

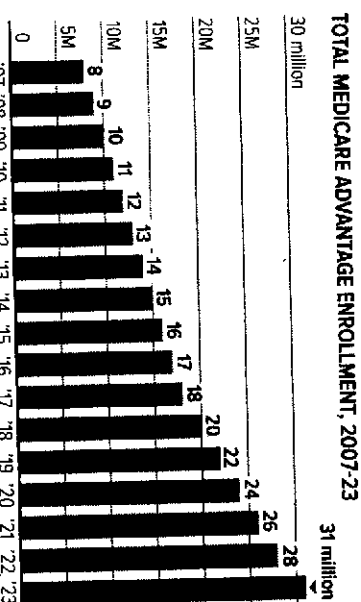
In the meantime, a broad outline of what the changes will mean has been taking shape.

Medical Advantage health plans can increase pricing, change benefits and pick the counties where coverage is sold year to year because they can: Medicare Advantage carriers like Humana Inc. and CVS Health Corp. are for-profit companies paid by the government to provide health care coverage for an increasing number of seniors.

Medicare Advantage plan members usually must seek

Increasing Medicare Advantage enrollment

Over the next 10 years, some 10,000 people will turn 65 every day. They'll face the choice of whether to enroll in a Medicare Advantage plan -- a decision that's become increasingly popular since 2007.



Source: Kaiser Family Foundation

James Hilton/Post-Gazette

care from within a certain network of medical providers and get prior authorization from the insurer for some medical tests. Traditional Medicare usually doesn't have those restrictions.

But Medicare Advantage plans come with freebies such as fitness center memberships, which has helped sway some 535,000 seniors in Western Pennsylvania's 29-county area to enroll, including 160,000 in Allegheny County, where a whopping 68% of eligible people are signed up, according to MetLife. That compares to 51% of seniors who are enrolled in Medicare Advantage plans nationwide.

Medicare Advantage plans have also been an economic engine for insurers:

scription drugs. This is great news for consumers; health insurers, not so much.

Medicare is reducing the subsidy for brand name, biologic and bio-similar drugs to 20% from 80% after seniors reach the catastrophic cost threshold.

Prescription drug spending over the catastrophic cost threshold accounted for \$52 billion in 2021, or nearly half of the government's total spend for the Medicare Part D prescription benefit, up from \$6 billion or 14% of spending in 2006, according to Kaiser Family Foundation, a San Francisco-based nonprofit.

To make up for losses, Medicare Advantage insurers likely will reduce the number of counties where their products are sold or shrink benefits, experts say. Smaller Part D prescription drug plans that are not part of bigger Medicare Advantage plans, may simply fold. And seniors with traditional fee-for-service coverage and a supplemental prescription plan won't be spared higher costs because the changes in Medicare subsidized drug coverage are mandated by federal legislation that goes into effect in 2025.

Seniors with prescription supplement insurance have enjoyed premiums as low as 50 cents a month, said Jocelyn Wolf, co-owner of Evolve Insurance Group LLC in Altoona, an insurance broker that specializes in coverage for seniors. In January,

those premiums could go up to as much as \$60 per month.

"We've been spoiled in Pennsylvania," Ms. Wolf said. "This is unchartered territory."

Overall, she anticipates higher premiums for Medicare Advantage plans with less robust benefits in 2025.

For insurers, she said, "it comes down to how do you shift the expense?"

In a call with investors in April, Humana CEO Bruce Broussard said the Medicare Advantage rates for 2025 were "not sufficient to address the current medical cost trend," while CFO Susan Dlanmond said the Louisville, Kentucky-based insurer anticipated membership to decline next year as the company pulls out of certain markets to cut costs.

Aetna joins Highmark and UPMC as the big three Medicare Advantage insurers in the region and here's what CVS Health CFO Thomas Cowhey had to say about Aetna's managed-care plans at a conference in May.

During the first three months of the year, CVS subsidiary Aetna reported an unexpected loss of \$900 million, mostly due to higher utilization by Medicare Advantage plan members.

"The goal for next year is margin over membership," Mr. Cowhey said. "But could we lose up to 10% of our existing Medicare members next year? That's entirely possible. And that's okay because we need to get this business back on track."

'We've been spoiled in Pennsylvania'

Pressuring Medicare Advantage insurers in 2025 will be higher use of the medical benefits by seniors — already underway — and a cut to base payments and program restructuring that will cap consumer spending at \$2,000 from \$7,050 a year for pre-

scription drugs. This is great news for consumers; health insurers, not so much. Medicare is reducing the subsidy for brand name, biologic and bio-similar drugs to 20% from 80% after seniors reach the catastrophic cost threshold. Prescription drug spending over the catastrophic cost threshold accounted for \$52 billion in 2021, or nearly half of the government's total spend for the Medicare Part D prescription benefit, up from \$6 billion or 14% of spending in 2006, according to Kaiser Family Foundation, a San Francisco-based nonprofit. To make up for losses, Medicare Advantage insurers likely will reduce the number of counties where their products are sold or shrink benefits, experts say. Smaller Part D prescription drug plans that are not part of bigger Medicare Advantage plans, may simply fold. And seniors with traditional fee-for-service coverage and a supplemental prescription plan won't be spared higher costs because the changes in Medicare subsidized drug coverage are mandated by federal legislation that goes into effect in 2025. Seniors with prescription supplement insurance have enjoyed premiums as low as 50 cents a month, said Jocelyn Wolf, co-owner of Evolve Insurance Group LLC in Altoona, an insurance broker that specializes in coverage for seniors. In January, those premiums could go up to as much as \$60 per month. "We've been spoiled in Pennsylvania," Ms. Wolf said. "This is unchartered territory." Overall, she anticipates higher premiums for Medicare Advantage plans with less robust benefits in 2025. For insurers, she said, "it comes down to how do you shift the expense?" In a call with investors in April, Humana CEO Bruce Broussard said the Medicare Advantage rates for 2025 were "not sufficient to address the current medical cost trend," while CFO Susan Dlanmond said the Louisville, Kentucky-based insurer anticipated membership to decline next year as the company pulls out of certain markets to cut costs. Aetna joins Highmark and UPMC as the big three Medicare Advantage insurers in the region and here's what CVS Health CFO Thomas Cowhey had to say about Aetna's managed-care plans at a conference in May. During the first three months of the year, CVS subsidiary Aetna reported an unexpected loss of \$900 million, mostly due to higher utilization by Medicare Advantage plan members. "The goal for next year is margin over membership," Mr. Cowhey said. "But could we lose up to 10% of our existing Medicare members next year? That's entirely possible. And that's okay because we need to get this business back on track."