Medicare Disadvantage & the Medigap Trap

Dispatcher: 911, what's your emergency?

Caller: America's healthcare system is broken and people are dying! (ambulance siren)

Welcome to **Code WACK!**, where we shine a light on America's callous healthcare system, how it hurts us and what we can do about it. I'm your host, **Brenda Gazzar**.

This time on Code WACK! What pitfalls does Medicare Advantage pose and what is the Medigap Trap that many people are unwittingly falling into? To find out, we spoke to **Diane Archer,** founder and president of **Just Care USA,** an independent digital media hub covering health and financial issues facing boomers and their families. Ms. Archer is the past chair of the Board of Consumer Reports, currently serves as a senior advisor at Social Security Works and is a member of the board of the Center for Health and Democracy. Welcome to Code WACK! Diane.

(00:51):

Archer: Thank you for having me. Brenda,

(00:52):

Q: Tell us about your volunteer initiative, Just Care USA. What is it and what inspired you to launch it?

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Archer: So Just Care USA is a digital hub for people who are looking to understand healthcare policy, particularly boomers and their families who are trying to navigate Medicare and understand their choices and what will be covered and what they'll have

to pay for out of pocket in retirement. And I started it because I had founded an organization called the Medicare Rights Center back in 1989 that helped people navigate Medicare. We had a hotline and did a lot of educational and policy work and it became crystal clear that there was this huge disconnect between what Medicare is supposed to do and what it does in fact and people tend to not fully appreciate Medicare strengths and what it can do for them and also its limitations. So the goal with Just Care USA is to help people understand that.

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Q: ***Great. And what would you tell people who may not know what Medicare is?***

(01:57):

Archer: The first thing you need to understand is the difference between traditional Medicare, which has been around since 1965, and Medicare Advantage, which has only been around in the last 20 years. So traditional Medicare is government administered. It's incredibly efficient. You can see pretty much any doctor, use almost any hospital in the country and the government will cover your care if it's reasonable and necessary and generally if a doctor or hospital provides it, it's assumed to be reasonable and necessary. If you're in a Medicare Advantage plan, the government gives the insurance company offering the Medicare Advantage plan a chunk of money to pay for the care it covers so the incentive there is for the Medicare Advantage plan to keep as much of that money as possible and withhold care. So people who opt for Medicare Advantage tend to have restricted access to doctors and hospitals and tend to have to go through hoops like prior authorization in order to get the care they need. The big difference is corporate governance versus public government governance.

(03:07):

Q: Got it. Such an important distinction. It's Medicare annual open enrollment, and you've written about your concerns on Medicare Advantage plans. Did you have a particular experience that caused you to become concerned about them?

(03:22):

Archer: Oh, too many experiences. Brenda <laugh>. I have worked with probably thousands of older adults and people with disabilities across the country, and I hear over and over and over again from those who have developed a costly condition, primarily people who need costly healthcare services. They've fallen, been in an accident, they've been diagnosed with a condition like cancer, and they need care and their doctors tell them what they need and their insurers tell them no or delay their care or force them to go through hoops and get less costly care before getting the care

their doctors say they need and that they want. So many, many people are quite happy with their Medicare Advantage plan so long as they're healthy because they can get free gym memberships or a discount on their eyeglasses and that's all well and good, but as soon as they get sick is when the problems arise.

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So there's tons of data out there now showing that people at the end of life, people with costly conditions, people who desperately need health care are finding that they can't get what they need from their Medicare Advantage plans and to the extent they can, they disenroll and switch to traditional Medicare. But there's a problem. The problem is that as a general rule in almost every state but four, if you want to switch to traditional Medicare, once you've been in Medicare Advantage for more than 12 months, you have no right to buy supplemental coverage.

Now let me explain. In traditional Medicare, you get that coverage from the doctors you want to see when you want to see them. Pretty great. There's an issue though. You need supplemental insurance to fill gaps in traditional Medicare and that costs about $2,500 a year. You don't have a right to that insurance except when you first enroll in Medicare at 65 and so if you join a Medicare Advantage plan and stay more than 12 months, then you no longer have that right to buy Medicare supplemental coverage except in New York, Connecticut, Massachusetts, and Maine. So that means that you're locked into your Medicare Advantage plan at a time when you want access to specialists who are not perhaps in the network that your Medicare Advantage plan covers.

(06:14):

Q: So you're saying that you're locked in because if you were to get traditional Medicare without the supplemental coverage, it would be too costly?

(06:22):

Archer: Excellent point. Yes, exactly right. If you are in traditional Medicare without supplemental coverage, there's no out-of-pocket limit. So you could be spending tens of thousands of dollars out of pocket. But an important point you raise - because in Medicare Advantage, although there is an out of pocket limit, it can be as high as $7,550 a year and that's for in-network care alone. So if you go out of network, you're usually paying completely out of pocket unless you're in what's called a PPO, a preferred provider organization. But even there, the Medicare Advantage plan only covers 60% of your costs. So you're out of pocket costs are sky high. So you do need supplemental coverage in traditional Medicare to protect yourself, but it costs about

$2,500 a year as compared to what could easily be $5,000, $7,500 out of pocket for in-network care alone in Medicare Advantage.

(07:24):

Q: I'm curious if you know anyone that that's happened to, where they had Medicare Advantage, wanted to switch and then didn't have access to a Medigap policy?

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Archer: Oh, it happens all the time that people don't have access to Medigap policies. They're turned away because their health is not good as a general rule and for whatever reason, Congress has not required these supplemental insurers to cover people who don't initially elect to buy supplemental insurance at 65.

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Q: Wow. It seems like no-brainer legislation that can be proposed in states and at the national level. Is that happening?

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Archer: You know, so no-brainer. In fact, just to put a big point on this, people with disabilities don't ever have the right while they're under 65 to buy Medicare supplemental coverage and that has been the case for as long as people with disabilities have been enrolled in Medicare, which is back in 1973, and Congress has never chosen to fix that issue. So sometimes you are stunned by the fact that Congress doesn't even address some of the low-hanging fruit that could be easily fixed. It's really concerning.

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Q: It is concerning. Thank you Diane for explaining that to us and pointing out that huge pitfall in Medicare Advantage. In a recent article, you noted five things to keep in mind about Medicare Advantage plans. One of those things is possible fraud. What can you tell us about that?

(08:59):

Archer: So what's really concerning here is that the government is contracting with a large number of corporate health insurers to deliver Medicare Advantage who have long histories of fraud against the government, and that includes consumer related fraud and for whatever reason, it doesn't seem as if the centers for Medicare and

Medicaid services, which oversees Medicare, thinks it's appropriate to perhaps cancel contracts with these companies, or at the very least, spend a good amount of resources overseeing them to ensure that they are complying with their obligations as contractors who who are supposed to be delivering Medicare benefits to people. So we have a serious issue here because what the office of the Inspector General at the (U.S.) Department of Health and Human Services has found is that there is widespread and persistent inappropriate delays and denials of care and coverage in Medicare Advantage, and yet the administration has not perhaps identified all of the bad actors.

(10:17):

And to the extent it has identified even some of the bad actors, it has chosen not to share the information with either people with Medicare or even the general public. So people don't know which plans to avoid. In fact, what makes it even worse and is further confounding really, is that the government sometimes gives these Medicare Advantage plans four and five star ratings so people choose these plans because they think, well, it has four stars or five stars – it has to be good – when in fact there's no relationship between the number of stars a Medicare Advantage plan has and its rate of inappropriate delays and denials of care and coverage.

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Q: That's interesting. And what is the rating system called?

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Archer: It's called the Medicare Star Rating System.

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Q: And how long have they been rating the Medicare Advantage plans?

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Archer: They've been rating them for quite a while, more than a decade and the Medicare Payment Advisory Committee, which oversees Medicare Advantage, has said for years that these stars are not ... well done and that they need to be thought through. But the government, the Administration continues to use this star-rating system.

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Q: Thank you. Another thing you wanted people to keep in mind about Medicare Advantage plans is how they cover people with chronic, complex illnesses like cancer. Please tell us about that.

(11:52):

Archer: Yeah, so let's go back to the way that these plans are paid because I think this is at the core of the problem. The government pays Medicare Advantage plans a fee per enrollee, a fixed fee regardless of the amount of money the plan spends on a particular enrollee. So with Medicare, well, with health insurance generally, we have that 80/20 rule where 80% of people use very few services and 20% use a lot. In fact, with Medicare, I think it's 10% of the Medicare population is responsible for 70% of Medicare spending, right? And then 50% of the Medicare population spends less than 5% of Medicare spending. So what the Medicare Advantage plans are paid, however, is $11,000 on average per person. So they're looking to attract as many of those low spenders as possible because those low spenders spend, I think an average under a thousand dollars.

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So they're making about $10,000 on each of them, and to avoid people with costly conditions because they cost way more than $11,000 and while Medicare does adjust their rates up a bit for those people, not nearly to the extent that those people would cost the Medicare Advantage plans.

If you and I, Brenda, were to open the best Medicare Advantage plan in America, one that was there for people with cancer and heart disease and other costly conditions, and had contracts with centers of excellence and top specialists, we'd be out of business before we opened our doors, even though we were good guys because we would never be paid enough to cover the cost of a disproportionately high number of people with costly conditions and if we were out there marketing to people with costly conditions, they would all be flocking to us. What happens, in fact, with Medicare Advantage is they market to people who are healthy.

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And the way they do that is they don't talk about the cancer care they offer. They often don't have centers of excellence in their networks, and they're less likely to have top specialists in their network. In addition, in Medicare Advantage, if you do have cancer or stroke and you need care, you often need to go through hoops, prior authorizations before that care will be approved and that can involve a very long delay and that can jeopardize your health and wellbeing.

And that's again why lots of people who are sick want to disenroll and move back to traditional Medicare because they're the ones hard pressed to get the care they need and that's why people who are healthy, who don't need a lot of healthcare services, but get low cost eyeglasses and a gym membership can be happy. And finally, this explains why you do see high satisfaction ratings with Medicare Advantage, because most people don't use a whole lot of healthcare services. But what you really want to know is how satisfied are the people with cancer and heart disease and stroke, and that information, again, is not available.

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So here I like to explain to people that there is absolutely no way to choose a Medicare Advantage plan that you know will meet your needs and that's a big problem. You don't know when you're going to get sick. You should be choosing a health plan not only for today, but for tomorrow when you do get sick, because health insurance needs to be there to protect you when you do get sick. But even if you are sick or you are looking to choose a plan that will protect you when you do develop a serious condition, there's no way to know which one will protect you and which one will inappropriately deny you access to the care you need.

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So it seems like a big gamble to choose any Medicare Advantage plan?

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Archer: I think it's a big gamble and the other big issue is that even if you know your doctor is in the network and your specialist in the network and you're pretty happy what's there today could be gone tomorrow, the doctors come and go, the hospitals come and go. There are very few constants. So you can't count on a whole lot being there in the future for you. Whereas with traditional Medicare, I should add, you do need to do your own shopping, right? Every hospital isn't alike, every doctor isn't alike. But once you've chosen your doctor in your hospital, you can go use them and they're going to give you the care you need. And traditional Medicare is going to cover that. You're not going to have to go through prior authorization hoops or worry about access to top quality doctors and hospitals.

(16:32):

Thank you, Diane Archer.

Do you have a personal story you'd like to share about our 'wack' healthcare system? Contact us through our website at heal-ca.org.

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