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RETIRING

Medicare's Private Option Is Gaining Popularity, and Critics

As more Americans sign up for Medicare Advantage, detractors worry that it's helping private insurers more than patients.

By Mark Miller

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When Ed Stein signed up for Medicare eight years ago, the insurance choice seemed like a no-brainer.

Mr. Stein, a Denver retiree, could choose original, fee-for-service Medicare or its private managed-care alternative, Medicare Advantage. He was a healthy and active 65-year-old, and he picked Advantage for its extra benefits.

"The price was the same, I liked the access to gyms, and the drug plan was very good," he recalled. After a pause, he added: "Never in my wildest dreams did I think I'd be facing a crisis like the one I'm having now."

In November, at age 72, Mr. Stein received a diagnosis of aggressive bladder cancer that would require chemotherapy and a complex surgical procedure. The doctor who he determined was the best local specialist for his condition was not in his network, so Mr. Stein decided to switch to original Medicare for 2020—a move that would allow him to see nearly any health care provider he chose.

That was when he ran up against one of the least understood implications of selecting Advantage when you enroll in Medicare: The decision is effectively irrevocable.

Most enrollees in traditional Medicare buy supplemental coverage to protect them from potentially high out-of-pocket costs. In 2016, out-of-pocket spending in the program averaged $3,166, excluding premiums, according to the Kaiser Family Foundation.

Supplemental coverage sometimes comes from a former employer, a union or Medicaid, although many people buy a commercial Medigap plan. But the best, and sometimes only, time to buy a Medigap policy is when you first join Medicare.

During the six months after you sign up for Part B (outpatient services), Medigap plans cannot reject you, or charge a higher premium, because of pre-existing conditions. After that time, you can be rejected or charged more, unless you live in one of four states (Connecticut, Massachusetts, Maine and New York) that provide some level of guarantee to enroll at a later time with pre-existing condition protection.

Mr. Stein's cancer diagnosis made the switch to original Medicare virtually impossible. "We were just shocked to learn that," he recalled.

His coverage problems led to a frenzied scramble in November that ultimately involved treatment at four hospitals — and a last-minute switch to a different Advantage network that includes his preferred physician.

The problems have taken their toll. "When you're in the middle of a health crisis, the last thing you need is to be negotiating with health providers and insurance," said Mr. Stein's wife, Lisa Hartman. "We spent as many hours talking with all these people about squaring away our insurance as we did actually getting treatment."

Medicare Advantage is growing quickly — enrollment is expected to jump to 47 percent of all Medicare beneficiaries in 2029 from 34 percent this year, according to a Kaiser analysis of Congressional Budget Office projections.

Some of the growth stems from heavy investment by health insurance companies in geographic expansion and marketing. The industry points to high rates of consumer satisfaction with Advantage, noting extra services offered by many plans, such as health clubs, dental, vision and hearing care.

"Advantage plans are partnering with hospitals, doctors and other care providers to improve outcomes for patients, deliver care more efficiently and add more value compared with the fee-for-service model," says Greg Berger, vice president of Medicare policy at America's Health Insurance Plans, the national association of health insurance companies.

The rise of Advantage has also been aided by changes in federal law and regulation in recent years. And under the Trump administration, critics say, Medicare's administrators have been tipping the scales improperly in favor of Advantage.

The growth has occurred without much public policy debate about the effects of large-scale privatization on patient health, and on the costs to both the government and enrollees. As "Medicare for all" is debated in the 2020 presidential race, most voters perceive that these proposals are calling for a government alternative to commercial health insurance — yet the current Medicare program is shifting toward greater privatization, not less.

"When we talk about Medicare for all or public options," said Tricia Neuman, director of the Medicare policy program at the Kaiser Family Foundation, "people may not realize that we already have a Medicare program that is coming to be dominated by some very large private insurance companies."

More benefits, more flexibility

Legislation and regulatory changes in recent years have favored Advantage by permitting new supplemental benefits and more favorable enrollment rules.

Since the Affordable Care Act was passed in 2010, the government's per-patient reimbursement rates for Advantage plans have been roughly equal to those in the original program. But Advantage plans can qualify for bonus payments under a quality rating system that many experts say uses flawed methods. MedPAC, an independent agency that advises Congress on Medicare, has recommended replacing the system.

Moreover, an investigation by the Department of Health and Human Services' Office of Inspector General found that Advantage plans were receiving extra payments from Medicare by adding medical conditions such as diabetes and cancer to patient records that may not have been justified. An estimated $2.7 billion in additional payments in 2017 were not linked to a specific service or a face-to-face visit with a patient, the report found.

The report did not conclude specifically that insurers were fraudulently overbilling Medicare, and the problem may be linked to record keeping.

Advantage plans have had more flexible enrollment rules than original Medicare since 2019. People who sign up for Advantage during regular fall enrollment can also take advantage of an additional enrollment period, during the first three months of each year, when they can switch or drop out of Advantage plans.

"It gives people in Advantage plans more flexibility to make changes in their coverage," said David Lipschutz, an associate director at the Center for Medicare Advocacy. "People enrolled in traditional Medicare with a stand-alone prescription drug plan don't have that flexibility."

The government has taken other steps that favor Advantage. Since 2011, all plans have been required to cap out-of-pocket expenses at $6,700, but most H.M.O. or P.P.O. plans have a somewhat lower ceiling — last year, it was $5,059 for in-network services, according to Kaiser. Yet there is no built-in cap on out-of-pocket costs in original Medicare; the only way to get that is to obtain supplemental coverage.

Another example of what critics see as an uneven playing field for Advantage plans are the extra, albeit limited, benefits.

"We want to see equity and parity between original Medicare and Medicare Advantage plans," said Frederic Riccardi, president of the Medicare Rights Center, a nonprofit advocacy group that provides counseling to Medicare enrollees.

Does Advantage have a leg up?

Under President Trump, some critics contend, the Centers for Medicare and Medicaid Services, which administers Medicare, has become a cheerleader for Advantage plans at the expense of original Medicare.

Advocates and some lawmakers have complained about bias in educational and outreach materials on enrollment, and in public statements about Advantage by the agency's administrator, Seema Verma.

One flare-up was provoked by a draft release of the 2019 Medicare & You handbook, an important annual guide mailed to all enrollees and made available online. Advocates and some lawmakers criticized language describing Advantage as a less expensive alternative to original Medicare. But despite the data on patients' average spending, no figures are available on their specific out-of-pocket costs.

"We know absolutely nothing about what people actually pay for services," Dr. Neuman of Kaiser said. "If someone is really sick and uses a lot of covered services, they could pay less with traditional Medicare coupled with a Medigap policy than they would in a Medicare Advantage plan, even after taking into account Medigap premiums."

The handbook's language was revised before its final release, but communications from the Centers for Medicare and Medicaid Services during last fall's Medicare enrollment period do appear to promote Advantage plans.

An email to enrollees, for example, urged them to investigate "more details on Medicare Advantage plans so you can quickly compare covered benefits," with no mention of original Medicare. And a video promoted "new extra benefits," a reference to a new range of nonmedical supplemental benefits that are just starting to roll out in the Advantage program and are not yet widely available.

"There does seem to be a strong philosophical preference for private insurance over public programs in this administration," Dr. Neuman said.

If the Centers for Medicare and Medicaid Services is tipping the scales, it would be a violation of federal law, Mr. Lipschutz argued.

"C.M.S. is part of the U.S. Department of Health and Human Services, which is required under the statutes governing Medicare to 'promote an active, informed selection' among Medicare's plan coverage options," he said. "A great deal of their communication material doesn't meet that standard."

The agency declined a request for an interview. But a spokesman replied that its enrollment communication efforts included a "robust and multifaceted outreach campaign that encourages consumers to review their Medicare coverage, compare alternatives and make an informed decision about options for the incoming year."

How is Americans' health affected?

Which type of coverage produces better health outcomes? The evidence is mixed.

"We've seen a number of studies that look at the available measures and try to give some indication of how Advantage is performing compared with traditional Medicare," Dr. Neuman said. "It does better on some indicators, and on some others, traditional Medicare does better."

Defenders of Advantage programs point to studies that conclude they are outperforming original Medicare in areas like preventive care, hospital readmission rates, admissions to nursing homes and mortality rates. And they note that the managed care approach is a key part of the program's success.

But critics point to high levels of denial of care. Federal investigators reported in 2018 that Advantage plans had a pattern of inappropriately denying patient claims. The Office of Inspector General at the Department of Health and Human Services found "widespread and persistent problems related to denials of care and payment in Medicare Advantage" plans.

Serious illness is a common motive for leaving an Advantage plan, according to many Medicare advocates and counseling services. After his diagnosis, Mr. Stein, a retired editorial cartoonist for the now-defunct Rocky Mountain News, contacted his Advantage plan to confirm that all of the doctors he wanted to see were in his network — and was told that they were. But after surgery and the ensuing hospital stay, he found himself enmeshed in a series of conflicting messages about whether the treatment was covered.

Confusion about network providers is widespread. In a review of provider directories completed in 2018, the Centers for Medicare and Medicaid Services found that 49 percent contained at least one inaccuracy. Errors included incorrect locations and phone numbers, and whether a provider was accepting new patients.

Mr. Stein's coverage is still in dispute, and there is no guarantee that his new plan will include his oncologist indefinitely. Advantage plans can drop providers at any time, and they do.

"We think of ourselves as sophisticated consumers, but when it comes to health care, it is almost impossible to figure it out," Mr. Stein said.