



CALIFORNIA HEALTH ADVOCATES

Medicare Advantage (Part C): An Overview

Medicare Advantage is also known as Medicare Part C. A Medicare Advantage (MA) plan is an alternative to Original fee-for-service Medicare. Joining an MA plan is optional. Medicare sponsors MA plans as part of the Medicare program and pays private insurance companies to provide health services to beneficiaries who have enrolled in these plans.

To join an MA plan, you must be enrolled in both Medicare Part A and Part B and must continue to pay the Part B premium. If you join an MA plan, you receive Medicare-covered benefits through your plan. You are still on Medicare and still retain the full rights and protections entitled to all Medicare beneficiaries.

Most Medicare Advantage plans have extra benefits and/or charge lower copayments than Original Medicare. But some MA plans charge the same or more than Original Medicare for certain services.

Some MA plans offer Medicare prescription drug coverage (known as “MA-PD” plans), but other plans do not (known as “MA-only” plans). If you join an MA-PD plan, you do not need to join a separate Medicare Part D plan. (For more information, see our fact sheet “Medicare Part D: An Overview.”) If you join an MA-only plan, you may or may not join a separate Medicare Part D plan depending on the type of MA plan you join.

There are 5 types of Medicare Advantage plans:

1. Medicare Health Maintenance Organizations (HMOs)
2. Medicare Preferred Provider Organizations (PPOs)
3. Medicare Private Fee-for-Service plans (PFFS)
4. Medicare Special Needs Plans (SNPs)
5. Medicare Medical Savings Accounts (MSAs)

Medicare Advantage HMOs

If you enroll in a Medicare Advantage HMO (*Health Maintenance Organization*), you are required to use doctors and facilities in the network, that is, those who have a contract with that particular HMO. You are asked to choose a primary care doctor who manages your health care needs. To see a specialist in your HMO network (except for an OB-GYN), you must generally get a referral from your primary care doctor. This requirement is waived in such cases as emergency care, out-of-the area urgent care, or with a pre-approved referral to a doctor outside the HMO network.

If you want to see a doctor outside the plan, and you do not have a pre-approved referral, you cannot use your MA HMO plan card or your Medicare card to pay for those services. You have to pay for the costs of your care.

Some HMOs offer a Point-of-Service (POS) option, which allows an enrollee to see doctors outside the HMO’s network. Usually, however, HMOs charge for this option and may limit when you can use it.

As mentioned, some HMOs offer Medicare prescription drug coverage and others do not. If you are in an HMO plan that does not offer prescription drug coverage, you cannot join a separate Medicare Part D plan. In other words, if you want to be in an HMO and you want prescription drug coverage, you must join an HMO with the Medicare prescription drug benefit.

HMOs are the most popular type of MA plan in California, but they are not available in every part of the state. California’s *HMO Guide for Seniors*, produced by the University of California, Berkeley and the state’s Office of the Patient Advocate is a resource to learn about how managed care plans work, and help you understand your rights so you can get the most out of your plan. You can obtain a free copy at

http://www.opa.ca.gov/about/consumer_information/HMO_Guide_Seniors.aspx.

Medicare Advantage PPOs

Medicare Advantage PPOs (*Preferred Provider Organizations*), like MA HMOs, have networks of providers. Unlike MA HMOs, however, PPO members may see providers outside the network (also referred to as “out-of-network” or “non-preferred” providers). If you see providers outside the network, you pay a higher copayment than if you see in-network providers. Thus, if you go to “out-of-network” providers, the plan still covers you but at a lower rate, i.e. your copayment is higher. In a PPO, you do not generally need a referral to see a specialist or any out-of-network provider.

In 2010, 3 regional PPO plans are available statewide in California. Two of the 3 PPO plans offer Medicare prescription drug coverage; one does not. If you are in the PPO without prescription drug benefit, you cannot join a separate Medicare Part D plan.

All 3 PPO plans have a deductible that must be met before plan benefits start. The deductible, however, does not apply to certain benefits, such as doctor visits and preventive services. *Example:* For a doctor’s visit, you pay the copayment instead of the full charge even if you have not met the deductible.

All 3 PPO plans also have an annual out-of-pocket maximum. The maximum limits an enrollee’s out-of-pocket spending. Therefore, if an enrollee’s spending exceeds the maximum limit, the plan will then pay 100% of all covered-services for the remainder of that year.

Medicare Advantage PFFS Plans

Medicare Advantage PFFS (*Private Fee-for-Service*) plans allow you to go to any doctor or hospital *that accepts the terms of your plan’s payment*. Before enrolling in an MA PFFS plan, make sure that your doctors and other health care providers accept the plan’s terms and conditions for payment. If you are enrolled in an MA PFFS plan, present your plan card to the provider’s office before you receive a service. Your providers must agree to bill the MA PFFS

plan, not Medicare, for their services. Providers cannot provide you service if they do not agree to the plan’s payment terms and conditions. The MA PFFS plan (not Medicare) decides how much it pays providers and how much your cost-sharing is for the services you receive.

There are multiple MA PFFS plans in every county in 2010. Some plans offer Medicare prescription drug coverage, while others do not. If you join an MA PFFS plan that does not offer prescription drug coverage, you may join a separate Medicare Part D plan.

Medicare Advantage SNPs

Medicare Advantage SNPs (*Special Needs Plans*) are designed for certain populations. There are 3 types of SNPs: for people in certain institutions (like a nursing home) or who still live at home but need the same care as someone living in a nursing home; for people who are eligible for both Medicare and free Medi-Cal (“dual eligibles”); and for people with certain chronic or disabling conditions.

The goal of these plans is to provide coordinated health care and services to those who can benefit the most from the special expertise of the plans’ providers and focused care management. All SNPs must provide Medicare prescription drug coverage; beneficiaries in an SNP do not need to join a separate Medicare Part D plan. Most of these plans offer extra benefits and lower copayments than in Original Medicare. These plans are available in some, but not all, areas of California.

Medicare Advantage MSAs

Medicare Advantage MSAs (*Medical Savings Accounts*) were available for the first time in California in 2007. No MSAs are offered in California in 2010. MSAs have 2 parts: 1) a high deductible health plan that covers Medicare Parts A and B services once the high deductible is met; and 2) a medical savings account – an independent bank account into which Medicare makes a deposit, which can be used to pay for health care services (including meeting the health plan deductible). The amount Medicare deposits is less than the deductible.

An enrollee may use the money deposited in the account however he or she wishes. If he/she uses the money for a “qualified medical expense,” as defined by the IRS, the money is not taxed. If the money is used for non-medical expenses, the enrollee would have to pay a tax and a penalty.

MSAs cannot offer Medicare prescription drug coverage, so MSA enrollees may enroll in a separate Medicare Part D plan.

Costs and Benefits

Medicare Advantage plans contract with Medicare on an annual basis. Medicare pays a plan a fixed monthly amount for each Medicare beneficiary who enrolls. This amount is readjusted each year based on a formula created by Medicare and it varies from county to county. In turn, the plan must provide, at a minimum, all benefits in Medicare Parts A and B. It may also choose to provide additional services not covered by Medicare, such as hearing, dental, and eye exams. These additional services can vary by specific geographic areas.

Based on the monthly amount it receives from Medicare, the plan takes the financial risk of providing all medically necessary services regardless of how many people use their services, how often services are provided, or how costly the services are.

Note: Medicare Advantage plans have yearly contracts with Medicare. MA plans may terminate at the end of the year or renew the following year. If a plan renews, it may change the costs and benefits. Enrollees in MA plans should review their plan’s costs and benefits every year. If you decide to change plans or return to Original Medicare, you may do so during the Annual Election Period, which is discussed below. See our fact sheet “When Medicare Advantage Plans Terminate Coverage” for more information.

Enrollment

You may enroll in an MA plan so long as you have Medicare Parts A and B. *MA plans do not require health screening, and you cannot be denied enrollment in an MA plan due to a pre-existing condition, with the exception of having end stage renal disease (ESRD).* If you have

been diagnosed with ESRD, also known as kidney failure, you are not eligible to enroll in an MA plan (in most cases). But if you develop ESRD while already enrolled in an MA plan, the plan cannot disenroll you. See our fact sheet “Medicare and People with End Stage Renal Disease.”

If you want to join an MA plan, you must reside in the plan’s service area and enroll during an applicable enrollment period. Since 2006, Medicare beneficiaries are allowed to enroll into MA plans only during the following periods:

1. Initial Coverage Election Period (for people newly eligible for Medicare)
2. Annual Election Period (from November 15th through December 31st each year)
3. Open Enrollment Period (from January 1st through March 31st each year)
4. Special Enrollment Periods (depending on the situation, such as moving out of the plan’s service area)

To enroll, submit your application directly to the plan or a plan sales representative or call 1-800-MEDICARE. The effective date of coverage depends on the period in which you enroll. Remember not to drop your existing coverage, if any, until your coverage with your preferred MA plan is in effect. **Note:** You may enroll in a Medicare MSA only during your Initial Coverage Election Period and Annual Election Period. See our fact sheet “Medicare Enrollment Periods” for more information.

Disenrollment

If you decide to change from one MA plan to another, successfully enrolling in a new plan automatically disenrolls you from the current plan. Similarly, if you want to return to Original Medicare and continue your Part D prescription drug coverage, enroll in a stand-alone Medicare Part D plan. This action will automatically disenroll you from your MA-PD plan and return you to Original Medicare. You do not have to affirmatively disenroll from the MA plan. Or, if you are in a Medicare Part D plan and wish to switch to an MA-PD plan, enrolling in the MA-PD plan automatically disenrolls you from the Medicare Part D plan.

You can make these changes only during the Annual Election Period, the Open Enrollment Period, or if you have a Special Enrollment Period.

Note: You may disenroll from a Medicare MSA only during the Annual Election Period and a Special Enrollment Period, if you have one.

If you want to get out of an MA plan, and you don't want to join another MA or Medicare Part D plan, you must send a written request to the plan or call 1-800-MEDICARE during the enrollment periods mentioned above. The effective date of your disenrollment depends on when the request for disenrollment is made. *Example 1:* If you disenroll during the Annual Election Period, the change will be effective the following January 1. *Example 2:* If you disenroll during the Open Enrollment Period, the change will be effective the first day of the following month.

If you are disenrolling from an MA HMO plan or MA SNP, you must continue to use providers and services in the plan's network until the date your disenrollment becomes effective. Otherwise, the plan will not pay, and Medicare will not pay, because MA HMOs and MA SNPs require enrollees to use providers in the plan's network.

Similarly, if you are disenrolling from a MA PFFS plan, before the effective disenrollment date, you must see providers who accept the plan's payment terms and conditions.

To summarize, MA plans are an alternative way to get your Medicare benefits. Joining an MA plan is optional. If you do not join an MA plan or you disenroll from an MA plan without enrolling in another MA plan, you return to Original fee-for-service Medicare (Parts A and B).

###

This fact sheet contains general information and should not be relied upon to make individual decisions. If you would like to discuss your specific situation, call the Health Insurance Counseling and Advocacy Program (HICAP). HICAP provides free and objective information and counseling on Medicare and can help you understand your specific rights and health care options. You can call **1-800-434-0222** to make an appointment at the HICAP office nearest you.