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Medicare Advantage Premiums to Fall in 2011

By **ROBERT PEAR**

WASHINGTON — The Obama administration announced Tuesday that average premiums paid by individuals for private [Medicare Advantage](#) plans, which insure about one-fourth of all beneficiaries, would decline slightly next year, even as insurers provide additional benefits required by the new health care law.

By contrast, commercial insurance premiums for many people under 65 and many small businesses are increasing 10 percent to 25 percent or more. Insurers say that a significant share of the increases is attributable to requirements of the new law, a contention that infuriates Obama administration officials and Democrats in Congress.

Many of the law's requirements take effect this week. [President Obama](#) plans to highlight the potential benefits for consumers on Wednesday.

The announcement on [Medicare](#) came as something of a surprise. Some members of Congress and some health policy experts had predicted that insurers would increase average premiums for Medicare beneficiaries in private plans.

"Despite the claims of some, Medicare Advantage remains a strong, robust option for millions of seniors who choose to enroll or stay in a participating plan," said Dr. [Donald M. Berwick](#), the administrator of the [Centers for Medicare and Medicaid Services](#).

Insurers can begin marketing to beneficiaries on Oct. 1 for Medicare coverage that starts Jan. 1.

Medicare officials said they had held down premiums and co-payments by negotiating with insurers, which sponsor the Medicare Advantage plans.

The law, signed by Mr. Obama in March, gave officials new power to negotiate and to reject bids, as they did in a few cases.

"We negotiated more aggressively than in the past," said Jonathan D. Blum, deputy administrator of the Medicare agency. "As a result, some plans changed their bids to produce more value for beneficiaries."

"On average," Mr. Blum said, "Medicare Advantage premiums will be 1 percent lower in 2011 than today. Medicare Advantage plans project that enrollment will increase by 5 percent in 2011."

About 11.3 million of the 46 million Medicare beneficiaries are in private Medicare Advantage plans, which offer comprehensive care in return for monthly premiums. While premiums for a particular plan in a particular county may increase next year, beneficiaries may be able to find other plans offering a better deal.

In the yearlong fight over health care, Mr. Obama said the government was overpaying Medicare Advantage plans.

John K. Gorman, a former Medicare official who is now a consultant with clients in the insurance industry, said: “Today’s announcement shows that there is a new sheriff in town. Medicare officials were very specific and very forceful. Insurers succumbed to the government’s demands and stayed in the Medicare market because they have become much more dependent on Medicare business.”

Payment rates for Medicare Advantage plans will generally be frozen next year at 2010 levels, with rates subject to tighter constraints in subsequent years. The cuts are expected to save \$136 billion over 10 years.

[Kathleen Sebelius](#), the secretary of health and human services, said the negotiations showed that insurers “remain committed to the Medicare Advantage program.”

While reviewing bids, Medicare officials said, they identified 300 private plans for further scrutiny.

“These plans unfairly proposed to increase out-of-pocket expenses for beneficiaries while increasing their own profit margins,” Dr. Berwick reported. “We said, ‘No, you have to do better.’”

Medicare officials secured changes in most of the 300 plans. “After negotiations,” Mr. Blum said, “plans improved their benefits by \$13 per member per month, or 5 percent, on average.”

Ultimately, seven Medicare plans offered by three insurance companies decided not to change their bids, and “we denied those bids,” Mr. Blum said.

Premiums in the commercial insurance market continue rising at a brisk pace, as illustrated by the largest plans in California.

Ioannis A. Kazanis, a spokesman for the California Insurance Department, said that starting Oct. 1, commercial premiums would rise an average of 19 percent for individual policies sold by [Aetna](#) and by Blue Shield of California, 16 percent for [Health Net](#) policies and 14 percent for those sold by Anthem Blue Cross, a unit of WellPoint.

In justifying rate increases sought in Connecticut, Anthem said that one provision of the new law, forbidding insurers to impose lifetime limits on coverage of “essential health benefits,” could cause premiums for some policies to rise as much as 22.9 percent.

Ms. Sebelius said the impact on premiums, from all the new requirements, should be only 1 percent or 2 percent.