

Medicare Advantage Plans to Experience Weeding Out Process

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Approximately 966,000 of those currently enrolled in Medicare Advantage plans will need to look to other insurers to provide their coverage next year. That's because some insurers are being forced to close their Advantage plan doors due to legal issues.

Their legal problems, however, have nothing to do with the new health care reform bill, although health care legislation is expediting the weeding out process. According to a 2008 law, Advantage plan providers were ordered to perform more to earn federal subsidies – they defied this order by neglecting to provide their own network of doctors and hospitals.

Much of the controversy surrounding these plans is due to the fact that they pay more for certain services than traditional Medicare does. The end result is that Advantage plan beneficiaries either pay less for coverage, or are provided “extras,” such as dental insurance and gym membership, than those enrolled in the Original Medicare Plan. Taxpayers and those enrolled in traditional Medicare have been picking up the tab.

Over the next decade, the savings resulting from the 2008 mandate will result in a savings of \$132 billion, according to a report by the New York Times. These funds will be used to help cover the costs of insuring those who are unable to pay for their own coverage.

Despite criticism, the Medicare Advantage market is strong; enrollment is expected to increase while premiums will decline 1%. Apparently, the 2012 phase out plan will merely force out the weaker programs, while leaving stronger ones intact – a process referred to as a financial form of “survival of the fittest,” according to some media outlets.

Medicare Advantage plans enroll $\frac{1}{4}$ of the current 46 million Medicare beneficiaries. Per the Medicare website, these plans may now offer extra benefits or lower premiums, but enrollees may have to see doctors or have medical procedures performed in hospitals belonging to a particular network.

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