



# Premiums Jump 14 Percent on Medicare Private Plans

**Millions of seniors face 14 percent premium increase for popular Medicare Advantage plans**

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## WASHINGTON

Millions of seniors who signed up for popular private health plans through Medicare are facing sharp premium increases this year — another sign that spiraling costs are a problem even for those with solid insurance.

A study to be released Friday by a major consulting firm found that premiums for Medicare Advantage plans offering medical and prescription drug coverage jumped 14.2 percent on average in 2010, after an increase of only 5.2 percent the previous year. Some 8.5 million elderly and disabled Americans are in the plans, which provide more comprehensive coverage than traditional Medicare.

"These premium increases fit within a broader trend of increased financial pressure on the insured," said Lindsey Spindle, a vice president of Avalere Health, a data analysis firm that produced the statistical study. "We see very large premium increases and a continued upward creep in how much out-of-pocket expenses beneficiaries are expected to pay, such as copayments."

The Medicare findings are bad news for President Barack Obama and his health care overhaul, bogged down in Congress. That's because the higher Medicare Advantage premiums for 2010 followed a cut in government payments to the private plans last year. And the Democratic bills pending in Congress call for even more cuts, expected to force many seniors to drop out of what has been a rapidly growing alternative to traditional Medicare.

Republicans have seized on the Medicare Advantage cuts in their campaign to derail the health care bills, and seniors are listening. Polls show they are more skeptical of the legislation than the public as a whole, even though Democrats would also reinforce original Medicare by improving preventive benefits and narrowing the prescription coverage gap. About three-fourths of Medicare recipients remain in the traditional program.

The Avalere study found that the average monthly Medicare Advantage premium for 2010 is \$39.61, representing an increase of nearly \$5 a month from the previous year. That compares with a rise of less than \$1.75 a month in 2009. The averages are adjusted based on enrollment levels in particular plans that offer medical and prescription coverage, reflecting the choices that seniors make.

Seniors who did not shop around for lower-priced coverage during open enrollment in the fall got hit with some

of the biggest increases, averaging 22 percent.

The report on Medicare comes after a series of double-digit premium increases around the country for privately insured working households who buy their own coverage. Obama has cited those increases as an argument for reviving his stalled health care overhaul plan.

Administration officials did not dispute the Avalere study, but they sought to pin responsibility on the private insurers that participate in the program, a list that includes such industry giants as UnitedHealthcare and Aetna. Nonpartisan technical advisers to Congress say Medicare Advantage plans are being overpaid because of a flawed formula.

"Medicare Advantage plans continue to be paid about 13 percent more than original Medicare," said Medicare spokesman Peter Ashkenaz. "The plans need to explain why these increases are necessary."

Eric Hammelman, a senior Avalere data analyst, said that after the government cut payments to the plans last year, the insurers faced a choice. "They could raise premiums or lower benefits, and what most of them decided to do was raise premiums," he said.

The study also found that Medicare Advantage premium increases varied by the type of plans that seniors picked. Private fee-for-service plans, which offer a broad choice of doctors and hospitals, saw increases averaging 31.2 percent. Health maintenance organizations, which account for most of the program enrollment, had an increase of 11.3 percent. Preferred provider organizations — some of which already have high premiums — experienced more modest increases.

Avalere serves industry, government and private foundations, analyzing Medicare financial data.

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