

Benefits Insights

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5 Key Medicare Trends for 2023

Medicare is a federal health insurance program for individuals ages 65 and over, regardless of income, health status or medical history. Medicare plays a vital role in providing health care and financial security to older Americans. Employers can also help by providing supplemental benefits to Medicare enrollees. This is becoming more important as a growing number of employees are putting off retirement. Understanding this year's key Medicare trends can help employers assess their offerings and better prepare, support and educate their aging workforce.

This article explores five key Medicare trends for 2023.

1. Medicare Advantage Enrollment Is Increasing

For the first time in its history, Medicare Advantage—a type of Medicare health plan offered by a private company that contracts with Medicare—enrollment has surpassed traditional Medicare. According to an analysis by the Kaiser Family Foundation (KFF), 30.19 million individuals enrolled in Medicare Advantage in January 2023, compared to 29.63 million individuals enrolled in traditional Medicare during the same period.

In 2007, Medicare Advantage enrollees represented only 19% of all Medicare-eligible beneficiaries. Now, Medicare Advantage accounts for more than half of Medicare coverage for eligible beneficiaries and is expected to make up nearly 69% of Medicare enrollments by 2030.

Increased enrollment in Medicare Advantage is likely the result of:

- Its availability for additional benefits, including vision, dental and hearing benefits

- Its allowance for lower out-of-pocket spending compared to traditional Medicare without supplemental coverage
- Its easier enrollment process, since Medicare Advantage enrollees generally do not need to enroll in a separate Part D plan to receive prescription drug coverage or obtain supplemental coverage

As more individuals enroll in Medicare Advantage plans, private insurance companies will likely play a larger role in providing and administering Medicare benefits to individuals.

2. Medicare Is a Major Revenue Source for Insurance Carriers

From 2010 to 2016, the top five insurance carriers' revenue from Medicare and Medicaid increased from \$92 billion to over \$213 billion in 2016, according to a report from health care journal Health Affairs. As a result, Medicare and Medicaid revenue accounted for 59% of these carriers' total revenue. As Medicare enrollment continues to increase, it will likely become an even more important element in carriers' long-term growth.

Insurance carriers will likely become more dependent on Medicare in 2023 than in the past. For example, the average gross margin per covered Medicare Advantage beneficiary is nearly double that of the individual or group insurance market, according to KFF. This will likely increase the division and decentralization of U.S insurance providers and coverage options as many of the country's largest carriers withdraw from the Affordable Care Act's Health Insurance Marketplace.



3. Fewer Medicare Beneficiaries Have Employer-sponsored Health Insurance

While some Medicare beneficiaries that work beyond age 65 continue to receive health coverage through their employer's group health plans in addition to Medicare, this is becoming less common in 2023. For example, the percentage of Medicare beneficiaries with employer-sponsored group health benefits declined from 38% to 28% between 2010 and 2016, according to the Commonwealth Fund. As a result, many Medicare beneficiaries that have limited financial resources are struggling to afford Medicare premiums without additional financial assistance.

4. Employers Are Shifting Retirees to Medicare Advantage

Employers offering health care coverage to retirees are increasingly doing so through Medicare Advantage plans. In 2022, only about 13% of employers with 200 or more employees offered retiree health benefits, according to KFF. Of those, about half did so through Medicare Advantage plans. This is nearly double the number of employers offering retiree coverage through a Medicare Advantage plan in 2017. Among employers with 5,000 or more employees offering retiree benefits, 60% offered health benefits through Medicare Advantage plans in 2022. This could impact retirees' access to health care services and providers since Medicare Advantage plans can limit enrollees' access to care by requiring prior authorization and referrals to visit specialists and mental health professionals.

Additionally, this trend could impact federal Medicare spending. Compared to traditional Medicare, the federal government spent over \$300 extra per Medicare Advantage enrollee in 2019. This represents \$7 billion in additional Medicare spending, according to KFF analysis.

5. Enrollment in Medigap Plans Is Declining

Retirees typically spend a larger portion of their income on medical care than working Americans. To help limit their annual medical spending, retirees tend to purchase insurance coverage to help pay for services that Medicare doesn't cover. However, now only about one-third of retirees purchase supplemental coverage, such as Medigap, compared to two-thirds in 2002, according to research from

the Center for Retirement Research at Boston College. Retirees are enrolling in Medicare Advantage plans instead.

As the number of employers offering retiree health coverage decreases, retirees seem to be selecting Medicare Advantage plans over Medigap policies because these plans generally offer lower premiums. However, Medigap policies can provide retirees with greater access to care and more protection from larger medical bills than Medicare Advantage plans.

Summary

Monitoring key Medicare trends can guide employers as they take action to prepare, support and educate their older employees. By identifying and understanding these trends, employers can respond in meaningful ways to help keep their employees healthier, happier and more productive.

Reach out to Creative Benefits, Inc. for more information on today's Medicare trends.