

# Action Line – January, 2008

## Mark Your Calendars

Retiree Chapter committees have been busy. We have commitments from two speakers for meetings this spring. On **March 20**, we will hear from Dan Rosenberg. He is an expert in elder law and in the particular problems that retirees encounter in estate planning. On **May 21**, Alice Raftery, an authority on vision problems, will be our speaker. Further details will be sent shortly before each event.

## Do You Need a Coupon?

Do you have cable or satellite TV service? Do you own a digital TV set? If your answer to either question is “Yes,” then you can skip the rest of this item. However, if you still get your television programs from over-the-air antennas, then your screen will go dark on February 18, 2009. On that date, all television programs will switch to digital broadcasting. An estimated 14.3 million households still count on over-the-air broadcast television information, and older Americans are among the most likely to fall into this group. On January 1, 2008, 33.5 million coupons became available to help consumers buy converter boxes for older television sets that will not work after the switch to digital broadcasting. There is a two per household limit to coupons. The converter boxes, which will be found at most retail electronics stores, are expected to cost between \$50 and \$70 before the coupon. **To obtain a coupon, customers can apply at the National Telecommunications and Information Administration website, [www.dtv2009.gov](http://www.dtv2009.gov), or through a special 24 hour hotline, 1-888-388-2009.**

## Medicare Advantage

MA stands for Medicare Advantage. MA is the vehicle that delivers health benefits to members of the Michigan Public School Employees Retirement System (MPERS) eligible for Medicare. What isn't always understood is that MA programs replace Medicare. MA is an arrangement between the federal government on one side and private insurance companies and non-profits on the other. The insurance companies and non-profits agree to provide all the benefits of Medicare. In most cases they will

usually provide enhanced benefits beyond Medicare. The federal government, in turn, regulates the MA plans, and it reimburses the insurance companies and non-profits at going Medicare rates. In addition to reimbursing companies and non-profits for the cost of the Medicare benefits they provide, the government also provides subsidies to companies and non-profits to encourage them to create MA plans. Now, the average MA plan is paid 112% of what it costs to treat the average senior under traditional Medicare. The subsidies, which are paid out of the Medicare Trust Fund and general tax revenues have made it more profitable for insurance companies to offer MA plans, and it is the future of these subsidies that is at the core of the controversy over MA.

Below are excerpts from two different sources that should help retiree chapter members understand how we came to have MA and what are some of the pluses and minuses of the program. A succinct explanation of how MPERS retirees got here can be found in the following excerpts from a column by **Bonnie Carpenter, Executive Director of the Michigan Association of Retired School Personnel (MARSP) in the January/February edition of Vanguard, an MARSP publication.**

*“...You didn't sign up for it. What you have is group insurance coverage provided for you by the State of Michigan. The MPERS Board has total authority to decide what that plan covers—or not. Also, your benefits cannot be canceled due to your usage when you are in a group plan.*”

*The MPERS Board directed Blue Cross Blue Shield of Michigan (BCBSM) the underwriter for the school retirees health plan, to enter into an agreement with a Medicare Advantage plan effective January 1, 2007. The arrangement allowed MPERS to save thousands of dollars, which allowed them to keep your deductible and co-pays at the same level they had been in 2006.*

*Under this arrangement, Medicare sends the monthly stipend to MPERS, not to BCBSM. Because your plan is a self-funded plan, MPERS (not BCBSM) bears all the costs for your medical services. MPERS in turn collects the reimbursements from the school districts. Currently, Congress is discussing the Medicare program and its costs. There has been a*

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*call to cut the stipend paid to Medicare Advantage plans. If that happens, your co-pays and deductible will need to be increased along with the costs to the school districts in order to keep the plan affordable for all parties involved.*

*It appears at this writing that the Medicare Advantage plan will stay in place for 2008. Whether or not a change will be made in 2009 is yet to be seen. The retirement board is considering changes to your benefit plan for 2008 and 2009.*

*When you read or hear media that the Medicare Advantage plans are not paying the doctors, and instead are “keeping” the money, rest assured that that is NOT THE CASE with your MPSERS plan. The glitches in the BCBCM computer system are working their way out, and 2008 promises to be better.*

*Incidentally, the State of Michigan retirees were placed into a Medicare Advantage plan on January 1, 2008.”*

Note: The “stipend” referred to in the article above refers to the amount paid by Medicare to private insurance companies or non-profits for administering Medicare Advantage programs. Also, “reimbursements from the school districts” refers to the 6.55% of payroll that school districts contribute for retirees’ health benefits.

Another perspective on Medicare Advantage can be found in the winter, 2007, edition of **Prime Time, a publication of the American Federation of State, County, and Municipal Employees (AFSCME)**. Retiree Chapter members should be aware that most MA plans are administered by profit-making insurance companies as well as by officially non-profit groups such as Blue Cross/Blue Shield.

*“Medicare Advantage is the name Congress gave to private health plans for Medicare beneficiaries when it passed the Medicare Modernization Act in 2003. These MA plans don’t supplement Medicare like Medigap or most employer plans do. They replace Medicare (Parts A & B) with private insurance sold by companies like Humana, Coventry, and United Healthcare.*

*MA includes network-style health plans--such as health maintenance organizations (HMO’s) and preferred provider organizations (PPO’s) – which use approved lists of doctors and hospitals to manage costs. It also includes private fee-for-service plans*

*(PFFS), that allow seniors to go to any doctor or hospital that accepts a plan’s coverage.*

*Historically, only about 15 percent of Medicare beneficiaries sign up for private plans. That began to change in 2003 when Congress started giving big subsidies to participating private insurers. MA plans now receive overpayments that average 12 percent a year more than it costs Medicare to serve the same beneficiary. But this is only an average for all types of MA plans. The private fee-for-service insurance plans receive 19 percent more. The high payments make these plans very profitable to insurance companies. . . .In 2007, 20 percent of Medicare beneficiaries belonged to MA private plans. It is estimated that 2008 participation will be 24 percent. The more seniors that sign up, the more it will cost the Medicare Trust Fund. We already know that baby-boom retirements and general health care inflation will one day result in a trust-fund shortfall. The MA overpayments will make that day come sooner.”*

Some groups regard MA and the subsidies paid to insurance companies and non-profits as fair compensation for providing services. Also, the subsidies are seen as a means of holding down costs to beneficiaries and providing enhanced benefits beyond Medicare. Other groups regard MA and the subsidies as an unfair financial burden on those Medicare beneficiaries not enrolled in MA plans, and as a drain on the Medicare Trust Fund that will lead to the privatization of Medicare. Stay tuned: this controversy over Medicare Advantage still has many miles to go.

**Pat Daly, Editor**