## The Daily Dish

# Calculating MA Premiums

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Medicare Advantage (MA) is the comprehensive health insurance policy available to seniors as an alternative to the traditional fee-for-service Medicare system for hospitalization (Part A), outpatient care (Part B), and even outpatient drugs (Part D). The majority of Medicare beneficiaries are now enrolled in MA, perhaps in part because if feels familiar to those that were covered by a Preferred Provider Organization (PPO) or other managed care plan during their working years.

This is a good thing. While MA may not be perfect, there is near-universal agreement that fee-for-service medicine has served America poorly and should not be supported. Moving seniors into an ever-improving MA program should be the future of Medicare.

Despite this, most people have no idea how MA works. That's because most people don't have a Michael Baker. Fortunately, AAF *does* have a Michael Baker and he churns out a steady stream of information on MA. Not long ago he wrote a primer on the annual rulemaking cycle that updates MA each year, and followed that with a Weekly Checkup on the actual payment decisions for 2027.

His latest explains how the Centers for Medicare and Medicaid Services (CMS) calculates the premiums charged to MA enrollees. It is an invaluable resource. The short version of the material goes like this. For each enrollee, Medicare pays a plan a fixed, monthly amount. The starting point is a county-level benchmark set by CMS. MA plans submit a bid that represents the plan's standardized estimate of the per-member, per-month cost of providing Medicare Part A and Part B benefits. (The amount is then customized to provide more money for sicker enrollees, among other factors.)

If the plan bid comes in over the benchmark, the enrollee covers the remainder with their premium. If the reverse is true, the MA plan is given part of the difference to be used to provide supplemental benefits such as vision and dental coverage, lower cost-sharing, and

other options. There are further adjustments that depend on the quality (known as the Star Rating) of the plan, whether or not the plan includes the Part D drug coverage, and other features. Read Baker's comprehensive treatment for those details.

Going forward, a clear challenge is to wean the MA system away from its starting point: county benchmarks based on fee-for-service health care spending. But until those reforms occur, Baker's description captures the system perfectly.