

Medicare Advantage Employer Group Waiver Plans: What You Need to Know

What is an “EGWP”?

Medicare Advantage employer group waiver plans (EGWPs, pronounced EGG-whips) are customized Medicare Advantage plans developed exclusively for employer and union groups.

The Centers for Medicare & Medicaid Services (CMS) has waived or modified certain Medicare Advantage requirements for EGWPs. That is because CMS has determined that those requirements hinder the design of, the offering of, or the enrollment in employer/union-sponsored plans. Employers generally

use EGWPs to provide supplemental coverage for retirees beyond the standard benefits typically offered by Medicare Advantage plans.

What Value Do EGWPs Provide?

Some employers/unions provide retiree coverage on a self-funded basis and use EGWPs to reduce their employer cost. Other employers/unions buy EGWP products that are fully insured (i.e., the Medicare Advantage plan takes the risk). They prefer EGWPs to other Medicare Advantage products because they are similar to commercial employer-sponsored health plan coverage and provide a seamless transition for active employees to retiree coverage.

This consistency reduces beneficiary confusion, increases satisfaction, and facilitates efficient navigation of the health care system.

EGWPs: By the Numbers

3.7m

There are 3.7 million Medicare beneficiaries in EGWPs, representing 20 percent of Medicare Advantage enrollees. Enrollment tends to be concentrated in specific states such as California, Michigan, New York, Texas, and Pennsylvania.

-1.25%

The estimated reduction in 2018 payments to EGWPs if CMS fully transitions to a new payment methodology first implemented in 2017.

70%

MedPAC has found HMOs bid significantly lower than PPOs, yet 70 percent of EGWP enrollees are enrolled in local PPOs compared to 16 percent of all other Medicare Advantage enrollees.

Why Is CMS Proposing to Change EGWPs?

The Medicare Payment Advisory Commission (MedPAC) recommended in 2014 that CMS base payments to EGWPs on comparable non-employer plans, based on its finding that EGWPs bid, on average, about 9 percent higher than non-EGWPs.

However, most EGWPs – 70 percent – are local PPOs, which provide greater access to out-of-

network providers and therefore generally incur higher costs. By comparison, only 16 percent of non-EGWP Medicare Advantage plans are local PPOs. MedPAC's analysis and recommendation to change the payment methodology for EGWPs does not account for the differences between Medicare Advantage PPOs and HMOs.

How Is CMS Proposing to Pay EGWPs?

Prior to 2017, EGWPs were treated like other Medicare Advantage plans and submitted bids annually. In 2017, CMS began to phase in a new payment methodology: instead of submitting bids, EGWPs would be paid based upon a "bid-to-benchmark" ratio, where the benchmarks are determined by CMS based upon local average costs in the fee-for-service Medicare and bids would be determined based upon non-employer plans. CMS separately calculates the bid-to-benchmark ratio for four different geographic areas of the country (also known as "quartiles") based upon their relative

level of fee-for-service Medicare spending. EGWP rebates would be determined at the county-level, taking into account the contract's Star Rating.

For 2018, CMS is considering whether to fully implement this methodology, which was partially phased in for 2017.

However, this new methodology is flawed. While 70 percent of EGWP enrollees are in PPO plans, the CMS approach uses bid data from HMO plans to determine payment rates.

What Should CMS Do?

EGWPs are highly valued by 3.7 million Medicare beneficiaries. AHIP continues to oppose the policy CMS began implementing in 2017 to change the way payments are determined for EGWPs.

CMS should take steps to reverse these flawed payment reductions.