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**Congress of the United States**  
**U.S. House of Representatives**  
**COMMITTEE ON WAYS AND MEANS**  
WASHINGTON, DC 20515

SUBCOMMITTEE ON HEALTH

**Medicare Advantage:  
Expanding Benefits, Lowering Costs**

October 14, 2004

Dear Colleague:

The Medicare Modernization Act (MMA) has brought significant benefits to seniors and those enrolled in managed care plans, such as health maintenance organizations, preferred provider organizations, and other plans contracting to provide care to Medicare seniors. These plans tend to disproportionately provide coverage to low-income and minority seniors.

Plans are using payment increases signed into law by President Bush to improve benefits and reduce cost sharing and premiums for seniors enrolled in Medicare Advantage (MA) plans. These payment improvements had bipartisan support last year, and the additional payments to plans are already making a difference in the lives of millions of Medicare beneficiaries.

Since March 2004, benefits have been expanded for 3.7 million enrollees, premiums have decreased for 1.9 million enrollees, and 2 million enrollees have seen a decline in cost sharing. These new options are becoming available to a greater number of Medicare beneficiaries as plans expand into new areas. In fact, since the enactment of the MMA, MA plans have expanded their service areas in 26 states, offering more choices to our seniors.

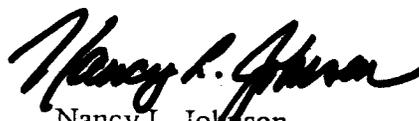
Recently, the Department of Health and Human Services (HHS) announced that 35 MA plans had submitted new applications to provide coverage and 22 plans had applied to expand their service areas for next year. If all pending applications are approved, an additional 1.6 million beneficiaries in 11 states will have access to additional choices under the Medicare program. As a result, nearly two-thirds of all Medicare beneficiaries will have access to at least one Medicare Advantage plan in 2005, up from 59 percent in 2003.

In addition, beneficiaries will continue to see improvements in benefits and reductions in premiums and cost sharing. According to HHS, plan premiums are expected to decline an average of 10 percent in 2005. Out of pocket payments are also expected to decline by 10 percent. Cost-sharing for Medicare-covered services will be approximately \$51 per month on average, compared to \$119 per month for those in fee-for-service Medicare who do not have supplemental coverage, a savings of 57 percent. And plans will continue to offer additional benefits not covered by traditional Medicare, such as dental and vision services.

The real promise of coordinated care is improved health and reduced costs. Congress and the President made good on the promise of modernizing the Medicare program. Medicare Advantage plans are lowering seniors' premiums and cost sharing for those in coordinated care, while providing better benefits to our seniors. More information is available at 1-800-MEDICARE or at [www.medicare.gov](http://www.medicare.gov).

If you would like more information regarding Medicare Advantage, please call Kathleen Weldon at 225-3943.

Sincerely,



Nancy L. Johnson  
Chairman, Subcommittee on Health