Medicare Advantage: Types of Plans & Options for Drug Coverage

Types of Medicare Advantage Plans

There are four major kinds of Medicare Advantage plans. Here we review each separately.

Health Maintenance Organizations (HMOs)

An HMO has a network of providers including doctors, hospitals, nursing homes, rehabilitation therapy clinics, and laboratories. HMO members must receive all care from a network provider/facility to get coverage, with a few exceptions in the case of emergencies.

Members are only allowed to receive care outside of the HMO network—and the HMO is required to cover this care—if the member reasonably believes he is experiencing an emergency medical situation. In an emergency, members should always go to the nearest emergency room (ER).

*Example:* Juan is having difficulty breathing and chest pain. He believes this might be a heart attack. Juan goes to the ER at a hospital that is not in his Medicare Advantage HMO network. The ER runs tests and diagnoses Juan with acid reflux. His HMO covers this care, as Juan reasonably believed he was having a health emergency.

The HMO must also cover urgently needed medical care even if the member cannot get to an in-network provider.

*Example:* Mildred lives in New Hampshire but goes to visit her grandchildren in Colorado. Mildred has a fall and breaks her leg. While her medical condition is not life-threatening, she needs to have her leg taken care of quickly and will not be able to return home to her network providers for this care. Her hospital stay in Colorado to operate, re-set, and cast her leg is covered because it was urgently needed.

In most cases, HMO enrollees will need to choose a primary care doctor among the network of providers, and will need a referral to see a specialist.

Many HMOs also offer Medicare prescription drug coverage (referred to as an MA-PD). If your client joins an HMO plan that includes prescription drug coverage, they must get their drug coverage through that HMO. **In other words, your client cannot join an HMO plan with drug coverage (MA-PD) and join a stand-alone Part D prescription drug plan (PDP).** Your clients may consider an HMO without drug coverage (MA-only) if they already have creditable drug coverage, or do not need Part D coverage. Either way, your clients will need to carefully consider all their MA and Part D options and choose the one that best meets their needs.
**Preferred Provider Organizations (PPOs)**

Like an HMO, a Medicare Advantage PPO has a network of providers. If members see providers in the network they will pay less in cost-sharing than if they decide to see a provider not in the PPO network. Out-of-network care would still be covered, but the costs may be much higher than if they’d gone to an in-network provider.

In most cases, members of Medicare Advantage PPOs do not need to select a primary care provider, and can usually see a specialist without needing a referral.

PPOs follow the same rules as HMOs with regards to Medicare prescription drug coverage. If your client joins a PPO that has a drug benefit (MA-PD), they must get their drug coverage through that PPO. **In other words, your client cannot join an MA PPO plan with drug coverage (MA-PD) and join a stand-alone prescription drug plan (PDP).** Your clients may consider a PPO without drug coverage (MA-only) if they already have creditable drug coverage, or do not need Part D coverage. Either way, they will need to carefully consider all their MA and Part D options and choose the one that best meets their needs.

There are two types of MA PPOs, local and regional. Local PPOs serve whatever counties the plan chooses to include in its service area, with the approval of the Centers for Medicare & Medicaid Services (CMS). Regional PPOs serve one of [26 regions set forth by CMS](https://www.cms.gov/).  

**Special Needs Plan (SNPs)**

Special Needs Plans (SNPs) are Medicare Advantage plans that are only open to people with Medicare who share specific conditions or characteristics. SNPs tailor their drug formularies, benefits, and provider choices to accommodate the needs of these individuals. All SNPs must provide prescription drug coverage. Not all types of SNPs are available in different areas of the country.\(^1\)

There are three types of SNPs:

- **Institutional SNPs (I-SNPs):** Institutional SNPs serve people who live in residential facilities, such as nursing homes. I-SNPs may also choose to serve people living at home **but only if they meet residential setting level of care criteria.** I-SNPs serving people living at home must use an assessment tool to determine the need for an institutional level of care. The assessment must be accomplished using an

evaluation tool used by the state in which the person lives. Moreover, the assessment may not be performed by I-SNP personnel. It may be performed by the same entity that assesses level of care for the state Medicaid agency.

- **Severe or Disabling Chronic Condition SNPs (C-SNPs):** C-SNPs are available only to people who are diagnosed with **certain chronic conditions**. C-SNPs may only enroll people "who have one or more co-morbid and medically complex chronic conditions that are substantially disabling or life threatening, have a high risk of hospitalization or other significant adverse health outcomes, and require specialized delivery systems across domains of care."

- **Dual SNPs (D-SNPs):** D-SNPs are available only to people with Medicare Parts A and B that also have Medicaid. D-SNPs are allowed to decide what kind of Medicaid recipients they will serve. For example, they could limit enrollment to people who have QMB [the Qualified Medicare Beneficiary Medicare Savings Program], or to people who have community Medicaid. D-SNPs must provide people who are considering joining the plan with a comprehensive written statement of benefits and cost-sharing of Medicaid-covered benefits and of the SNP’s benefits. This means that the D-SNP must show what value (if any) its plan has over the benefits the dual already has available to him under the Medicaid program. D-SNPs also cannot charge its members cost-sharing amounts higher than what members would pay under Medicaid.

D-SNPs must also have a contract in place with the state Medicaid agency to start up, or if they want to expand their service area. This is to help coordination between the Medicaid and Medicare program and ensure the member gets his Medicare services covered by Medicare and his Medicaid-entitled benefits through Medicaid. The intent is that the coverage would be seamless to the member and coordinated by the D-SNP and Medicaid working together.

Most people enrolled in SNPs are members of Dual SNPs.

In most cases, SNP enrollees will have to select a primary care doctor, and will need to get a referral to see a specialist. Many SNPs also have a care coordinator, someone who helps members to access community resources and coordinate the different services offered under the plan.

It’s important for beneficiaries who are considering a SNP to understand the special ways in which the plan meets their unique needs. Whether that’s helping coordinate Medicare and Medicaid, or how it treats the condition that makes one eligible to join the plan, beneficiaries should carefully review the benefits of these plans before enrolling.
Members can stay enrolled in a SNP so long as they continue to meet the plan eligibility criteria. If a person loses that eligibility, she will get a Special Enrollment Period when she is informed about being dis-enrolled from the SNP in order to pick up another plan.

**Private Fee-for-Service (PFFS) Plans**

A PFFS plan usually allows its members to see any Medicare provider that accepts the plan’s terms and conditions, including the plan’s provider payment rates. Providers get to decide whether to accept the plan’s terms and conditions and each time a plan member comes into the office or otherwise seeks care (such as in a clinic or hospital). Providers who treat members in a PFFS plan are said to have accepted the plan’s terms and conditions upon providing care. This “deemed” rule has caused many providers to decline to treat PFFS members. It’s very important for your clients to check with their providers about their willingness to treat someone joining a PFFS plan.

Unlike HMOs and PPOs, PFFS plans may choose whether to offer prescription drug coverage. Therefore, if the PFFS does not offer prescription drug coverage (MA-only), your client can join a stand-alone PDP. However, if the PFFS does offer prescription drug coverage (MA-PD), your client must take the benefit package. **They cannot enroll in a PFFS plan with drug coverage (MA-PD) and join a stand-alone PDP.** Again, your clients will need to carefully consider all their MA and Part D options and choose the one that best meets their needs.

**Other Plan Types**

In addition to the plan types noted above, there are two other less common types of Medicare Advantage plans.

**HMO Point of Service (HMO POS) Plans**

HMO POS plans are similar to HMO plans, but allow more flexibility for members to seek care out of the HMO’s network. Members who exercise the POS option and seek care out of network may have higher cost-sharing, though the services would still be covered by the plan.

**Medicare Savings Accounts (MSAs)**

An MSA is a high-deductible private insurance policy that is combined with a special savings account. Members cannot buy the high-deductible Medicare policy without also opening the savings account. Medicare deposits a sum of money into the MSA that pays for some, but not all, of the insurance policy’s deductible. Members use this deductible, which is very high (as much as $10,600 in 2015), to pay for the costs of Medicare-covered care.
After the deductible is paid, the MSA insurance policy then covers all Medicare-covered care for the rest of the calendar year.

MSAs are not allowed to offer prescription drug coverage. Therefore, your clients who join an MSA plan will likely need to join a stand-alone PDP to get prescription drug coverage through Medicare.

**Common Questions About MA Plans**

*Can any Medicare beneficiary join a Medicare Advantage plan?*

People with Medicare must have both Medicare Parts A and B to join a Medicare Advantage (MA) plan. Beneficiaries must also live permanently in the area served by the MA plan. However, some types of MA plans are allowed to offer an option called Point-of-Service (POS). For example, a person (generally) cannot join a MA plan in Florida if her permanent residence is in Michigan. If a plan based in Michigan has a Florida POS option, she could join that plan and get any medical care she needed while vacationing in Florida.

Some MA plans have additional restrictions on who’s allowed to join. For example, people with Medicare and Medicaid are not allowed to sign up for an MSA plan. And SNPs can only serve certain groups of people with Medicare, and as such, people not in one of those groups cannot join those plans. Knowing which plans have restrictions on enrollment and which are open to all beneficiaries will help you and your clients sort through their MA plan options and pin down the ones that may best meet their needs.

*Where can I find more info on Medicare Advantage plans?*

- **Medicare Plan Finder:** To help your clients find Medicare Advantage plans in their area, use the [Medicare Plan Finder](#) tool. This online tool helps you search health plans (and drug plans) available in your client’s zip code more easily and objectively.

- **Medicare Health Plan Tracker:** The Kaiser Family Foundation’s [Medicare Health and Prescription Drug Plan Tracker](#) sorts Medicare Advantage penetration and enrollment data, giving much valuable information about [Medicare Advantage plans by state, region, and geographic distribution](#).
What Options Do Beneficiaries Have for Drug Coverage?

There are two ways that Medicare beneficiaries can get prescription drug coverage: either through a stand-alone Prescription Drug Plan (PDP) (also known as a Part D plan) or through a Medicare Advantage Prescription Drug (MA-PD) plan. Beneficiaries who choose to get their Medicare through Original Medicare can only join a stand-alone PDP to get the prescription drug benefit. Beneficiaries who enroll in MA generally must get their Part D benefit through the MA plan, if the plan offers a drug benefit. However, there are a few exceptions:

- **HMOs, PPOs, and SNPs:** Generally, if your clients enroll in a MA plan that is an Health Maintenance Organization (HMO), a Preferred Provider Organization (PPO), or a Special Needs Plan (SNP), the plan will include drug coverage.
  
  - By law, HMOs and PPOs must offer at least one plan with drug coverage in a service area; all SNPs are required by law to provide drug coverage. Therefore, if a beneficiary joins an HMO or PPO plan that does not offer drug coverage, they cannot remain in that MA plan and also join a PDP. To get the Part D benefit they would need to revert to Original Medicare and join a PDP, or enroll in another MA plan that offered a Part D benefit. If they joined a SNP, they would get their drug coverage through the SNP.

- **PFFS, Cost Plans, and MSAs:** By law, Private-Fee-for-Service (PFFS) plans and cost plans are allowed to offer Part D and if they do, enrollees can only get Part D through the plan. Medical Savings Accounts (MSAs), on the other hand, cannot offer Part D. That’s why a member of a MSA may join a stand-alone PDP.

The bottom line is that before beneficiaries decide how to get their Medicare drug coverage, they first need to consider how they want to receive their overall Medicare benefits. You can help them understand the key differences between Original Medicare and Medicare Advantage, while helping them understand Medicare’s rules for getting Part D coverage, and ultimately how to sort through the Part D plans to make a decision that’s right for

**References**

See Title 42, Part 422.4 of the Medicare Modernization Act (MMA) of 2003 for rules on the types of MA plans, and Title 42, Part 423.30 of the Medicare Modernization Act (MMA) of 2003 for specifics regarding the various Medicare Advantage plans and the rules governing which plans are allowed to offer Part D drug coverage.
Find [SNP Enrollment by SNP Type](#) on the Kaiser Family Foundation’s *Medicare Health and Prescription Drug Plan Tracker*.

See Centers for Medicare & Medicaid Services, [Dual Eligible Special Needs Plans](#), for more on types of rules around D-SNPs.

See Centers for Medicare & Medicaid Services, [Frequently Asked Questions about Special Needs Plans](#).