

Product History

The Medicare Modernization Act (MMA) expands the existing options available to Medicare beneficiaries to enroll in private health plans. Medicare Advantage local plans are structured as preferred provider organizations (PPOs), which have a network of doctors and hospitals that contractually agree to provide health care services at a specified rate but also allow enrollees to go outside the network for care, usually for an additional charge.

PPOs are now the most popular type of coverage in the private market in the U.S. In 2002, 52 percent of Americans covered under group health insurance programs were enrolled in PPOs. Increased funding designed to stabilize the Medicare Advantage program, in addition to special financial incentives for Medicare Advantage regional plans, should serve to make more Medicare Advantage options available to more Medicare beneficiaries.

Some immediate changes to payments for Medicare Advantage organizations are already improving access to health plan options and reducing costs and improving benefits for Medicare beneficiaries. Increased funding will make up for years of payment updates in Medicare that were behind the cost increases Medicare+Choice organization were facing, which in turn prompted many plans to drop out of the program. And, the new law requires these additional payments to be used to benefit enrollees.

The following four pages are from the Medicare and You booklet provided annually by CMS to Medicare beneficiaries.