Analyst predicts flat initial Medicare rates

The Associated Press

Initial 2012 reimbursement rates for Medicare Advantage plans should be roughly flat, which tops the consensus expectation of a 2 percent drop, according to Citi analyst Carl McDonald.

McDonald said Tuesday in a research note the rates will be hurt by cuts from the health care overhaul, but he also thinks they will benefit from an adjustment to prior estimates. He noted that the Centers for Medicare and Medicaid Services assumed physician reimbursement rates would drop 20 percent in 2010 and 2011, and that didn't happen.

CMS will announce initial 2012 rates on Feb. 18 and then finalize the rates in April. If it does announce roughly flat rates, McDonald thinks most plans will see actual rates rise 2 percent next year when reimbursement is finalized.

Medicare Advantage plans are privately run versions of the government's Medicare program, which provides health coverage for the elderly and disabled. Subsidized by the government, the plans offer basic Medicare coverage topped with extras like vision or dental coverage or premiums lower than standard Medicare rates.

Insurers offer hundreds of different plans around the country, all with their own sets of variables like different deductibles, premiums and co-insurance. About 11.8 million beneficiaries, or nearly a quarter of the total Medicare population, were enrolled in a Medicare Advantage plan as of last September.

McDonald said plans may have to cut some benefits next year, but changes likely will be modest.

Five insurers drew more than 24 percent of their estimated 2010 revenue from Medicare Advantage plans. The list is topped by HealthSpring Inc., with 83.6 percent. The other insurers are Humana Inc., Universal American Corp., UnitedHealth Group Inc. and WellCare Health Plans Inc.

Shares of HealthSpring climbed 2 cents to $31.58 in late morning trading, while the Standard & Poor's 500 index was down slightly.

— Humana shares climbed 19 cents to $58.50.

— Universal American was down 8 cents to $20.17.

— UnitedHealth rose 11 cents to $42.08.

— WellCare was down 24 cents to $31.90.

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