

Background: Medicare insurance agents

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Presentation roadmap

- 1 Role of agents in Medicare enrollment
- 2 Agents' marketing to Medicare beneficiaries
- 3 Agent compensation and financial incentives
- 4 Concerns regarding agent practices and data limitations
- 5 Discussion

Note: Agents and brokers are often referred to together. In this presentation, we generally use "agents" to mean both agents and brokers, as the distinction is not relevant for most of the topics presented. CMS rules apply to both parties.

Medicare beneficiaries make several complex enrollment decisions

FFS Medicare

- Beneficiaries can add Medigap to help cover cost sharing:
 - Beneficiaries can choose from 10 standardized plan types, and numerous insurers offer each plan type
- Beneficiaries can add Part D prescription drug coverage:
 - Beneficiaries have on average 14 stand-alone PDPs in their region with differing formularies and benefit structures

Medicare Advantage

- MA plans vary on cost sharing, supplemental benefits, provider networks
- Most MA plans offer prescription drug coverage
- Beneficiaries on average have 41 MA plans (offered by an average of 8 insurers) available in their area

Note: FFS (fee-for-service), PDP (prescription drug plan), MA (Medicare Advantage).

Source: MedPAC's March 2024 report to the Congress.

Individuals use different resources to navigate Medicare enrollment decisions

- Beneficiaries may rely on resources such as insurance agents, brokers, Medicare's Plan Finder website, and SHIPs
- Today's presentation focuses on agents and brokers because they are the resource most commonly cited by beneficiaries:
 - Agents are licensed individuals who enroll people into insurance products, while brokers work as an intermediary between potential enrollees and insurance companies
 - Both agents and brokers are compensated by insurers
- Future work could examine other aspects of beneficiaries' plan choices, depending on commissioner interest

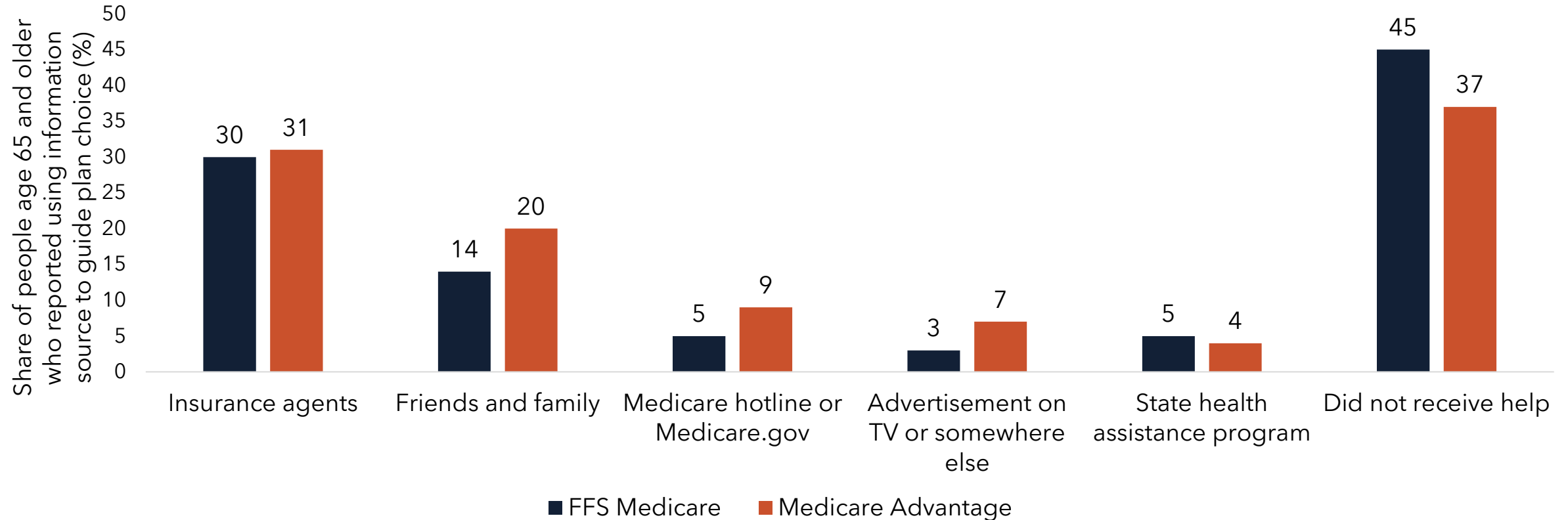
Note: SHIP (State Health Insurance Assistance Program).

SHIPs are the main federal source of Medicare counseling for beneficiaries

- SHIPs, created in the 1990s, are federally funded state-based organizations that provide Medicare counseling and information assistance to beneficiaries and their caregivers
 - Receive federal funding specifically to assist low-income Medicare beneficiaries
 - Do not receive compensation from insurers
- Assistance provided through one-on-one counseling in person, by telephone, on the internet, or through email
- SHIP counselors work on either a paid or volunteer basis

Note: SHIP (State Health Insurance Assistance Program).
Source: Congressional Research Service. 2023. *State Health Insurance Assistance Program (SHIP)*.

Finding from 2022 Commonwealth Fund survey: About one in three Medicare beneficiaries, regardless of coverage, used insurance agents to choose a plan



Note: FFS (fee-for-service), MA (Medicare Advantage).
Source: Commonwealth Fund. 2022. *Traditional Medicare or Medicare Advantage: How older Americans choose and why.*

How beneficiaries work with insurance agents to navigate their Medicare options

- In our annual focus groups with beneficiaries, many reported working with agents to determine the out-of-pocket costs, premiums, and prescription costs of individual plans
- Beneficiaries in the groups who used agents found them to be helpful and ultimately selected their plan after discussing options with their agent

Source: NORC at the University of Chicago. 2024. *Beneficiary and clinician perspectives on Medicare and other issues: Findings from 2024 focus groups in select states.*



Agents' marketing to Medicare beneficiaries

Agents' market to Medicare beneficiaries

- Virtually all Medicare insurance companies contract with agents to reach and enroll beneficiaries
- Agents can identify potential Medicare enrollees through various sources:
 - Referrals from financial advisers, banks, and medical offices
 - Purchasing "lead lists" with contact information, such as a list of people who are turning 65 in the next 3-6 months
- Agents often work with or for larger marketing organizations that perform lead generation, marketing, sales, and enrollment-related functions

Examples of federal requirements for agents who represent MA and Part D organizations

Be licensed in the state in which they do business

Train and test annually on their knowledge of Medicare health and prescription drug plans

Use approved marketing materials

Agree to the scope of appointment via a document or phone call prior to meeting with potential enrollees

Note: MA (Medicare Advantage), Medigap is mainly regulated at the state-level so rules may vary.

Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2024. Agent broker compensation.

Agents are not required to present all plan choices to beneficiaries

- Agents typically sell plans from multiple insurance companies, but they may not sell every plan in the area
- In this way, agents filter plan options, which may not be apparent to beneficiaries
- We do not know the average number of plans a particular agent may sell
- A Commonwealth Fund analysis compared MA and Part D plans listed on the Medicare Plan Finder tool to large online agent tools found across 5 cities:
 - Less than half of MA plans included in the online agent tools
 - Less than two-thirds of Part D plans included in the online agent tools

Note: MA (Medicare Advantage).

Source: Commonwealth Fund. 2021. *How agents influence Medicare beneficiaries' plan choices*. New York, NY: The Commonwealth Fund. April 21.



Agent compensation and financial incentives

Agents are compensated for their services in varying and complex ways

- Agents may contract with multiple insurance carriers that pay commissions tied to initial plan enrollment and plan retention in the MA, Medigap, or stand-alone Part D plans they sell
- Agents often have opportunities for supplemental compensation:
 - Bonuses for meeting enrollment benchmarks
 - Administrative payments for marketing
 - Other activities for plans, such as beneficiary health risk assessments
 - Selling other health-related insurance products (e.g., hospital indemnity insurance, which can be sold along with other Medicare products)

Note: MA (Medicare Advantage).

Compensation for enrolling beneficiaries in Medigap plans

- Actions of Medigap agents are governed by state law and regulation, so no federal compensation requirements
- Agent commission is typically a percentage of the annual Medigap plan premium
- Multiple industry sources report varying agent commissions of about 20% for initial enrollment and 10% for subsequent years
- In 2023, the average annual premium for Medigap policyholders was \$2,604, which would equate to a commission of \$521 for initial enrollment and \$260 for renewal

Source: Commonwealth Fund. 2021. *Agent commissions in Medicare and the impact on beneficiary choice*. Freed, M., N. Ochieng, J. Cubanski, et al. 2024. *Key facts about Medigap enrollment and premiums for Medicare beneficiaries*. Washington, DC: KFF.

Compensation for MA- and Part D-licensed agents falls into two general categories

Plan enrollment

- For each initial plan enrollment year, agents are paid at or below a maximum amount set by CMS (fair market value, or FMV)
- For each plan renewal or switch to a new “like plan type,” agents are paid up to 50% of the FMV

Administrative payments

- Received for services such as training, agent recruitment, customer service, and conducting beneficiary HRAs
- CMS recently finalized a policy that would require administrative payments to be included in the FMV, but that policy is on hold

Note: MA (Medicare Advantage), CMS (Centers for Medicare & Medicaid Services), HRA (health risk assessment).

Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2024. Medicare program; changes to the Medicare Advantage and the Medicare Prescription Drug Benefit Program for contract year 2024-remaining provisions and contract year 2025 policy and technical changes to the Medicare Advantage program, Medicare Prescription Drug Benefit Program, Medicare Cost Plan Program, and Programs of All-Inclusive Care for the Elderly (PACE). Final rule. Federal Register 89, no. 79 (April 23): 30448-30848.

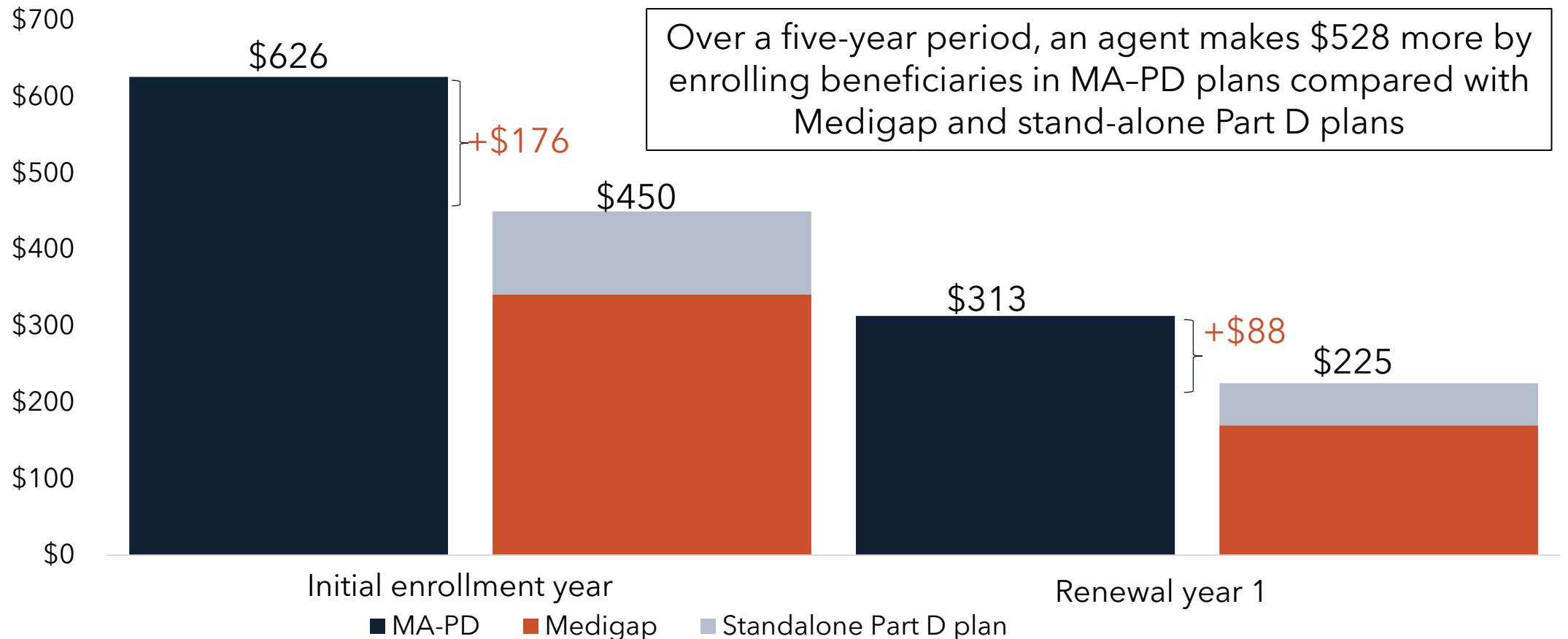
CMS requires agent compensation for MA and Part D plans to be at or below fair market value

Compensation type (contract year 2025)	National maximum
MA	
Initial year	\$626
Renewal year	313
PDP	
Initial year	109
Renewal year	55

Note: CMS (Centers for Medicare & Medicaid Services), MA (Medicare Advantage), PDP (prescription drug plan). CMS establishes maximum annual compensation amounts an organization can pay an independent agent for initial enrollment in MA and Section 1876 cost plans and PDP plans, as well as renewal years. The compensation rate for initial enrollment must be at or below the fair market value (FMV) and renewal compensation is limited to a maximum of 50% of the FMV. The FMV for MA plans is higher than the national rate in five states and lower in two U.S. territories. There is no variation by state/territory in maximum compensation for PDP enrollment.

Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2024. *Updated: Contract year 2025 agent and broker compensation rates, submissions, and training and testing requirements.* HPMS memo. July 18.

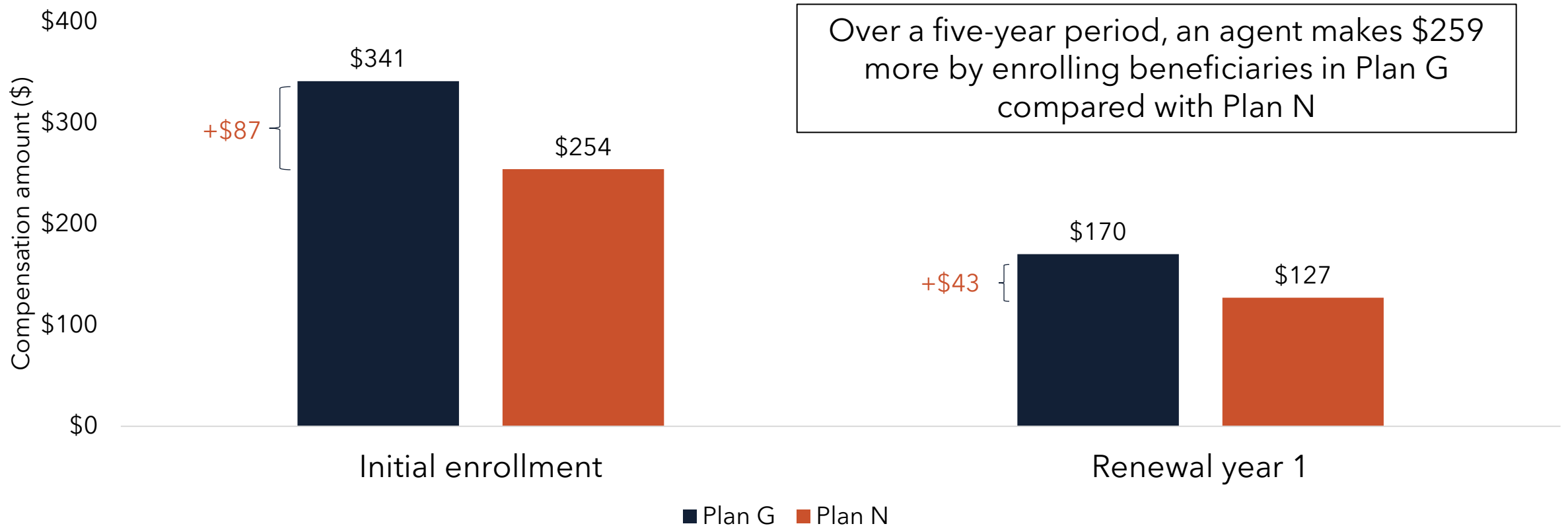
Illustrative Example 1: Agents have a financial incentive to enroll beneficiaries in MA-PD plans



Note: MA-PD (Medicare Advantage Prescription Drug [plan]). In contract year 2025, CMS established maximum agent compensation for initial enrollment in an MA plan is \$626 and a PDP plan is \$109. The maximum renewal enrollment compensation for MA is \$313 and \$55 for PDP. This example uses the median annual premium for a Plan G Medigap plan (\$1,704) based on Plan finder results for a 65-year-old female with no tobacco use and no household discount in ZIP code 22206 (Arlington, VA). We assume that agent compensation for Medigap is 20% of the annual premium for initial enrollment, and 10% of the annual premium for renewal enrollment. This illustrative example does not include administrative and bonus payments that insurers may pay agents.

Source: MedPAC analysis of CMS compensation amounts and Medicare.gov Plan Finder tool.

Illustrative Example 2: Agents have a financial incentive to enroll beneficiaries in higher-premium Medigap plans



Note: This example uses the median annual premiums for a Plan G Medigap plan (\$1,704) and Plan N Medigap plan (\$1,272) based on Plan Finder results for a 65-year-old female with no tobacco use and no household discount in ZIP code 22206 (Arlington, VA). We assume that agent compensation for Medigap is 20% of the annual premium for initial enrollment and 10% of the annual premium for renewal enrollment. This illustrative example does not include administrative and bonus payments that insurers may pay agents.

Source: MedPAC analysis of CMS compensation amounts and Medicare.gov Plan Finder tool.

Zero-dollar commissions can be used as a disincentive for enrolling beneficiaries in certain plans

- Insurance companies do not have to pay agent commissions for enrolling beneficiaries in plans
- There are reports that some insurers provide zero-dollar commissions (noncommissionable plans) for enrollment in certain MA, Medigap, and stand-alone Part D plans

Note: MA (Medicare Advantage).

Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2024c. NAIC Q&A and follow-ups. <https://www.cms.gov/files/document/naic-faq-12-17-2024.pdf>.



Concerns regarding agent practices and data limitations

CMS has noted increased complaints about some agents and marketing organizations

- CMS said its “experience in reviewing beneficiary complaints and listening to recorded calls between agents/brokers and beneficiaries revealed many instances during which agents/brokers failed to provide enough information” or “provided inaccurate information about plan benefits.” Examples included:
 - Telling beneficiaries that if their medication was not on the formulary, the doctor could tell the plan, and the plan would simply add it
 - Stating that “nothing would change” when beneficiaries asked if their current health coverage would stay the same

Source: Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2022. *Medicare program; contract year 2023 policy and technical changes to the Medicare Advantage and Medicare prescription drug benefit programs; policy and regulatory revisions in response to the COVID-19 public health emergency; additional policy and regulatory revisions in response to the COVID-19 public health emergency*. Final rule. *Federal Register* 87, no. 89 (May 9): 27704-27902.
Centers for Medicare & Medicaid Services, Department of Health and Human Services. 2023. *Medicare program; contract year 2024 policy and technical changes to the Medicare Advantage program, Medicare prescription drug benefit program, Medicare Cost Plan program, and Programs of All-Inclusive Care for the Elderly*. Final rule. *Federal Register* 88, no. 70 (April 12): 22120-22345.

Data limitations

- CMS does not collect data on whether a beneficiary used an agent in making their coverage choice, nor does the program collect data on insurer payments to agents
- Publicly available data on agents and agencies that sell Medicare insurance products is limited

Summary

- Many beneficiaries turn to agents to help them navigate complex Medicare enrollment
- Federal law and regulations require MA and Part D organizations to ensure that agents appropriately communicate with beneficiaries
- Agents typically sell plans from multiple insurance companies, but they are not required to sell all available plans in their market
- Agent compensation is tied to initial enrollment and enrollment retention in the plans they sell. Agent may also receive additional payments, such as a bonus for meeting enrollment benchmarks.

Note: MA (Medicare Advantage).

Summary (continued)

- Some stakeholders have voiced concern that agents may have financial incentives to steer beneficiary decision-making. Incentives may include:
 - Greater compensation when enrolling beneficiaries in MA over Medigap plans, in higher-premium Medigap plans over lower-premium plans, and in plans that offer bonuses for reaching enrollment benchmarks
 - Zero-dollar commissions for enrolling beneficiaries in certain plans
- Our ability to analyze the impact of agents on beneficiary enrollment decision is limited due to a lack of data

Note: MA (Medicare Advantage).

Discussion

- Questions
- Feedback on materials
- Potential future analytic work:
 - In this summer's focus groups, ask beneficiaries more about their experiences working with agents
 - Interview SHIP counselors about a variety of topics, including choosing a Medicare plan
 - Continue to track changes in federal regulations around agent compensation
 - Examine other features of the broader plan-choice environment facing beneficiaries, such as the Medicare Plan Finder website



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