



Medicare Advantage Employer Group Waiver Plans

A Primer

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Over half of Medicare beneficiaries are now enrolled in a Medicare Advantage (MA) plan. As MA has grown more popular with beneficiaries, it has become an increasingly popular option for employers offering retiree coverage. About 5 million MA enrollees get their coverage through a retiree MA plan offered by their employer, called an Employer Group Waiver Plan (EGWP). However, scarce research describes the policy, payment, and economic forces shaping the growth of these plans. This brief provides an overview of the current EGWP landscape and identifies areas for future research.

EGWP plans offer Medicare Part A and B benefits under a contract with the Centers for Medicare & Medicaid Services (CMS) and the employer. EGWPs are an alternative to offering traditional Medicare supplemental coverage for retirees, and these plans are a subset of the MA market. However, EGWPs can waive certain MA rules, particularly those that may hinder employers' ability to offer these plans. For example, EGWP plans are exempt from certain MA rules around marketing and open enrollment to allow for employer flexibility. These plans also allow for negotiation between employers and MA insurers around cost sharing, supplemental benefits, and wraparound coverage.

EGWPs are increasingly popular among large employers who offer retiree coverage. In 2022, nearly half of large employers that provided retiree health benefits offered an EGWP plan to their retirees, compared with just 26 percent in 2016 (Freed et al. 2022). Public employers such as cities and states have also shifted retirees into EGWP plans. Recently, New York City tried to transition its retirees' health benefits from a traditional Medicare supplemental plan to an EGWP. The municipal government reportedly expected to save about \$600 million annually because of this proposed change.¹ However, strong objections raised by current New York City employees and retirees about limited access to

providers, higher out-of-pocket costs, and potential denials of necessary care led to the transition being blocked in the courts.²

Although the literature on MA has grown in recent years, few papers focus on EGWP operations and policy issues. The Medicare Payment Advisory Commission (MedPAC) raised concerns about EGWP bidding and payment policies, recommending that CMS pursue an alternative payment approach in 2014 (MedPAC 2014). CMS implemented a new payment structure for EGWPs between 2017 and 2019, and in recent years these plans have not been a focus of further MedPAC recommendations (CMS 2018).

This brief provides background on EGWP plans, examines how EGWP enrollment and payments have changed over time, and explores the policy issues for EGWP plans. We also propose areas for future research and identify potential data sources that could help answer lingering questions about the EGWP program.

Key Takeaways

- EGWP plans are increasingly popular among large employers offering retiree coverage, but the number of employers offering retiree coverage has declined.
- EGWP plans can waive certain MA requirements, including open enrollment, timing of disclosures, some network requirements, call center hours, and some premium requirements. EGWPs can also apply for other waivers on a case-by-case basis.
- Although enrollment in EGWPs is still growing, it is growing more slowly than MA as a whole. As a result, EGWPs have been declining as a share of MA enrollment since 2019.
- Enrollment in EGWPs is not evenly distributed across the country, with Michigan, West Virginia, Kentucky, and Illinois having particularly high EGWP enrollment.
 - » EGWP penetration as a share of Medicare enrollees does not appear to be associated with expected payments. However, it does appear to be associated with employment characteristics such as the share of workers represented by a union and the share of households with non-Social Security retirement income.
- Base payments to EGWP plans have grown slightly more slowly than base payments to MA plans between 2016 and 2021 (a 20.1 percent increase for EGWPs compared with a 21.8 percent increase for non-EGWPs). Changes in CMS payment policies for EGWPs that took effect between 2017 and 2019 do not appear to have significantly reduced growth in EGWP payments relative to the rest of MA. However, the average payment gap between EGWPs and other MA plans shrank from approximately \$20 in 2016 to \$10 in 2021.
- EGWPs are eligible for the MA quality bonus program (QBP), which increases benchmarks and rebate percentages. However, it is unclear why EGWPs are included in the QBP, as they have a

structural advantage on disenrollment measures, and retirees do not have an opportunity to shop for higher-quality coverage.

- Although no known datasets compare employer costs for offering EGWPs versus traditional Medicare supplemental coverage, some evidence suggests that EGWPs save employers money. More data is needed to determine if other factors may drive employers to switch to EGWPs.
- Evidence is lacking on whether offering EGWP plans shifts costs from employers onto the federal government, as both EGWPs and employer-sponsored Medicare supplemental plans (e.g., Medigap-like supplement plans or health insurance plans that “wrap around” primary Medicare coverage as a secondary payer) are associated with higher Medicare costs.

What Are EGWPs?

EGWPs were created by the Medicare Modernization Act of 2003, which also created Medicare Part D.³ EGWPs are MA plans offered by employers to their Medicare-eligible retirees.⁴ These plans are generally offered as an alternative to employer-sponsored Medicare supplemental plans, which provide wraparound coverage for traditional Medicare.

EGWPs can either be self-insured by employers or purchased through insurers.⁵ Self-insured EGWPs—also called direct contract plans—allow large employers or unions to directly contract with CMS to offer MA benefits and take on the risk for their retiree population. However, this option is rarely used,⁶ and 2023 enrollment data show that there were no beneficiaries enrolled in self-insured MA or EGWPs.⁷ Fully insured EGWPs, also called “800 series” plans based on how these plans are assigned numbers, are offered through MA insurers and represent the vast majority of the EGWP market. Similar to large employer health coverage, employers can negotiate with insurers to offer a benefit package and cost-sharing structure that best fits their needs. However, all EGWP plans must cover Medicare Part A and B benefits. The Part A and B benefits offered by the EGWP are covered by Medicare payments to the insurer, while supplemental coverage may be subsidized by employer contributions or employee premiums.

Under the Social Security Act, CMS may waive or modify MA requirements “that hinder the design of, the offering of, or the enrollment in” EGWPs.⁸ Although CMS does not provide data on waivers that have been granted to individual EGWPs on a case-by-case basis, certain waivers are granted to all EGWPs. These include the following:⁹

- EGWPs do not have to offer coverage to all eligible beneficiaries in their service area. Instead, they can limit enrollment to an employer’s qualified retirees.
- EGWPs are not required to submit data for the Medicare Plan Finder.
- EGWPs do not need to follow Medicare’s annual coordinated benefit election period. They can have different open enrollment periods, and the timing of disclosures can be synced to their specific open enrollment period.

- Fully insured EGWPs can attest that they have adequate networks to enroll beneficiaries outside their local service area, alone or through partnerships. This allows EGWPs to offer nationwide coverage to retirees who may move out of state after retirement. Self-insured EGWPs, which are rare, can offer nationwide coverage without being licensed in every state.
- Employers can vary EGWP premiums by employee class, such as by years of service, date of retirement, job category, or pay category (salary versus hourly). However, employers may not vary premiums within a class. For individual MA plans offered in the open market, in contrast, CMS requires that premiums be the same for all eligible Medicare beneficiaries in a service area.
- EGWPs can waive certain call center requirements, including required hours, if they have a sufficient mechanism to respond to inquiries and provide a call center during normal business hours.

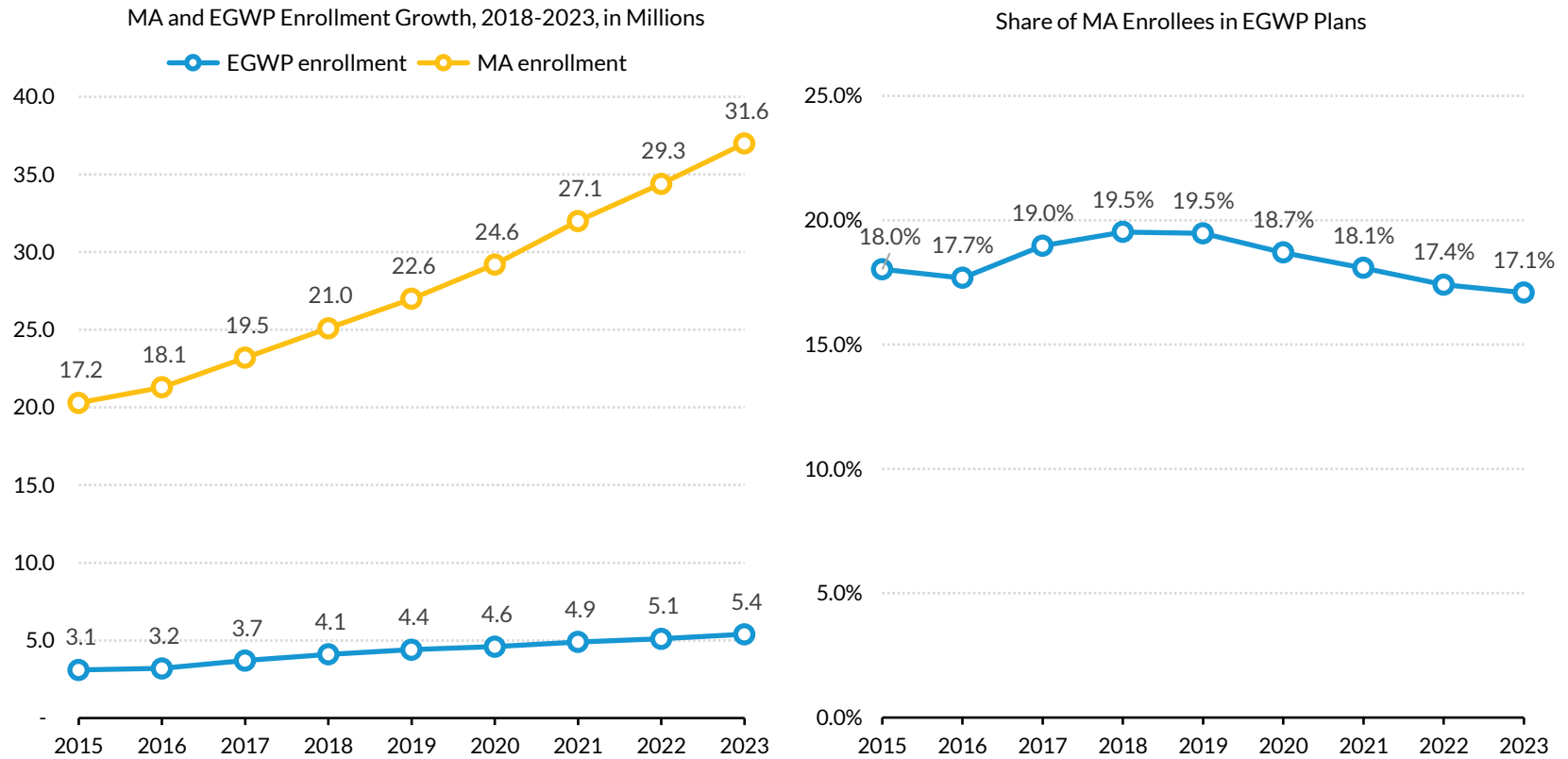
EGWPs also face different rules regarding automatic premium withholding. Individual MA plans are required to offer beneficiaries the option to have their Part B premiums withheld from their Social Security check. However, because employers may contribute to Part B premiums, this option is not available in EGWPs. Instead, MA organizations bill the enrollee or the employer separately.¹⁰ This could create administrative hassles for beneficiaries to ensure their Part B premiums are fully paid.

Employer-sponsored retiree health coverage has been declining over time. As of 2022, only 13 percent of large employers offered retiree health coverage to Medicare-age retirees (Claxton et al. 2022). Among the employers offering retiree coverage, however, EGWPs have become more popular. In 2022, about 50 percent of employers offering retiree health benefits offered at least one MA option, compared with 26 percent in 2017 (Freed et al. 2022).

Between 2015 and 2023, EGWPs grew from 3.1 million enrollees to 5.4 million, or almost 75 percent (figure 1). However, this enrollment growth, although substantial, was smaller than that in MA as a whole, which grew from 17.2 million enrollees to 31.6 million, or almost 85 percent. After an initial increase, EGWPs declined as a share of MA, from 18.0 percent in 2015 to 17.1 percent in 2023 (figure 1). This may reflect reductions in EGWP payments that CMS phased in between 2017 and 2019 or that fewer employers are offering retiree health coverage over time.

FIGURE 1

Changes in EGWP and MA Enrollment, 2015–2023



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Source: Author’s analysis of CMS Contract Plan State County enrollment files for 2015 to 2023. See “Monthly Enrollment by Contract/Plan/State/County,” CMS.gov, accessed December 19, 2023, <https://www.cms.gov/data-research/statistics-trends-and-reports/medicare-advantagepart-d-contract-and-enrollment-data/monthly-enrollment-contract/plan/state/county>.

Note: EGWP = Employer Group Waiver Plan; MA = Medicare Advantage. Includes all plan types.

How Are EGWPs Paid?

Before 2017, EGWPs followed the same benchmark and bidding process as other MA plans. However, in 2014, MedPAC noted that EGWPs consistently bid at or near the benchmark, a phenomenon that was not reflected in individual MA plan bids and suggested EGWPs were not minimizing costs (MedPAC 2014). The MedPAC Commission members recommended that CMS adjust the payment process for EGWP plans to better reflect their costs (MedPAC 2014).

In 2017, CMS began phasing in a new payment approach for EGWPs. Instead of EGWPs submitting bids in the same manner as individual MA plans, EGWPs were transitioned to standardized payment amounts for their service areas. As of 2019, EGWP payments are based on the average bid-to-benchmark ratio for individual MA plans in their service area. This ratio is adjusted to reflect that EGWPs are more likely to be PPOs than the rest of MA, which has a greater share of enrollment in HMOs. EGWPs also receive an “implicit” rebate calculated based on the difference between an EGWP’s benchmark in a service area and the EGWP payment rate in that area.

EGWPs also remain eligible for substantial bonuses under the MA QBP. Although EGWPs no longer submit bids to provide coverage, their benchmarks are increased based on the star rating for their respective MA contracts. This affects both the payment for Part A and B services and the implicit rebate that EGWPs receive. Because star ratings are calculated at the contract level, an EGWP’s rating usually includes a blend of performance from the EGWP and several individual MA plans. MedPAC has found EGWP enrollees are more likely to be in a plan with a higher quality rating than other MA enrollees, likely due in part to continuous coverage and artificially low disenrollment (MedPAC 2020). Therefore, contracts that include EGWPs may have higher star ratings that do not reflect plan performance. The MA QBP resulted in \$10 billion in bonus payments to MA plans in 2021, making this program a significant source of overpayment in the MA system.

EGWP payments are also risk-adjusted alongside the rest of MA. Risk adjustment is intended to ensure MA plans are adequately compensated for the health risk of the population they enroll. However, many MA insurers code diagnoses much more intensively than traditional Medicare, which leads to substantial overpayment of MA plans. This higher coding intensity in MA varies by insurer and plan type, though, and it is unclear whether EGWPs engage in more, less, or the same amount of upcoding as individual MA plans.

How Has EGWP Payment Changed Over Time?

To examine EGWP payments, we used CMS data on MA Plan Payments and Risk Scores for 2016, the year before the change in the EGWP payment approach, and 2021, the most recent year of data available. We weighted all estimates by plan-level enrollment and focused only on HMO and PPO plans.

In 2021, the most recent year of data available, EGWP payment was similar to MA payment overall and by plan type (table 1). On average, EGWP payments were \$970.05 per member per month before

risk adjustment, and non-EGWP MA payments were \$960.53 per member per month (including rebates). On average, EGWPs had slightly lower payments for HMO plans and somewhat higher payments for PPO plans than non-EGWPs. However, EGWPs had much lower average risk scores than non-EGWPs overall, with an EGWP average risk score of 0.99 compared with 1.11 in non-EGWP MA plans. The non-EGWP average risk score is consistent with MedPAC findings that risk scores in MA were 10.8 percent higher than for similarly situated traditional Medicare enrollees in 2021 (MedPAC 2023). The lower risk scores in EGWPs likely mean that total payments, including risk adjustment payments, are lower in EGWPs than in individual MA plans. However, we do not observe risk-adjusted payments in the CMS dataset.

TABLE 1

Average Base Payments and Risk Scores, EGWP versus Non-EGWP Plans, by Plan Type, 2021

	Average risk score	Average total payment
PPOs and HMOs		
Non-EGWP	1.11	\$ 960.53
EGWP	0.99	\$ 970.05
PPOs only		
Non-EGWP	1.01	\$ 945.79
EGWP	0.98	\$ 974.65
HMOs only		
Non-EGWP	1.15	\$ 966.94
EGWP	1.01	\$ 952.93

Source: Authors' analysis of 2021 Centers for Medicare & Medicaid Services Medicare Advantage Payment and Risk Score data, merged with June 2016 and June 2021 Medicare Advantage enrollment data.

Notes: EGWP = Employer Group Waiver Plan. Excludes Program of All-Inclusive Care for the Elderly, Demo, Medical Savings Account, and private fee-for-service plans, as those plan types are not available via employers. All estimates are weighted by enrollment. Average total payments are per member per month and include base payments for Part A and B services and rebates. Average total payments have not been risk adjusted, though the small portion dedicated to rebates (not shown separately) includes risk adjustment.

Between 2016 and 2021, payments to both EGWP and non-EGWP plans increased approximately 20 percent (table 2). EGWPs had a slightly smaller increase in payments of 20.1 percent compared with 21.8 percent in non-EGWPs. This suggests that the changes to the EGWP payment approach that went into effect between 2017 and 2019 did not substantially reduce growth in EGWP payments relative to the rest of MA. However, in 2016, EGWPs were paid an average of approximately \$20 more per member per month than non-EGWPs, and by 2021, that gap shrank to \$10. These findings are consistent with MedPAC reports, which indicated that EGWPs were paid 109 percent of traditional Medicare in 2014 and 102 percent of traditional Medicare in 2022. During that same period, payments to MA plans fell by a similar margin, from 106 percent of traditional Medicare in 2014 to 100 percent of traditional Medicare in 2022 before accounting for coding differences (MedPAC 2014, 2022).

TABLE 2

Change in Weighted Average Payments and Risk Scores for EGWP versus Non-EGWP Plans, 2016–2021

		2016	2021	Percent change
Weighted average risk score	Non-EGWP	1.10	1.11	0.5%
	EGWP	1.01	0.99	-2.1%
Weighted average total payment	Non-EGWP	\$788.52	\$960.53	21.8%
	EGWP	\$807.74	\$970.05	20.1%

Source: Authors' analysis of the 2016 and 2021 Centers for Medicare & Medicaid Services Medicare Advantage Payment and Risk Score data, merged with June 2016 and June 2021 Medicare Advantage enrollment data.

Notes: EGWP = Employer Group Waiver Plan. Excludes Program of All-Inclusive Care for the Elderly, Demo, Medical Savings Account, and private fee-for-service plans, as those plan types are not available via employers. All estimates are weighted by enrollment. Average total payments are per member per month and include base payments for Part A and B services and rebates. Average total payments have not been risk adjusted, though the small portion dedicated to rebates (not shown separately) includes risk adjustment.

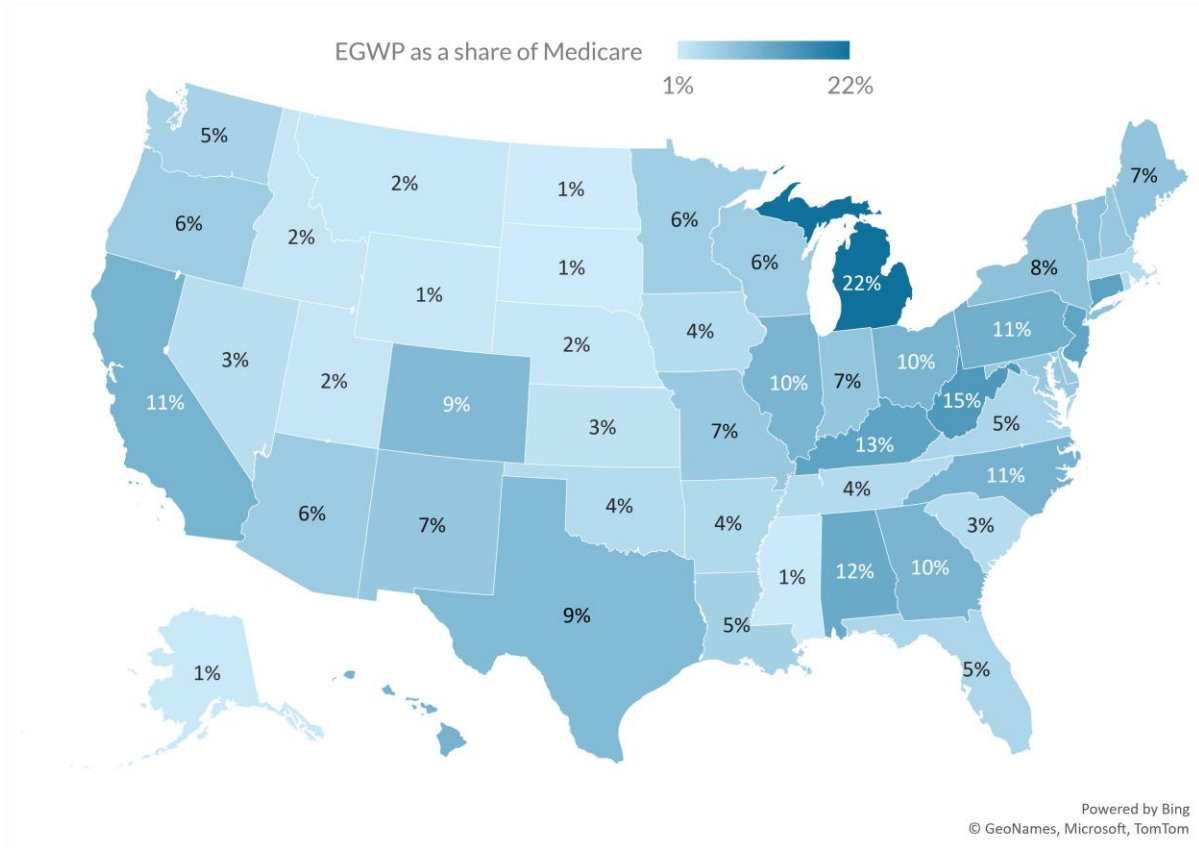
Where Are EGWPs Popular?

EGWP enrollment is not evenly distributed across the country (figure 2). In 2023, EGWPs were far more popular in Michigan than in any other state. About 22 percent of all Medicare enrollees in Michigan were in an EGWP plan in 2023, compared with just 5 percent in Florida. Both the State of Michigan¹¹ and the United Auto Workers Trust¹² offer EGWP plans.

Despite geographic differences in EGWP penetration, EGWPs appear to be evenly distributed across MA payment quartiles (table 3). MA payment quartiles correspond to traditional Medicare spending. Each county is assigned a quartile, with the highest-cost counties assigned to the 95th percent quartile and the lowest-cost counties assigned to the 115th percent quartile. Counties in the 95th percent quartile have benchmarks that are 95 percent of normalized traditional Medicare spending. Although we might expect that areas with higher benchmarks (95th percentile counties) and correspondently higher EGWP base payment rates might encourage more employers to move from supplemental coverage to EGWP plans, the distribution of EGWPs by quartile suggests that is not the case. EGWP penetration as a share of MA enrollment varies from 15.7 percent to 21.3 percent across quartiles, while MA penetration varies from 41.9 percent to 50.2 percent.

FIGURE 2

EGWP Enrollment as a Share of Medicare Enrollees in 2023, by State



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Source: Author's analysis of the Centers for Medicare & Medicaid Services (CMS) Contract Plan State County enrollment files and CMS Medicare Advantage Penetration by State and County files for 2023.

Note: EGWP = Employer Group Waiver Plan. EGWP penetration was calculated by dividing total EGWP enrollment in the state by total Medicare enrollees in the state. EGWP enrollment was derived from CMS Contract Plan State County enrollment files; Medicare eligibles were derived from CMS Medicare Advantage Penetration by state and county files.

TABLE 3

EGWP Enrollment by Benchmark Quartiles (including transitional quartiles), 2023

MA benchmark quartiles (including transitional quartiles)*	Number of EGWP enrollees	Number of MA enrollees	Share of EGWP enrollees that are in each quartile	Share of MA enrollees that are in each quartile	EGWP penetration as a share of MA	EGWP penetration as a share of Medicare enrollees	MA penetration as a share of Medicare enrollees
.95	1,169,805	6,227,021	22.1%	20.3%	18.8%	8.3%	44.0%
.975	114,017	713,399	2.2%	2.3%	16.0%	6.7%	41.9%
1	1,121,160	6,947,990	20.5%	22.6%	15.7%	7.2%	44.6%
1.0375	417,045	1,954,526	7.9%	6.4%	21.3%	10.7%	50.2%
1.075	1,011,014	5,863,273	18.8%	19.1%	17.0%	8.3%	48.1%
1.1125	228,070	1,340,132	4.3%	4.4%	16.9%	7.9%	46.6%
1.15	1,307,393	7,643,629	24.2%	24.9%	16.7%	9.2%	53.7%

Source: Author’s analysis of the Centers for Medicare & Medicaid Services (CMS) Contract Plan State County enrollment files and CMS Medicare Advantage Penetration by State and County files for 2023.

Notes: EGWP = Employer Group Waiver Plan; MA = Medicare Advantage; * = County quartiles are adjusted yearly. For counties moving between quartiles, transitional quartiles were created by CMS to smooth the transition over time. We dropped the 1.0125 transitional quartile from this table because it included fewer than 500 MA enrollees in 2023.

To further explore the geographic differences that may be associated with variation in EGWP penetration across the country, we also estimated a county-level Ordinary Least Squares regression model.

In our model, the dependent variable was county-level EGWP penetration as a share of Medicare enrollment. Our independent variables were the maximum county EGWP benchmark¹³ in 2023 from CMS, the share of workers employed by a private company from the five-year American Community Survey, and the share of households with any retirement income (not including Social Security) from the five-year American Community Survey.¹⁴ We also included the state-level share of workers represented by a union in 2022 from the Bureau of Labor Statistics, as this data was not available at the county level. The EGWP benchmark could be positively associated with penetration by making employers more likely to offer EGWPs in areas with high payments. The employment characteristics we included in this analysis could all serve as proxies for large employers offering retiree benefits in the county.

As shown in table 4, EGWP benchmarks were not associated with EGWP penetration. However, all three employment variables were significantly associated with EGWP penetration. The share of workers employed by a private company, the share of households with retirement income, and the share of workers represented by a union were all positively associated with EGWP penetration, suggesting EGWPs are more prevalent in counties with more private employment, more non-Social Security retirement income, and greater union representation. Overall, the model explained 16.2 percent of the variation in EGWP penetration rates across counties. These results suggest that the geographic distribution of EGWPs is driven more by employment characteristics than by MA payment rates, but much of the variation in EGWP penetration remains unexplained.

TABLE 4
Association between County EGWP Penetration, Maximum EGWP Payment Rate, and Employment Characteristics

	Coefficient	Standard error
Five-star EGWP payment rate (in thousands)	0.0008	0.001
Share of workers represented by a union, 2022 (state level)	0.275**	0.023
Share of households with retirement income, 2022	0.295**	0.020
Share of workers employed by private companies, 2022	0.201**	0.017
Constant	-0.170**	0.023
R2	0.161	
Sample size	2.648	

Source: Author’s analysis of the Centers for Medicare & Medicaid Services (CMS) Contract Plan State County enrollment files, CMS Medicare Advantage Penetration by State and County files, CMS Medicare Advantage Ratebook for 2023, and the 2021 five-year American Community Survey.

Notes: EGWP = Employer Group Waiver Plan; * = $p < 0.10$; ** = $p < 0.05$.

Why Do Employers Offer EGWPs?

To our knowledge, no datasets allow a direct comparison of employer costs for offering a traditional Medicare supplement versus an EGWP. However, employer behavior suggests that EGWPs offer cost savings. In New York City, a recent plan to shift city government retirees from a Medicare supplement to an EGWP was expected to save \$600 million annually.¹⁵ However, opponents of the change sued, and the New York State Supreme Court blocked the planned transition to the MA EGWP plan.¹⁶

Although data on employer Medicare supplement costs and employer-paid premiums for EGWPs are not available, parallel data from the Medicare market for individuals shows lower premium costs for MA relative to Medigap. In addition to the basic Part B premium, the average Medigap premium was \$178 per month in 2022,¹⁷ but the average MA premium in 2022 was just \$19.¹⁸ However, purchasing comprehensive Medigap may lead to lower total out-of-pocket costs, including copays and deductibles, particularly for beneficiaries with high-cost conditions, as such a plan would cover most traditional Medicare cost sharing.¹⁹

Switching to an EGWP may also simplify employers' administrative burdens. EGWPs often include integrated Part D and supplemental benefits, so employers would not need to administer separate Medicare supplemental coverage (e.g., Medigap) and Part D plans. EGWPs can also cover some dental and vision benefits, which may allow employers to reduce or eliminate separate retiree dental and vision plans.

Do EGWPs Shift Costs from Employers to the Medicare Program?

Although switching to an EGWP from Medicare supplemental coverage likely saves employers money, it is unclear if this choice increases costs for the Medicare program. Before the 2017–2019 change to the EGWP payment system, EGWPs were overpaid relative to MA (MedPAC 2014). As of 2021, EGWP payments are just \$10 higher per member per month than in MA, which may reflect geographic differences or higher quality scores among EGWP plans (table 4).

However, even though EGWP payments are now similar to individual MA payments, MA as a whole is widely considered overpaid (Lieberman, Ginsburg, and Valdez 2023; MedPAC 2023; Skopec, Garrett, and Gangopadhyaya 2023). This overpayment derives from two primary sources: risk adjustment and the QBP. MA plans receive risk-adjusted payments based on the diagnoses of their enrollees, which leads plans to aggressively code diagnoses to maximize payment, a phenomenon called upcoding. Because the risk adjustment model is derived from a traditional Medicare population, the differential coding incentive in MA seems to allow plans to game the system and garner unwarranted payments.²⁰ Upcoding behaviors vary widely across plans, however, and it is unclear if this phenomenon is as prevalent among EGWP plans as it is among individual MA plans. In 2021, the average risk score in EGWPs was 0.99, so EGWPs in the aggregate are not receiving substantial risk adjustment payments. However, it is possible that without upcoding, these plans would have even lower risk scores. MA plans

with risk scores below 1.0 have their base payments reduced to reflect the lower risk of their enrolled population.

The QBP is also a source of overpayment in MA. Unlike other Medicare quality payment programs, the QBP is not budget neutral because no penalties are assessed against poor-performing plans to fund the bonuses. In 2023, the QBP is expected to result in at least \$12.8 billion in additional payments to MA plans (Biniek, Damico, and Neuman 2023), despite little evidence that the program improves quality or helps beneficiaries select better plans (Skopec and Berenson 2023). EGWPs are also eligible for QBP bonuses to benchmarks, potentially resulting in overpayments to these plans. According to MedPAC, EGWPs perform better on star ratings than non-EGWPs (MedPAC 2019). This is partly because EGWPs have an unfair advantage on the star ratings disenrollment measure, as employees cannot disenroll without losing their retiree benefits. In addition, retirees do not select an EGWP in the same way other Medicare beneficiaries select an MA plan, as retirees are limited by the choices made by their former employer. It is, therefore, unclear how applying the QBP to EGWPs serves the goals of the QBP program, which was intended to help beneficiaries select high-quality MA plans.

Although MA overpayment would suggest that Medicare costs may increase when employers switch to EGWP plans, Medicare supplemental coverage also tends to increase Medicare costs. Research has shown that rich supplemental plans that wrap around traditional Medicare increase utilization for Medicare enrollees, increasing costs (Cabral and Mahoney 2019; Keane and Stavrunova 2016). In 2012, MedPAC found that beneficiaries with employer-sponsored supplemental coverage had spending 17 percent higher than similar beneficiaries without supplemental coverage (MedPAC 2012). It is, therefore, unclear whether increased demand from employer-sponsored supplemental benefits costs the Medicare program more or less than overpayments to EGWPs.

Areas for Future Research and Potential Data Sources

EGWPs are an understudied part of the MA program despite enrolling over 5 million beneficiaries. This is partly because limited data is available on EGWP waivers, contracts, and benefit packages. The findings in this study suggest several areas for future research.

First, future research could explore whether EGWPs shift costs from employers to the federal government. For example, studies could examine whether transitions from employer-sponsored Medicare supplemental plans or secondary coverage to EGWPs result in increased, decreased, or unchanged Medicare costs for enrolled retirees. One approach for this work would be to replicate MedPAC's study of induced demand from supplemental coverage but focus on whether federal government costs are higher for EGWPs or employer supplemental coverage (MedPAC 2012), which would indicate cost-shifting. Alternatively, researchers could work with an employer or insurer to determine a sample group of retirees to follow in Medicare claims, and MA encounter data during the transition to an EGWP to determine whether federal costs increase when EGWP coverage is introduced. However, finding employers willing to participate in such a study may be difficult.

Second, although MedPAC and others have documented variations in risk adjustment coding intensity among MA plans, this work has not yet focused on coding differences between EGWP and non-EGWP plans. Future research could examine whether EGWPs have differentially higher or lower coding intensity than individual MA plans using established methods.

It is also likely that EGWPs offer richer benefits than individual MA plans, given employer contributions. However, the negotiations between employers and insurers over benefit packages are not public. Future research could use the CMS data on supplemental benefits to explore whether these benefits differ for EGWP plans, though we note that more limited reporting requirements for EGWPs may mean this data is incomplete or unreliable. Research and advocates could work with CMS or use FOIA requests to access EGWP contracts to examine benefits and cost-sharing in more detail. CMS could also create a public database of waivers granted to EGWP plans to facilitate research exploring how EGWP benefits differ from individual MA benefits.

Finally, it remains unclear how EGWPs are marketed to employers and retirees. A qualitative study could conduct interviews or focus groups with brokers, employers, union representatives, and employees to explore how the choice is made to transition to an EGWP, how benefits are negotiated between insurers and employers, and what information is available to employees to help them select a plan where multiple options are offered.

Conclusion

EGWPs allow employers to offer retiree health coverage via the MA program, with flexibility to design benefits that meet the needs of the employer and their retirees. This approach has proven popular with large employers, with 5.4 million Medicare beneficiaries enrolled in an EGWP in 2023. In 2021, half of employers providing retiree health coverage offered an EGWP option (Freed et al. 2022). However, EGWPs have been falling as a share of MA since 2019, potentially reflecting declines in payment or losses of employer-sponsored benefits for retirees.

EGWPs are not evenly distributed across the country. In Michigan, 22 percent of all Medicare beneficiaries are enrolled in an EGWP, compared with just 5 percent in Florida. However, we found that EGWPs are not concentrated in any particular MA payment quartile, and EGWP penetration is not driven by payment amounts. Instead, the popularity of these plans appears to be related to employment market characteristics, including the share of workers employed by a private company, the share of households with retirement income, and the share of workers represented by a union.

There is growing concern about overpayment to MA plans in the form of excessive risk adjustment payments and quality bonuses. However, these overpayments are not evenly distributed across MA plans. It remains unclear to what extent EGWPs are overpaid via risk adjustment. However, the QBP overpays EGWPs by estimating their quality performance, partly based on disenrollment, which is rare in retiree coverage. Additionally, the rationale for including EGWPs in the QBP is unclear, as retirees do not have an opportunity to “shop” for higher-quality coverage. It is also unclear whether employer

transitions from offering traditional Medicare supplemental coverage to offering EGWPs increase Medicare costs overall, as both plan types are associated with increased Medicare spending.

As the MA program grows, more research is needed to determine the appropriate level of EGWP payment, necessary guardrails on benefit packages and marketing practices, and whether these plans increase federal costs relative to alternative retiree benefit packages.

Notes

- ¹ Mark Miller, “More Retiree Health Plans Move Away From Traditional Medicare,” *New York Times*, March 10, 2023, <https://www.nytimes.com/2023/03/10/business/medicare-advantage-retirement-nyc.html>.
- ² Honorable Lyle E. Frank, “Decision and Order on Motion,” Injunction (New York County: Supreme Court of the State of New York, June 6, 2023), <https://nycmea.org/medicare-decision-and-motion-order/>; Annie McDonough, “New York City Retirees Score Major Victory in Medicare Advantage Fight,” *City & State New York*, August 11, 2023, <https://www.cityandstateny.com/policy/2023/08/new-york-city-retirees-score-major-victory-medicare-advantage-fight/389352/>.
- ³ United States 108th Congress, “Medicare Prescription Drug, Improvement, and Modernization Act of 2003,” Public Law 173, Statute 2066 (2003), <https://www.govinfo.gov/content/pkg/PLAW-108publ173/html/PLAW-108publ173.htm>.
- ⁴ Employer-sponsored Part D plans are also called EGWPs. However, for the purposes of this study, we focus exclusively on employer-sponsored MA plans, with or without integrated Part D coverage.
- ⁵ “Medicare Managed Care Manual: Chapter 9 – Employer/Union Sponsored Group Health Plans,” CMS, May 3, 2013.
- ⁶ Kyoungrae Jung, “Sources of Data to Supplement PDE Data: Plan Characteristics File,” Research Data Assistance Center, accessed December 6, 2023.
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