

# *Medicare Advantage “Flex Cards” and Public Benefits*

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## **Introduction**

This issue brief outlines the uses of flex cards, preloaded debit cards, by private Medicare Advantage plans, the impacts of the cards on eligibility for public benefits, as well as needed expansions in consumer protections.

## **Background on Supplemental Benefits**

The Creating High-Quality Results and Outcomes Necessary to Improve Chronic (CHRONIC) Care Act of 2018 allowed private Medicare Advantage (MA) plans to offer a wider array of non-health related benefits than previously permitted.<sup>1</sup> These new benefits, called Special Supplemental Benefits for the Chronically Ill (SSBCI), were aimed at addressing the contributing social risk factors that impact health outcomes, particularly for beneficiaries with complex health needs who meet requirements for the benefits.<sup>2</sup> Plans were able to offer these benefits beginning in 2020.<sup>3</sup> This was a significant expansion of the types of supplemental benefits plans were permitted to offer, which were previously limited to narrowly-defined, primarily health-related medical services such vision, dental and hearing benefits.<sup>4</sup>

The new law allowed plans to offer non-primarily health-related benefits, such as pest control, meals, non-medical transportation, service dog support, and other services. Previous supplemental benefits also had to be offered uniformly to all plan members, whereas the new supplemental benefits were targeted at a specific group of enrollees – those with chronic illnesses.

At the same time, beginning for plan year 2019, the Centers for Medicare and Medicaid Services (CMS) expanded the definition of “primarily health-related,” so that plans could

offer non-medical services like adult day care, support for family caregivers, and other benefits.<sup>5</sup> The new definition as CMS outlined, was for benefits intended to “diagnose, prevent, or treat an illness or injury, compensate for physical impairments, act to ameliorate the functional/psychological impact of injuries or health conditions, or reduce avoidable emergency and health care utilization to all beneficiaries.” In the same guidance, CMS permitted plans to offer these broader benefits to targeted sets of beneficiaries, no longer requiring that all beneficiaries in a plan have access to the same supplemental benefits.

Together these changes in Medicare coverage demonstrated a new understanding that social determinants of health should be addressed through services that are more broadly defined as medical services, because they contribute to health outcomes, and overall beneficiary well-being. While this issue brief focuses on flex cards rather than on supplemental benefits broadly, it is significant to note that though these coverage expansions were only applicable to MA plans, the Center for Medicare Advocacy has long advocated for parity between traditional Medicare and MA plans by expanding coverage of supplemental benefits in traditional Medicare. It is also important to note that benefits vary widely by plans, and often beneficiaries do not utilize many of the supplemental benefits that are available to them for a variety of reasons. Of course, many of these benefits are currently available in some state Medicaid programs for beneficiaries who are dually eligible for Medicare and Medicaid. Additional information is necessary to study the overall effectiveness of supplemental benefits in MA. CMA has long called for additional data transparency requirements for plans, especially regarding the use of supplemental benefits, and the cards as a means of administering these benefits. There have been some recent improvements in what CMS requires<sup>6</sup> plans to collect and share related to supplemental benefits, including the number of beneficiaries eligible for the benefit as well as the number of beneficiaries who used the benefit. However, there are still many gaps in data collection.<sup>7</sup> Current data collection requirements do not get at the total out-of-pocket spending for certain categories of extra benefits or how spending could vary based on utilization of certain items within a

benefit. Without a more complete picture of utilization and spending, it is difficult to assess the overall value of the benefits and their impact on health outcomes. The broader topic of supplemental benefits will be explored in future CMA issue briefs.

## **“Flex Cards”**

MA plans that offer supplemental benefits or SSBCI benefits can provide them through “flex cards,” or prepaid debit cards used to cover extra expenses. The cards are offered through MA plans to pay for specific expenses, as outlined by the plan. Enrollees can use the cards to cover co-payments for dental or vision care, for example, or for expanded benefits like food and transportation. The cards are preloaded with a specific amount for a specified amount of time, for example monthly, quarterly or annually, all set by the plan.<sup>8</sup>

CMA has long held concerns regarding MA plans’ use of debit cards for administering both mandatory supplemental benefits for all MA enrollees and supplemental benefits available as SSBCI. Many private MA plans heavily promote flex cards in their advertisements, though the amounts on the cards, permitted uses, and other details vary by plan. The cards can be appealing to low-income beneficiaries who struggle to cover their out-of-pocket costs each month, as they can sometimes be used to purchase items such as groceries and over-the-counter medications. Extensive marketing of the flex cards by MA plans, coupled with beneficiaries on tight budgets facing high out-of-pocket costs, has led to beneficiaries seeking out plans with the highest flex card amounts, regardless of the other plan benefits or provider networks.<sup>9</sup> In fact, in our conversations with State Health Insurance Assistance Programs (SHIP) counselors in recent years, we are often told that while there are many factors, the dollar value of the flex card is one of the top reasons people cite for choosing an MA plan. At CMA, we urge beneficiaries, particularly those who are dually eligible for Medicare and Medicaid, to proceed with great caution when selecting their Medicare coverage, and to consult with their local SHIP program for unbiased advice.

Since 2024 CMA has been monitoring flex cards and their impact on eligibility for public benefits. After learning that some Connecticut low-income housing complexes were imposing rent increases on residents who are in MA Dual Eligible Special Needs Plans (D-SNPs) with flex cards, we discovered that the contractors hired by the owners of the properties were counting the dollar amounts on the cards toward income in rental assistance eligibility determinations. The individuals, who are dually eligible for Medicare and Medicaid, also receive federal assistance for housing through the Department of Housing and Urban Development (HUD). The residents learned that their rent would increase because the money the MA plan provides through the flex card was being counted as income. Some Connecticut-based housing complexes were citing HUD policy in support of the rent increases because the flex cards could be used to pay for certain utilities. The housing officials also interpreted HUD rules to require rent increases proportional to the flex card amounts regardless of whether the beneficiaries used the cards for utilities, or for anything else. The simple fact that these residents received flex cards was enough to trigger rent increases.<sup>10</sup> The rent increases have been devastating for beneficiaries who are already living off very limited means.

Stakeholders report that other public benefits have been jeopardized by flex cards as well. Leading Age, for example, reports multiple instances where individuals join Medicare Advantage plans for flex card benefits, not realizing that they will be disenrolled from the Program of All-Inclusive Care for the Elderly (PACE).<sup>11</sup>

## **Guidance on Flex Cards and Public Benefits**

HUD released important new guidance in January 2025 clarifying its policies on when flex cards can be counted toward calculations of income for purposes of rental assistance.<sup>12</sup>

The guidance echoed CMS language that the cards are simply a mechanism for administering a benefit and are not a benefit in themselves that should be counted as income in public benefit determinations. The HUD guidance clearly stated that only

funds from the cards that are used to pay for utilities or rent can be counted as income; all other funds or unused amounts must be excluded from income calculations for purposes of HUD assistance.

The agency explained that people in HUD rental-assistance programs who do not use their flex card benefits for rent or utilities should not have any portion of their flex card amounts counted toward their income. This will assist low-income individuals who have wrongfully seen their rents increase as a result of receiving MA flex cards with pre-loaded dollar amounts, regardless of whether or how they have used the benefits.

- The HUD Frequently Asked Questions document made clear that “any benefits administered through a Flex Card other than rent and utility support payments, or unused benefits (e.g., any portion of the Flex Card amount that is unspent and the family loses at the end of the month or plan year) should not be counted in the family’s income calculation.” Thus, amounts used towards groceries or over-the-counter medical products, which is how the cards are commonly used, should have no effect on MA enrollees’ subsidized rent amounts.
- The HUD guidance emphasized that it, “requires that benefits or supports received **and used** for the purpose of paying rent and utilities – such as the supports that may be provided through an MA Plan with [Flex Cards] – must be included in the calculation of income.” (emphasis in original). It goes on to state that Flex Card benefits that are **not used** for the purpose of paying rent and utilities must be excluded from the income calculations.
- The guidance also stated that because “the vast majority” of these benefits will be excluded from income determinations, they “do not need to be verified, including benefits on Flex Cards that are used for anything other than rent and utilities.” Furthermore, because only “benefits for rent and utilities are relevant for income determinations, housing providers should generally assume that benefits administered through Flex Cards have not been used to pay for rent and utilities unless the housing provider has information to suggest otherwise, or the

beneficiary has indicated that they receive and have used (or will use) the supplemental benefit for rent and utilities.” This presumption means that beneficiaries should not be burdened with proving that they did not use the benefits for rent or utilities.

## **Need for Expanded Consumer Protections**

While the recent HUD guidance clearly defined the limited instances in which flex cards can be counted toward federal housing benefits, more consumer protections are necessary to ensure beneficiaries do not jeopardize their other essential benefits. Action that cuts across all agencies defining the flex cards as non-countable income, regardless of use of the card, for the purposes of all public benefit determinations would eliminate this issue. CMA, along with many of our advocacy partners and some members of Congress have called for such broad clarifications.<sup>13</sup> Absent this, additional guardrails for the marketing and usage of the cards are necessary.

A recent proposal by CMS, released during the last administration, proposed expanding consumer protections in relation to flex cards that would address some concerns.<sup>14</sup> These protections include prohibiting MA organizations from marketing the dollar value of a supplemental benefit or the method by which a supplemental benefit is administered. Current advertisements can lead consumers to focus on the cash value of the card, while disregarding other key aspects of the plan. Beneficiaries should consider other benefits in the plan, including whether they qualify for certain supplemental benefits, or whether their providers are in the plan’s network. CMS stated that current advertisements can “potentially giv[e] false impressions that the card itself is the benefit...” Limiting the advertisements surrounding these cards will help potential enrollees review all aspects of the plan and make a more informed choice that better matches their health needs.

While advertisements, such as those on television, print and radio, should not include the details of the cards, as they can be misleading, strong requirements for plans to

outline the details of the cards elsewhere are needed. Plan materials for potential and current enrollees should include complete and understandable information on the benefits accessible through the cards, how they can be accessed, and any other pertinent information related to the cards.

CMS's recent proposal also included a requirement that MA organizations that use debit cards to administer a supplemental benefit provide instructions for debit card use and customer service support to enrollees to answer questions or help with issues related to the administration of the card. Research demonstrates that many supplemental benefits are left unused by beneficiaries. A recent report in Science Magazine highlighted research examining data collected from over 76,000 Medicare beneficiaries between 2017 and 2021. It found that "nearly half of Medicare Advantage enrollees were not even aware that they had dental or vision coverage under their plans, raising concerns about the communication and transparency of insurance providers." <sup>15</sup>

Our experience shows that beneficiaries are unsure of how to access their benefits by using flex cards and are unsure of where they are able to use their cards. Requiring the plan to provide detailed information and customer service support could improve utilization of these benefits. The information must be accessible to beneficiaries living in rural areas with limited internet availability.

Since benefits must be used within a plan year, beneficiaries should clearly understand that they cannot carry over benefits from one plan year to another. Clarity on this issue is critical, as a misunderstanding could encourage beneficiaries to remain enrolled in a plan for a subsequent year with the false belief that they can carry over those benefits. Underutilized benefits on the cards underscores the inherent issues with these cards and why they are a problematic mechanism for providing benefits.

MA plans should also be required to disseminate the HUD and other agency guidance and information broadly to their enrollees through plan materials and through the plan website, wherever flex cards are mentioned. Beneficiaries should receive a clear

warning that flex card amounts used for rent and/or utilities will be counted toward their income calculations for federal housing benefit purposes and may result in rent increases. It is critically important that beneficiaries understand this when using their debit cards. Otherwise, those eligible for HUD assistance could inadvertently jeopardize their rental assistance. Due to the beneficiaries who contacted us at CMA, our focus has been on the impact of these cards on housing benefits specifically. But a review of other public benefits that may be impacted by the flex cards is necessary, the results of which would guide other relevant warnings or disclaimers plans should be required to provide beneficiaries.<sup>16</sup>

## Conclusion

Despite clarifying guidance from agencies regarding flex cards and public benefits, as well as proposed improvements in the oversight of flex cards and limitations on the marketing of such cards, concerns remain about how the cards drive consumer behavior and their impact on essential public benefits. While the CMS proposed rule allows for the flexibility to use alternatives to the flex cards, it would be beneficial for Congress and CMS to explore requiring MA plans to use alternative methods for providing supplemental benefits.

It is unclear whether the new administration will finalize the flex card consumer protections in the proposed rule, making it even more important that unbiased information from SHIP counselors and other objective sources reach beneficiaries.

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<sup>1</sup> The CHRONIC Care Act was incorporated into the Bipartisan Budget Act of 2018 (Pub. L. 115-123; 2018).

<sup>2</sup> SSBCI must have a reasonable expectation of improving or maintaining the health or overall function of the chronically ill enrollee. The benefits are limited to members who have 1) at least one complex chronic condition that is life threatening or significantly limits overall health or function, 2) are at high risk of hospitalization or other adverse health outcomes and 3) require intensive care coordination.



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<sup>3</sup> The CHRONIC Care Act was incorporated into the Bipartisan Budget Act of 2018 (Pub. L. 115-123; 2018).

<sup>4</sup> Thomas Kornfield et. al, Commonwealth Fund, “Medicare Advantage Plans Offering Expanded Supplemental Benefits: A Look at Availability and Enrollment,” (Feb. 10, 2021), *available at* <https://www.commonwealthfund.org/publications/issue-briefs/2021/feb/medicare-advantage-plans-supplemental-benefits>.

<sup>5</sup> Centers for Medicare & Medicaid Services, “Announcement of Calendar Year (CY) 2019 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter,” (April 2, 2018), *available at* <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/Announcement2019.pdf>

<sup>6</sup> CMS, “Part C Reporting Requirements,” *available at* <https://www.cms.gov/medicare/enrollment-renewal/health-plans/part-c>.

<sup>7</sup> KFF, “Gaps in Medicare Advantage Data Remain Despite CMS Actions to Increase Transparency,” (April 10, 2024), *available at* <https://www.kff.org/medicare/issue-brief/gaps-in-medicare-advantage-data-remain-despite-cms-actions-to-increase-transparency/>

<sup>8</sup> Kimberly Lankford, “What is a Medicare flex card?,” AARP (Mar. 16, 2023), *available at* <https://www.aarp.org/health/medicare-qa-tool/what-is-a-medicare-flex-card.html>.

<sup>9</sup> Another issue regarding flex cards that warrants additional study is whether plans that use flex cards to administer benefits provide more limited benefits in other areas. This could be a result of plans using their rebate (savings from the difference between the benchmark and the plan’s bid) on the flex cards rather than other benefits. Additional research is needed to determine if plans market these cards so heavily specifically because they aim to appeal to beneficiaries who find the cash value of the cards more valuable than other covered benefits. For an explanation on rebates and MA financing, see Commonwealth Fund, “Medicare Advantage: A Policy Primer,” (Jan. 31, 2024), *available at*, <https://www.commonwealthfund.org/publications/explainer/2024/jan/medicare-advantage-policy-primer>.

<sup>10</sup> Center for Medicare Advocacy, “Warning: MA Plan Flex Cards May Impact Housing Benefits of Low-Income Beneficiaries” (Oct. 3, 2024) *available at* <https://medicareadvocacy.org/ma-plan-flex-cards-may-impact-benefits/>

<sup>11</sup> LeadingAge, “Letter to CMS regarding opportunities to strengthen Program of All-inclusive Care for the Elderly (PACE) participant protections against Medicare Advantage (MA) fraudulent and misleading marketing practices” (July 25, 2024) *available at* [https://leadingage.org/wp-content/uploads/2024/07/20240725\\_NPA-LeadingAge\\_Lttr\\_CMS\\_MA\\_Marketing\\_Practices.pdf](https://leadingage.org/wp-content/uploads/2024/07/20240725_NPA-LeadingAge_Lttr_CMS_MA_Marketing_Practices.pdf).

<sup>12</sup> Department of Housing and Urban Development, “Frequently Asked Questions (FAQ) HUD-assisted Housing and Medicare Advantage Supplemental Benefits,” (Jan. 2025), *available at* <https://www.huduser.gov/portal/portal/sites/default/files/pdf/FAQ-Medicare-Advantage-Supplemental-Benefits.pdf>.

<sup>13</sup> CMA Press Release, “CMA Supports Rep. Doggett and Other Members in Urging President Biden to Protect Medicare Enrollees’ Access to Federal Benefits,” (Oct. 11, 2024), *available at* <https://medicareadvocacy.org/flex-card-press-release/>

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<sup>14</sup> Medicare and Medicaid Programs; Contract Year 2026 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; 89 Fed Reg 99340 (Dec. 10, 2024), *available at* <https://www.federalregister.gov/documents/2024/12/10/2024-27939/medicare-and-medicare-programs-contract-year-2026-policy-and-technical-changes-to-the-medicare>.

<sup>15</sup> Science Magazine, “Medicare Advantage Beneficiaries Show No Increase in Dental, Vision, or Hearing Care Access,” (Jan. 14, 2025) *available at* <https://scienmag.com/medicare-advantage-beneficiaries-show-no-increase-in-dental-vision-or-hearing-care-access/>.

<sup>16</sup> For example, the USDA issued guidance that Medicare Advantage Special Supplemental Benefits for the Chronically Ill (SSBCI), including SSBCI issued on flex cards, should not be treated as income for the purposes of the Supplemental Nutrition Assistance Program (SNAP). See, USDA, Food and Nutrition Service, “SNAP - Medicare Advantage Supplemental Benefits Excluded from Income,” (Dec. 5, 2024) *available at* <https://www.fns.usda.gov/snap/medicare-advantage-supplemental-benefits-excluded-income>.