

Medicare Advantage “Flex Cards” Update

By Kata Kertesz

Introduction

This update expands on our earlier [CMA Issue Brief](#) about the “flex cards” offered by many Medicare Advantage (MA) plans. Flex cards, sometimes called Over-the-Counter (OTC) cards, are essentially preloaded debit cards used by MA plans to provide certain supplemental benefits. This issue brief reviews needed consumer protections, shares recent policy developments, and highlights how flex cards are affecting beneficiaries — including their eligibility for public benefits.

Consumer Protections Still Needed

MA plans that offer supplemental benefits or Special Supplemental Benefits for the Chronically Ill (SSBCI) can provide them through prepaid “flex cards.” Beneficiaries can use these cards for certain out-of-pocket expenses such as co-payments for dental or vision care, or for expanded benefits like food and transportation. The cards are preloaded with a set dollar amount each month, quarter, or year, as determined by the plan.¹

Flex cards have become increasingly common in MA plans, particularly among Dual Eligible Special Needs Plans (D-SNPs),² which are intended to serve beneficiaries with greater needs than those in the general MA population. In 2025, 91% of D-SNP plans offer a flex card with nonmedical benefits.³ As discussed in a previous [CMA Issue Brief](#) on Supplemental Benefits, flex cards, and supplemental benefits generally, can strongly influence a beneficiary’s choice of plans. A recent *Health Affairs* article also highlights the role flex cards play in enrollment decisions.⁴ “That some beneficiaries viewed flex cards as a key factor in their plan choice underscores the importance of policymakers understanding how people in Medicare use and value these cards. This is especially important considering the many other factors that could influence a beneficiary’s plan choice, including those that may be less obvious but ultimately more impactful, such as a robust provider network.”⁵ State Health Insurance Assistance Programs (SHIP) counselors in recent years have noted that they 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.

CMS' proposed CY2026 rule included necessary consumer protections that would have helped beneficiaries to select coverage that truly meets their needs and to effectively use the benefits available to them.⁶ These protections would have restricted MA plans from advertising the dollar value of a supplemental benefit or the method of delivering it. This was intended to address concerns that some marketing emphasizes the cash value of a flex card while downplaying other important plan features. The proposed rule also included additional guardrails for the flex cards, including additional disclosures and clarifications to ensure beneficiaries have access to benefits that may be accessed through the flex cards. Unfortunately, the final rule issued under the new administration in April 2025 dropped these protections.⁷

One relevant change the rule did finalize involves nutrition. While the final rule confirms that food is allowable under SSBCI, it specifically excludes “non-healthy food” from coverage.⁸ However, CMS did not define what counts as “non-healthy food,” leaving room for confusion.

Beneficiary Experience

CMA has been monitoring flex cards and their impact on eligibility for public benefits. For example, in Connecticut, some low-income housing complexes were raising rents for D-SNP enrollees because they counted flex card benefits as income. The practice was affecting residents who rely on both Medicare and Medicaid and who receive rental assistance through the Department of Housing and Urban Development (HUD). In January 2025, HUD issued important new guidance clarifying its policies on when flex cards can be counted toward calculations of income for purposes of rental assistance.⁹ The guidance explains that people in HUD rental-assistance programs who do not use their flex card benefits to pay for rent or utilities should not have any portion of their flex card amounts counted toward their income.

The HUD clarification has helped low-income Medicare beneficiaries. For instance:

- A dually eligible D-SNP enrollee in Ohio was initially told by a housing navigator that she could not apply for housing assistance due to her plan's supplemental benefits. After consulting with CMA, the enrollee shared the HUD guidance with the navigator, and she was then able to submit her application.

- A dually eligible D-SNP Connecticut beneficiary successfully had her income-based rent lowered using the HUD guidance. However, she has not yet been able to recover the approximately \$500 she was overcharged before the guidance was issued.
- Another D-SNP enrollee in Connecticut used the HUD guidance to ensure that her flex card benefits of \$54 per month did not increase her rent for 2025. She can now use the full amount of her MA benefits for her required over-the-counter medical supplies without being unfairly and wrongly penalized on her income-based rent payments.
- J.L., a Connecticut resident, was distressed when she previously learned the over-the-counter benefits would mean her rent would increase. “This caused much anxiety [over] the cost of such simple items as toothpaste, Tylenol, even off-brand Prilosec and arthritis creams became and have been extremely expensive.” J.L. initially disenrolled from her plan to avoid the rent increase but was able to re-enroll in her preferred plan with flex card benefits after learning, from the HUD guidance, that the over-the-counter credit would no longer be counted toward her rent calculation. She depends on the flex card’s \$65 per quarter over-the-counter benefit to afford everyday items that can be very costly.

While HUD’s clarification has provided important protections, and helped individuals push back against inappropriate rent increases, it appears that awareness of the guidance is limited. As a result, inappropriate rent increases still occur. Additionally, CMA has heard from beneficiaries who have had their rent adjusted to the proper amount, but have not received refunds for the inappropriate rates they were previously charged.

Conclusion

Flex cards are increasingly common among MA plans, particularly in D-SNP plans, and they can be very appealing to beneficiaries struggling to afford everyday essentials. But without robust consumer protections, beneficiaries remain vulnerable to misleading plan marketing and unintended consequences, such as impacts on their eligibility for housing assistance. Despite the need for more safeguards, the rule CMS issued in April 2025 neglected to finalize important consumer protections. Recent HUD guidance has provided support for some beneficiaries receiving housing assistance, but confusion and inappropriate rental increases continue. Broader awareness and enforcement are still needed. CMA will continue to monitor these issues, provide updates, and continue to advocate for stronger protections.

¹ Kimberly Lankford, “What is a Medicare flex card?,” AARP (March 16, 2023), *available at* <https://www.aarp.org/health/medicare-qa-tool/what-is-a-medicare-flex-card.html>.

² Dual Eligible Special Needs Plans (D-SNPs) enroll individuals who are entitled to both Medicare and Medicaid.

³“Flex Cards In Medicare Advantage: A Closer Look At Impact and Challenges,” *Health Affairs* (June 4, 2025), *available at* <https://www.healthaffairs.org/content/forefront/flex-cards-medicare-advantage-closer-look-impact-and-challenges>. “Almost half of MA plans (48%, or 2,748) for *any* supplemental benefit (including dental care and over the counter products), and 30% of MA plans (1,691) offer a flex card with at least one *nonmedical* supplemental benefit, up from 1,280 or 22% in 2024. The average annual total dollar value of flex cards with at least one *nonmedical* supplemental benefit is \$1,430 in 2025, up from \$1,299 in 2024.”

⁴ Id.

⁵ Id.

⁶ CMS, [Proposed Rule](#), 89 Federal Register 99340 (Dec. 10, 2024); see also CMS, “[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 \(CMS-4208-P\)](#)” (Fact Sheet), Nov. 26, 2024. See also, CMA Issue Brief, [2025 CMA Issue Brief - MA Flex Cards \(00734001.DOCX;1\)](#), for detailed discussion of the consumer protections.

⁷ CMS, [Final Rule](#), 90 Federal Register 15792 (Apr. 15, 2025).

⁸ Id.

⁹ 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>.