Medicare Advantage Provides Key Financial Protections to Low- and Modest-Income Populations

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While there are many similarities between populations in Medicare Advantage and Traditional Medicare, there are several significant differences, particularly in regard to financial protections and benefits, as well as demographic representation of low-income populations. According to new research and analysis commissioned by the Better Medicare Alliance, Medicare Advantage plays a critical role in protecting financially vulnerable Medicare beneficiaries with low to modest income from out-of-pocket health care costs. As this report outlines, low-income Medicare beneficiaries are more likely to choose Medicare Advantage, and fewer of them report experiencing the cost burden associated with out-of-pocket costs compared to low-income Medicare beneficiaries in fee-for-service (FFS). The analysis also shows that, overall, beneficiaries in Medicare Advantage have clinical and functional care needs very similar to those of beneficiaries in FFS Medicare. Additionally, the analysis finds that chronically ill Medicare beneficiaries are choosing Medicare Advantage at rates that mirror FFS Medicare.

Overview and Implications

Medicare Advantage is a capitated, integrated system where private health plans receive a payment per enrollee from the Centers for Medicare & Medicaid Services (CMS) to provide coverage of Medicare benefits to those individuals. Medicare Advantage plans bear full risk for the cost and quality of care for each enrollee, meaning that if actual costs are more than the capitated payment for that enrollee, they must absorb that cost. Conversely, if actual costs are lower than the capitated payment, plans are allowed to keep the difference (up to the statutorily mandated Medical Loss Ratio of 85 percent). More than 22 million beneficiaries – a third of the total Medicare population – are currently enrolled in a Medicare Advantage plan.

Medicare Advantage plans have the flexibility to offer cost and coverage policies that are different than those in FFS Medicare. For example, Medicare Advantage plans may have different cost-sharing and deductibles than in FFS Medicare (e.g., $1,364 deductible for inpatient stays and 20 percent coinsurance on Part B physician services). Medicare Advantage plans are available to more than 99 percent of all Medicare beneficiaries, with an average monthly premium of $28 per month in 2019. Plans are required to have a network of providers to ensure access to all covered care and services. In addition, most Medicare Advantage plans offer benefits that are not covered by FFS Medicare, such as coverage for dental, vision, and wellness services, called supplemental benefits. Medicare Advantage also provides enrollees with a maximum out-of-pocket limit, which does not exist in FFS Medicare.

This new analysis suggests that Medicare Advantage plans may better meet the needs of Medicare beneficiaries who cannot afford to fill coverage gaps by purchasing Medigap insurance or do not have access to employer-sponsored wrap-around coverage or Medicaid. It also highlights that there are many Medicare Advantage enrollees who may benefit from the *Creating High-Quality Results and Outcomes Necessary to Improve Chronic (CHRONIC) Care Act (CCA)*, which became law as a part of the *Bipartisan Budget Act of 2018*. This law gave Medicare Advantage plans new flexibility to offer special supplemental benefits for the chronically ill (SSBCI), which may include non-medical services, such as in-home care, that improve or help maintain the health or overall function of chronically ill enrollees.

The analysis also underscores the importance of ensuring access across the country to the cost protections and supplemental benefits available through Medicare Advantage. While more than a third of all Medicare beneficiaries enroll in Medicare Advantage, this rate varies significantly by state and county. This variation produces uneven healthcare coverage options for older adults.

Findings

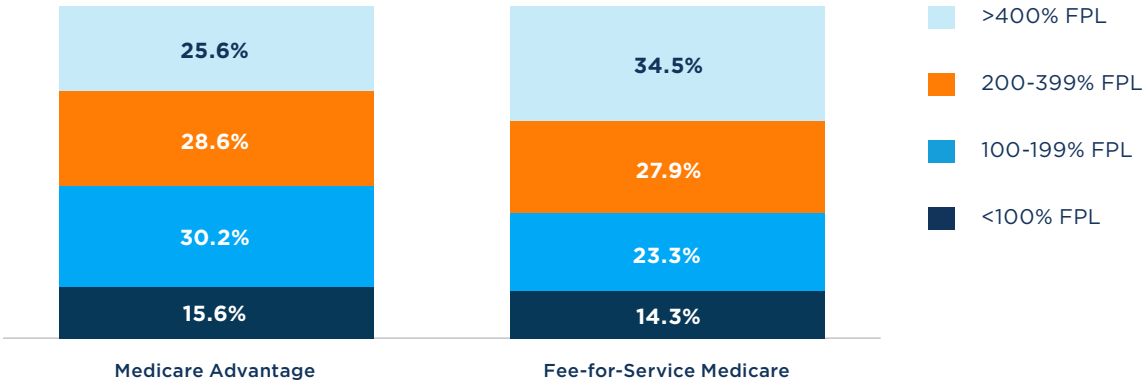
Low-Income Medicare Beneficiaries Choose Medicare Advantage

Low-income Medicare beneficiaries are more likely to enroll in Medicare Advantage than higher income beneficiaries. 40 percent of beneficiaries under 200 percent of the Federal Poverty Level (FPL) were enrolled in Medicare Advantage in 2016, compared to 36 percent of all Medicare beneficiaries and 29 percent of beneficiaries over 400 percent of FPL.

As **Figure 1** shows, Medicare Advantage enrollees are financially vulnerable: 45.8 percent of Medicare Advantage enrollees live below 200 percent of the FPL, or $24,000 a year for a household size of one in 2018, compared to 37.6 percent in the Medicare FFS population. In contrast, only about a quarter of the Medicare Advantage population lives above 400 percent of FPL compared to over one third of the FFS population.

FIGURE 1

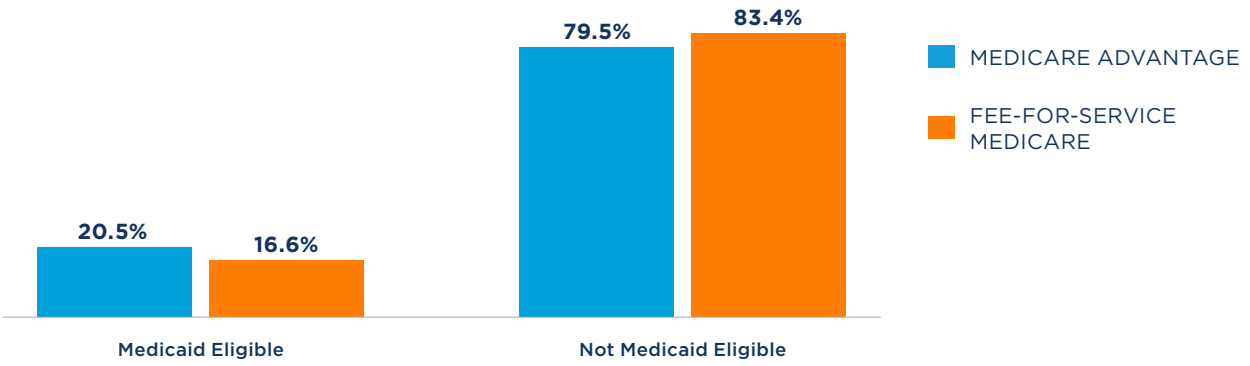
Percentage of Medicare Beneficiaries by Income as a Percent of Federal Poverty Level in 2016



In addition, as **Figure 2** shows, Medicare Advantage serves a higher proportion of enrollees who are also eligible for Medicaid: 20.5 percent of Medicare Advantage enrollees are eligible for Medicaid, compared to 16.6 percent of FFS beneficiaries.

FIGURE 2

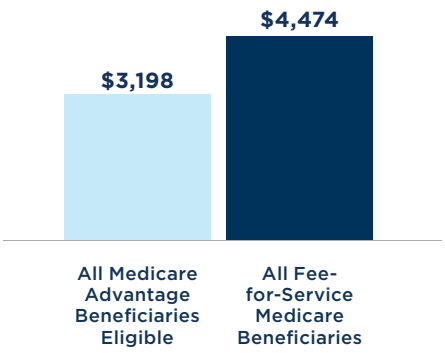
Percentage of Medicare Population Eligible for Medicaid in 2016



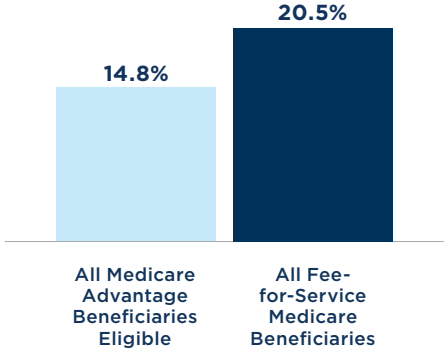
As **Figure 3** shows, Medicare Advantage enrollees report lower average annual individual spending (out-of-pocket cost sharing plus premium costs). Medicare Advantage enrollees report total spending of $3,198 compared to Medicare beneficiaries in FFS who report total spending of $4,474. Furthermore, the lower average spending among Medicare Advantage enrollees reduces the cost burden of health care for Medicare Advantage enrollees ("cost burden" is defined as spending over 20 percent of income on healthcare costs). About 15 percent of Medicare Advantage enrollees reported experiencing cost burden associated with out-of-pocket plus premium spending, compared to about 20 percent of FFS beneficiaries.

FIGURE 3

Average Total Spending (Out-of-Pocket + Premium) in 2016



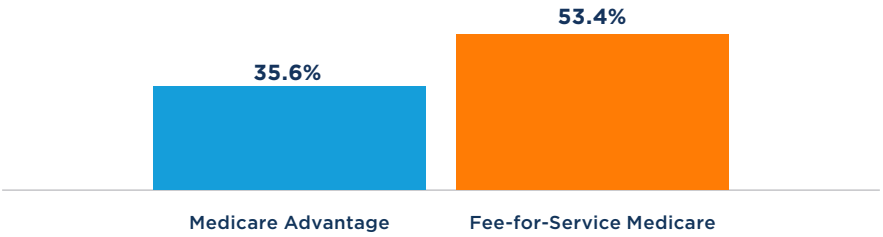
Percentage of Beneficiaries Who Are Cost-Burdened (Spend 20%+ of Income on Out-of-Pocket Costs + Premium) in 2016



As **Figure 4** shows, the cost burden gap associated with out-of-pocket plus premium spending is even greater between Medicare Advantage enrollees and beneficiaries in Medicare FFS when looking only at low-income individuals (those who live on less than 200% of FPL) who are not enrolled in Medicaid. Among these low-income Medicare beneficiaries, just over one third of Medicare Advantage enrollees experience cost burden, compared to over half of Medicare FFS beneficiaries.

FIGURE 4

Percentage of Low-Income (<200% FPL) Non-Medicaid Beneficiaries Who Are Cost-Burdened (Spend 20%+ of Income on Out-of-Pocket Costs + Premium) in 2016

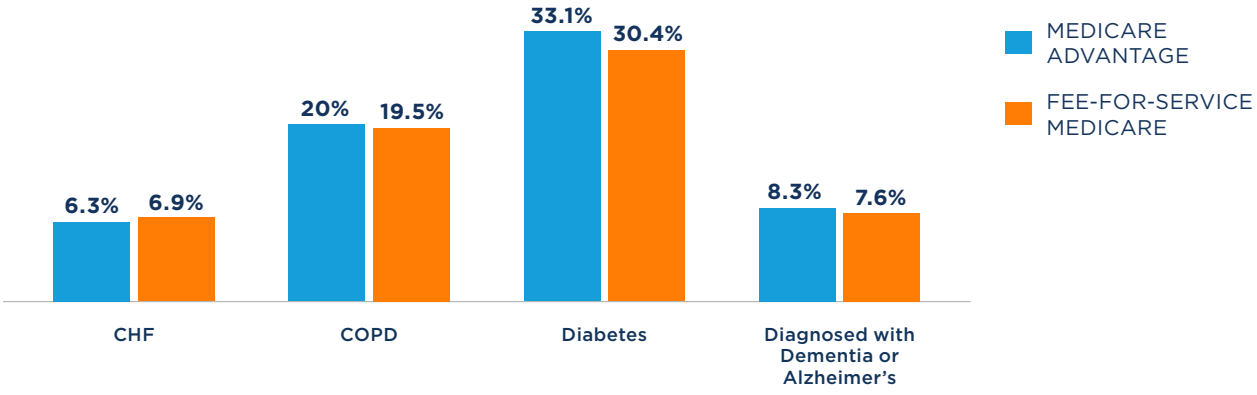


Medicare Advantage Serves the Complex Care Population

As **Figure 5** shows, rates of self-reported chronic conditions are similar across the Medicare Advantage and FFS populations, highlighting that the Medicare Advantage and FFS Medicare populations have very similar clinical profiles. About six percent of Medicare Advantage enrollees report having congestive heart failure (CHF), 20 percent report chronic obstructive pulmonary disease (COPD), 33 percent report diabetes, and about eight percent report dementia. These rates closely mirror rates of self-reported chronic conditions among FFS beneficiaries (CHF (6.9%), COPD (19.5%), diabetes (30.4%), dementia or Alzheimer's (7.6%)).

FIGURE 5

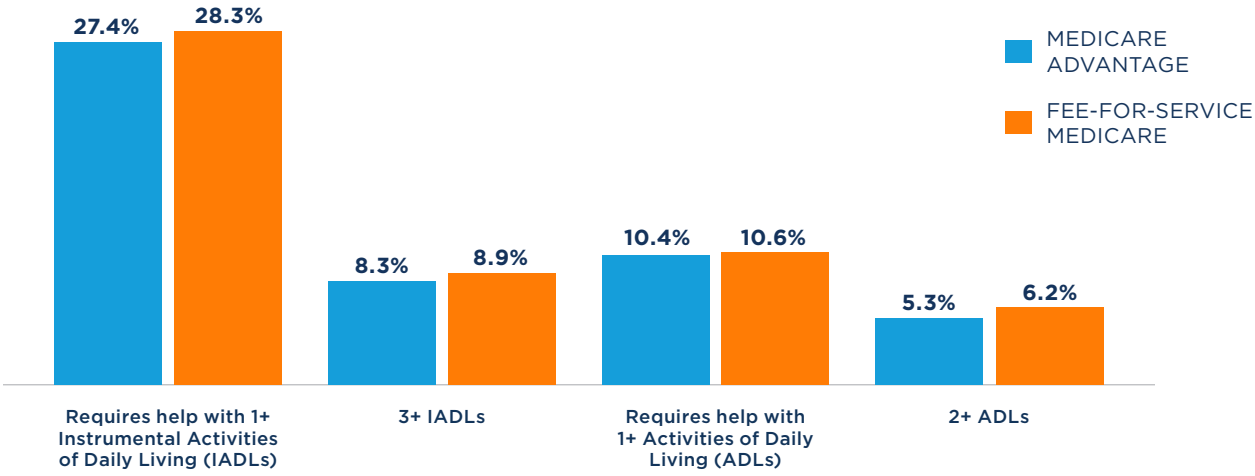
Percentage of Medicare Beneficiaries with Key Chronic Conditions in 2016



As **Figure 6** shows, Medicare beneficiaries enrolled in Medicare Advantage and those in Traditional Medicare report similar levels of functional impairment. More than 25 percent of both populations report needing help with one or more instrumental activities of daily living (IADL), such as using the telephone, light housework, shopping, and managing money; whereas fewer than 10 percent of all Medicare beneficiaries report needing help with three or more IADLs. About 10 percent of Medicare beneficiaries require help with one or more activities of daily living (ADL), such as eating, bathing, and dressing; and five-to-six percent report needing help with two or more ADLs.

FIGURE 6

Percentage of Medicare Beneficiaries by Impairment Level in 2016



Conclusion

This report shines new light on the ability of Medicare Advantage to provide critical cost protections to beneficiaries relative to Traditional Medicare, particularly for those who are most financially vulnerable. The analysis demonstrates that the populations enrolled in Medicare Advantage and Traditional Medicare are clinically similar and have comparable functional impairments and support needs. Despite the similarities, beneficiaries in Medicare Advantage report lower out-of-pocket spending (more than $1,400 lower on average), and a lower proportion of Medicare Advantage beneficiaries are burdened by their health care costs. These differences are even greater when looking at the lowest-income beneficiaries – those below 200 percent FPL but not eligible for Medicaid.

As policymakers consider the impact of out-of-pocket costs for consumers, particularly those in Medicare, it is important to be aware of the beneficiary experience in each program relative to out-of-pocket costs and to factor that into any decisions regarding program changes. This analysis shows the degree to which Medicare Advantage provides real value to millions of beneficiaries, particularly those who live on low-to modest-incomes; specifically,

those who are low-income but do not yet qualify for Medicaid (which covers most out-of-pocket costs for dual-eligible beneficiaries) or who cannot afford additional coverage, such as Medigap or employer-sponsored coverage.

Looking Ahead

Medicare Advantage plans recognize that the growing number of high need Medicare beneficiaries requires an increasing degree of collaboration with clinical providers and with community-based organizations. Referrals and payment for non-traditional services, such as care in the home, transportation, meals, social supports, as well as care management are needed to support high need enrollees and their families to better enable them to improve their health and well-being.

Plans are increasingly acquiring or partnering with provider organizations that can help them develop and deliver innovative service delivery options to serve enrollees with clinical, social determinants of health, and functional needs.

As Medicare Advantage enrollment grows, policymakers may be interested in building on Medicare Advantage's success in achieving lower out-of-pocket costs and additional benefits for enrollees, with particular appeal for low- and modest-income individuals. Enhancing information and access to low cost, high quality Medicare Advantage plans will foster the kind of service delivery innovation that the growing numbers of older Americans need.

Source

[1] Using the 2016 Medicare Current Beneficiary Survey (MCBS) and Cost Supplement file, analyzing Part A, B, and D Medicare claims for Medicare beneficiaries enrolled in fee-for-service, Anne Tumlinson Innovations examined how Medicare coverage arrangements affect beneficiaries' access to care, utilization of benefits, and out-of-pocket costs. Full methodology: https://annetumlinsoninnovations.com/wp-content/uploads/2019/06/Anne-Tumlinson-Innovations-Methodology-for-2016-MCBS-Research.pdf.

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