



DATA BRIEF

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# Medicare Advantage Outperforms Traditional Medicare on Cost Protections for Low- and Modest-Income Populations

MARCH 2020

Analysis by ATI Advisory for:

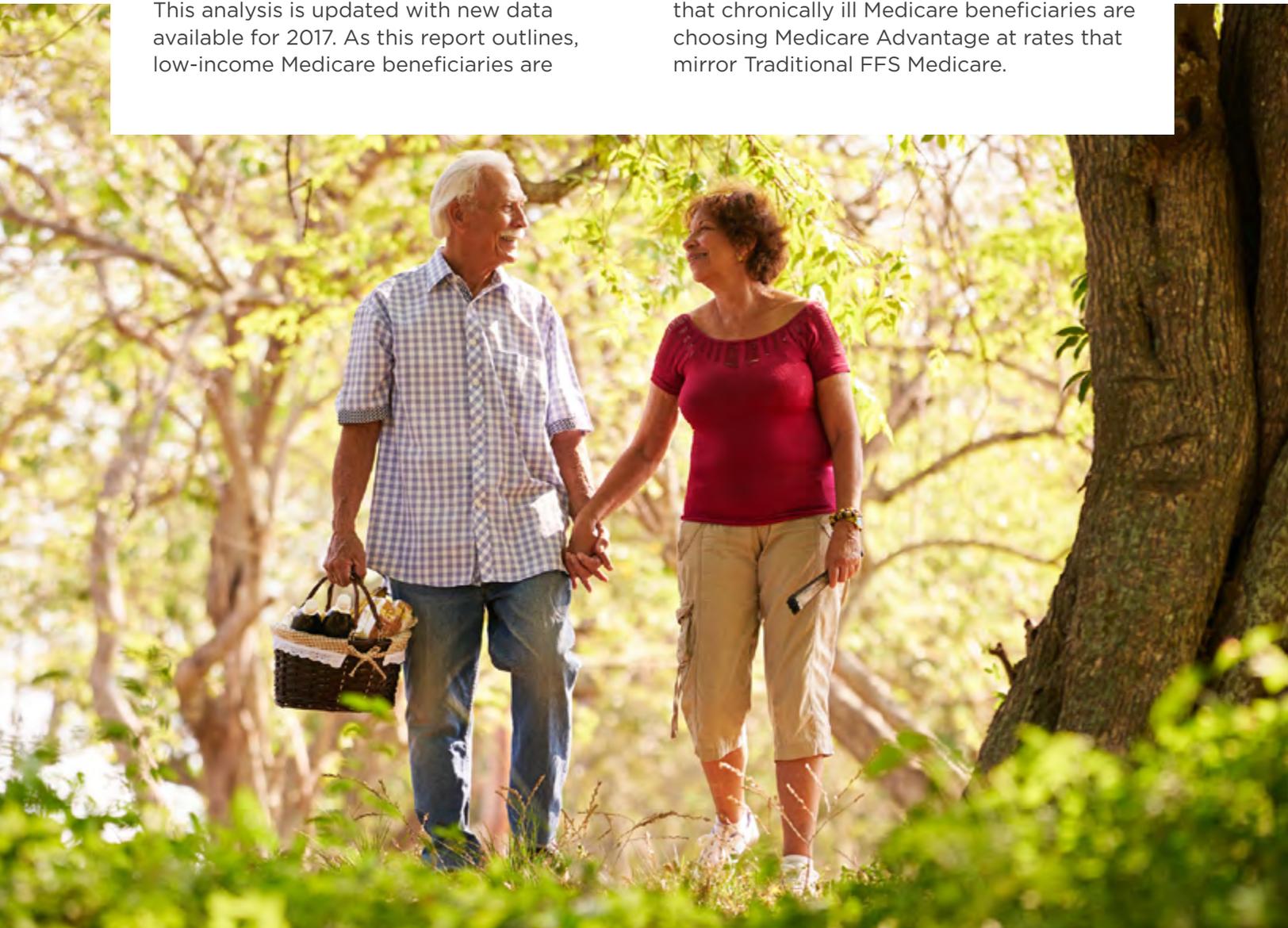
**BETTER MEDICARE**  
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## Background

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While there are many similarities between populations in Medicare Advantage and Traditional Fee-For-Service (FFS) Medicare, there are several significant differences, particularly in regard to financial protections and benefits, as well as demographic representation of low-income populations. Research and analysis first commissioned by the Better Medicare Alliance in 2019 highlighted the crucial role Medicare Advantage plays in protecting financially vulnerable Medicare beneficiaries with low- to modest-income from out-of-pocket health care costs. This analysis is updated with new data available for 2017. 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 Traditional FFS Medicare. At the same time, Medicare Advantage beneficiaries report similar levels of satisfaction with health care quality and ease of getting to the doctor. The analysis also shows that, overall, beneficiaries in Medicare Advantage have clinical and functional care needs very similar to those of beneficiaries in Traditional FFS Medicare. Additionally, the analysis finds that chronically ill Medicare beneficiaries are choosing Medicare Advantage at rates that mirror Traditional FFS Medicare.



## Overview and Implications

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Medicare Advantage is an integrated system where private health plans receive a capitated 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). Almost 24 million beneficiaries – over 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 from those in Traditional FFS Medicare. For example, Medicare Advantage plans may have different cost-sharing and deductibles than in Traditional FFS Medicare. Medicare Advantage plans are available to more than 99 percent of all Medicare beneficiaries, with an estimated average monthly premium of \$23 per month in 2020. 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 Traditional FFS Medicare, such as coverage for dental, vision, and/or wellness services, called supplemental benefits. Medicare Advantage also provides beneficiaries with a maximum annual out-

of-pocket limit, which does not exist in Traditional FFS Medicare.

This second year of analysis continues to suggest that Medicare Advantage plans may better meet the needs of Medicare beneficiaries who cannot afford to fill coverage gaps by purchasing Medigap plans, do not have access to employer-sponsored wrap-around coverage, or Medicaid. It also highlights that there are many Medicare Advantage beneficiaries 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). These benefits are available for the first time in 2020 and may include non-medical services, which can improve or help maintain the health or overall function of chronically ill beneficiaries, such as food and produce delivery, pest control, non-medical transportation to locations like the grocery store or bank, and indoor air quality services.

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 health care coverage options for older adults.



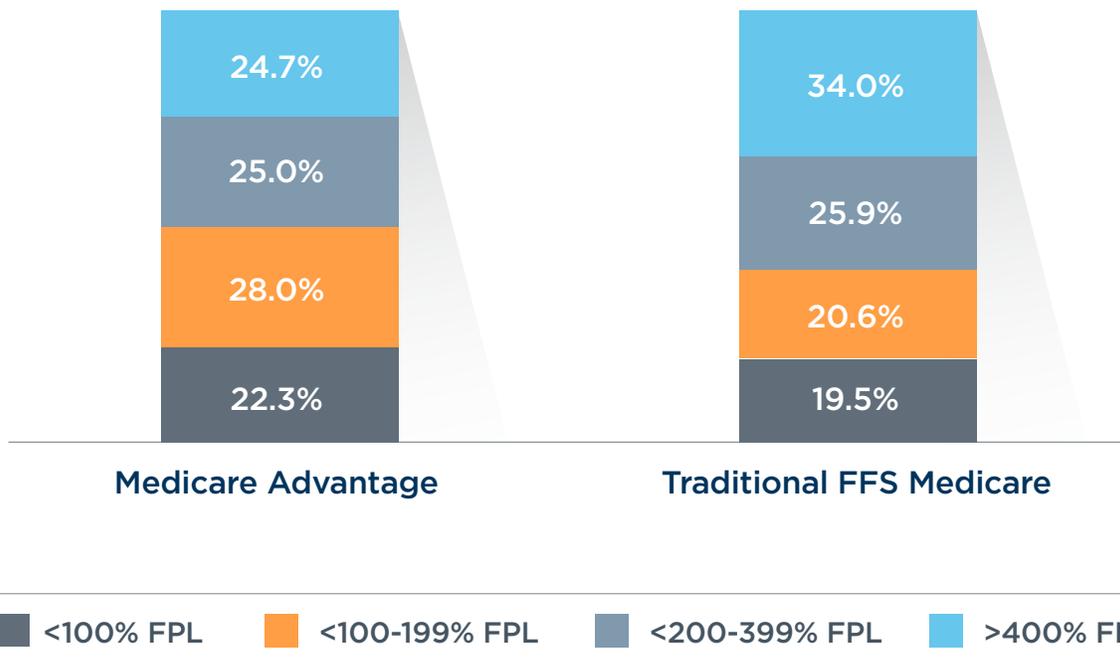
## Findings

### *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 2017. Of the total Medicare population over 400 percent FPL, 28 percent are enrolled in Medicare Advantage.

As **Figure 1** shows, Medicare Advantage beneficiaries are financially vulnerable: 50.3 percent of Medicare Advantage beneficiaries live below 200 percent of the FPL, or \$24,523 a year for those over 65 with a household size of one in 2017, compared to 40.1 percent in the Traditional FFS Medicare 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.

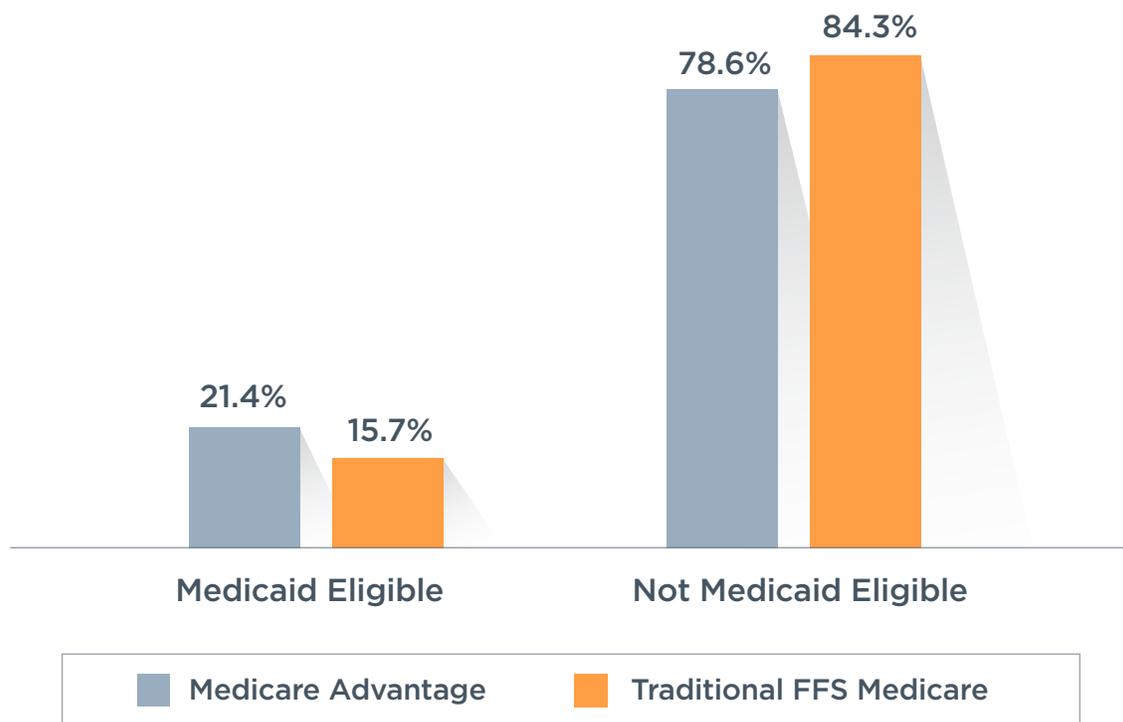
**Figure 1** Percentage of Medicare Beneficiaries by Income as a Percent of Federal Poverty Level in 2017





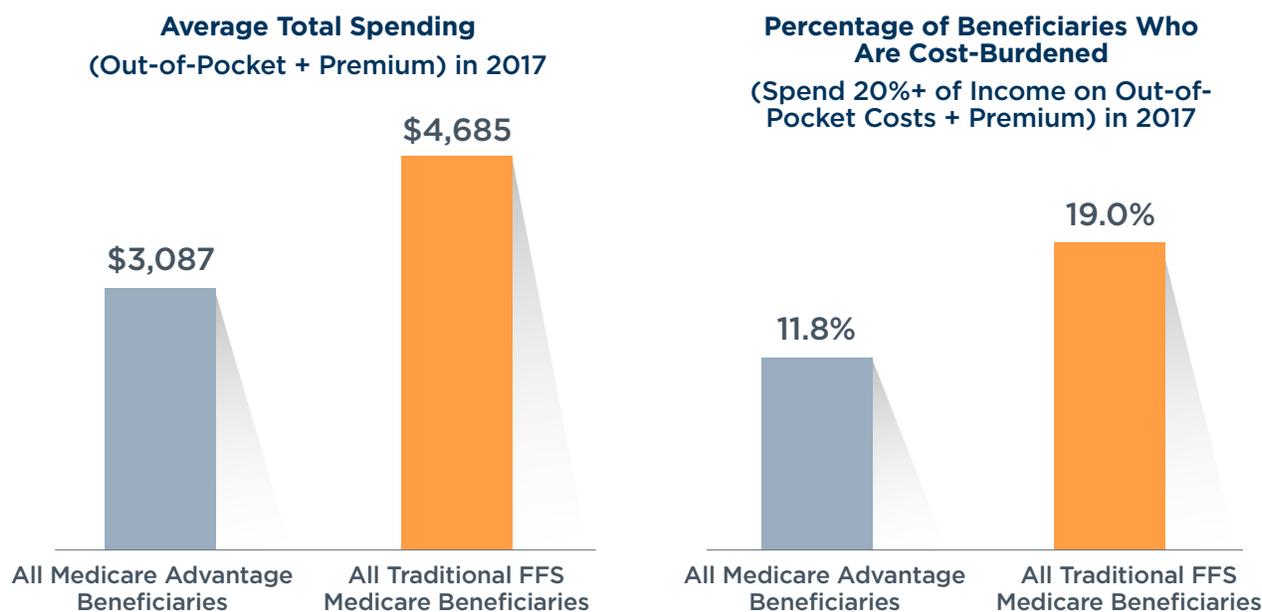
In addition, as **Figure 2** shows, Medicare Advantage serves a higher proportion of beneficiaries who are also eligible for Medicaid: 21.4 percent of Medicare Advantage beneficiaries are eligible for Medicaid, compared to 15.7 percent of Traditional FFS Medicare beneficiaries.

**Figure 2 Percentage of Medicare Population Eligible for Medicaid in 2017**



As **Figure 3** shows, Medicare Advantage beneficiaries report lower average annual individual spending (out-of-pocket cost sharing plus premium costs). Medicare Advantage beneficiaries report total spending of \$3,087 compared to Traditional FFS Medicare beneficiaries who report total spending of \$4,685. Furthermore, lower average spending among Medicare Advantage beneficiaries reduces the cost burden of health care for Medicare Advantage beneficiaries (“cost burden” is defined as spending over 20% of income on health care costs). About 12 percent of Medicare Advantage beneficiaries experience cost burden associated with out-of-pocket plus premium spending, compared to about 19 percent of Traditional FFS Medicare beneficiaries.

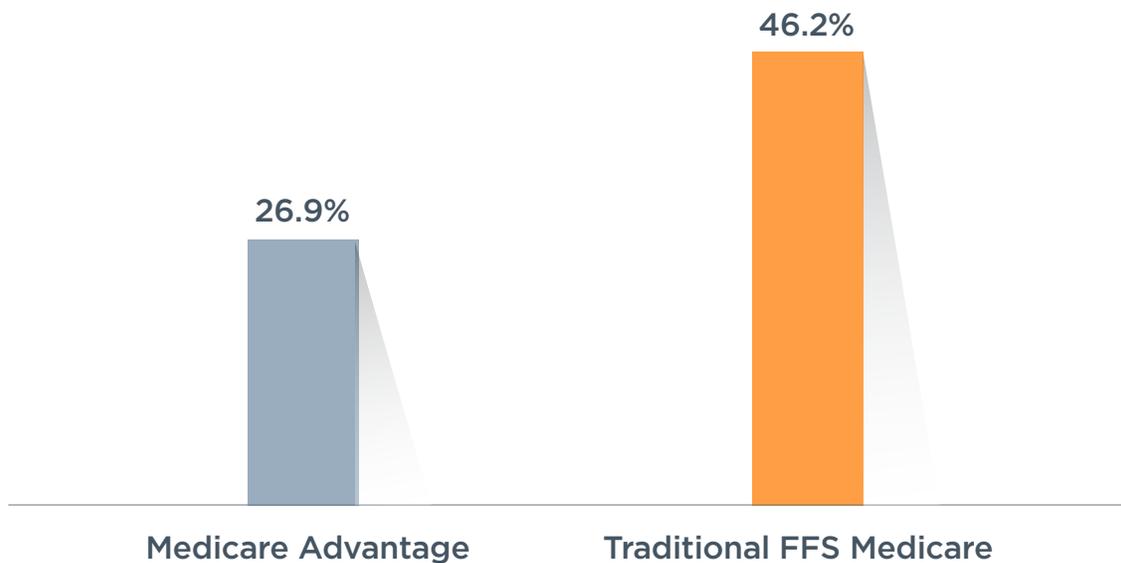
**Figure 3**





**Figure 4** highlights the cost burden gap associated with out-of-pocket plus premium spending is even greater between Medicare Advantage beneficiaries and those in Traditional FFS Medicare 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, a little more than a quarter of Medicare Advantage beneficiaries experience cost burden, compared to almost half of these Traditional FFS Medicare beneficiaries.

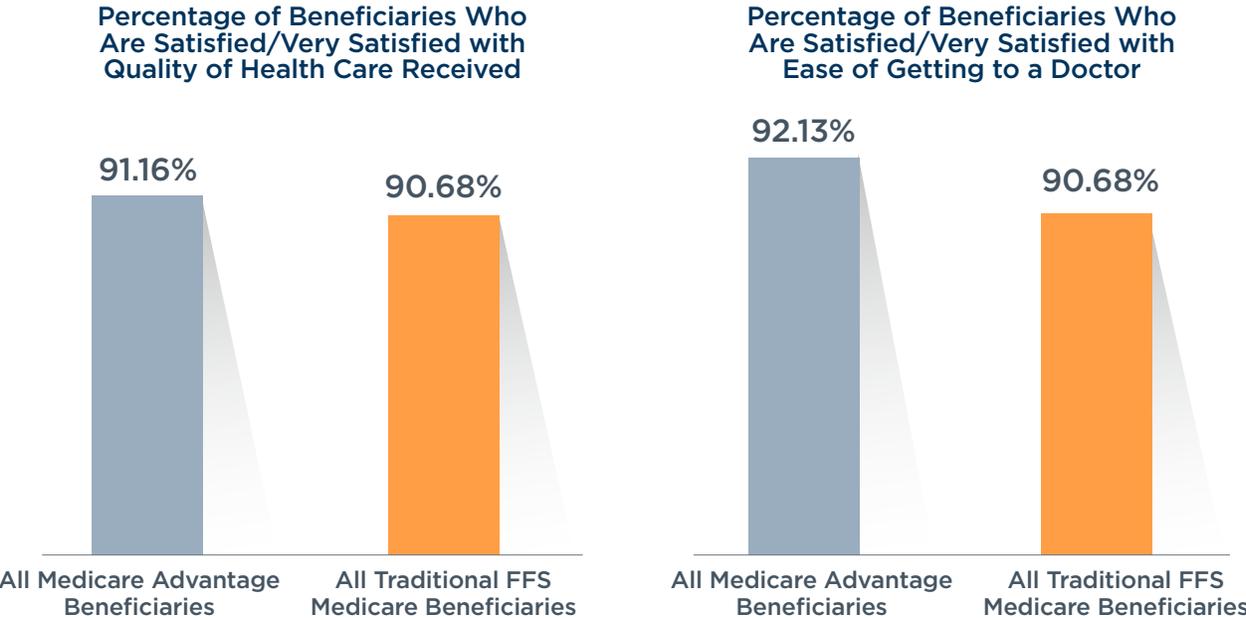
**Figure 4** Percentage of Low-Income (<200% FPL) Non-Medicaid Beneficiaries Who Are Cost-Burdened (Spend 20%+ of Income on Out-of-Pocket Costs + Premium) in 2017



## Medicare Advantage Beneficiaries Report High Health Care Satisfaction and Access

**Figure 5** demonstrates that Medicare Advantage beneficiaries report higher rates of satisfaction with their health care quality and ease of getting to the doctor. 91 percent of Medicare Advantage beneficiaries and Traditional FFS Medicare beneficiaries report being “satisfied” or “very satisfied” when asked how satisfied they are with the overall quality of health care they have received. 92 percent of Medicare Advantage beneficiaries report being satisfied or very satisfied with the ease or convenience of getting to a doctor or other health professional near where they live, compared to 91 percent of Traditional FFS Medicare beneficiaries. Medicare Advantage beneficiaries are also slightly more likely to report having a usual source of care (75.6%) than Traditional FFS Medicare beneficiaries (73.0%).

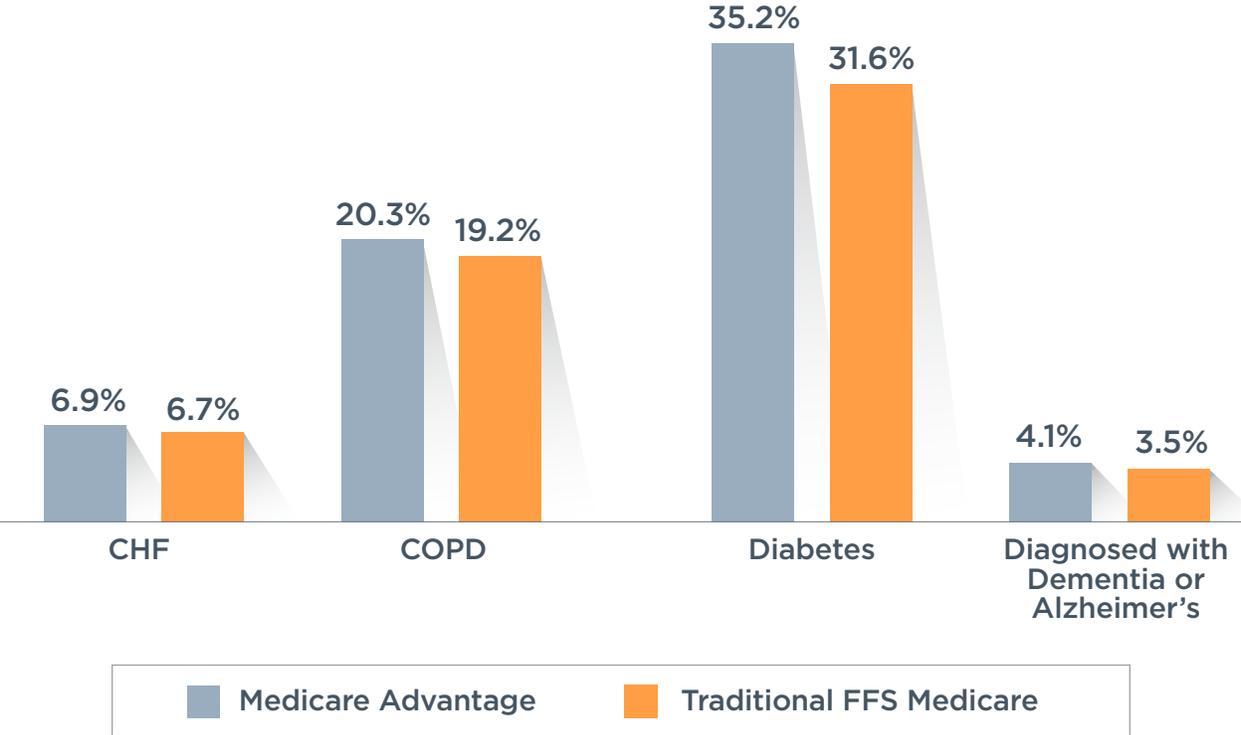
**Figure 5**



### Medicare Advantage Serves the Complex Care Population

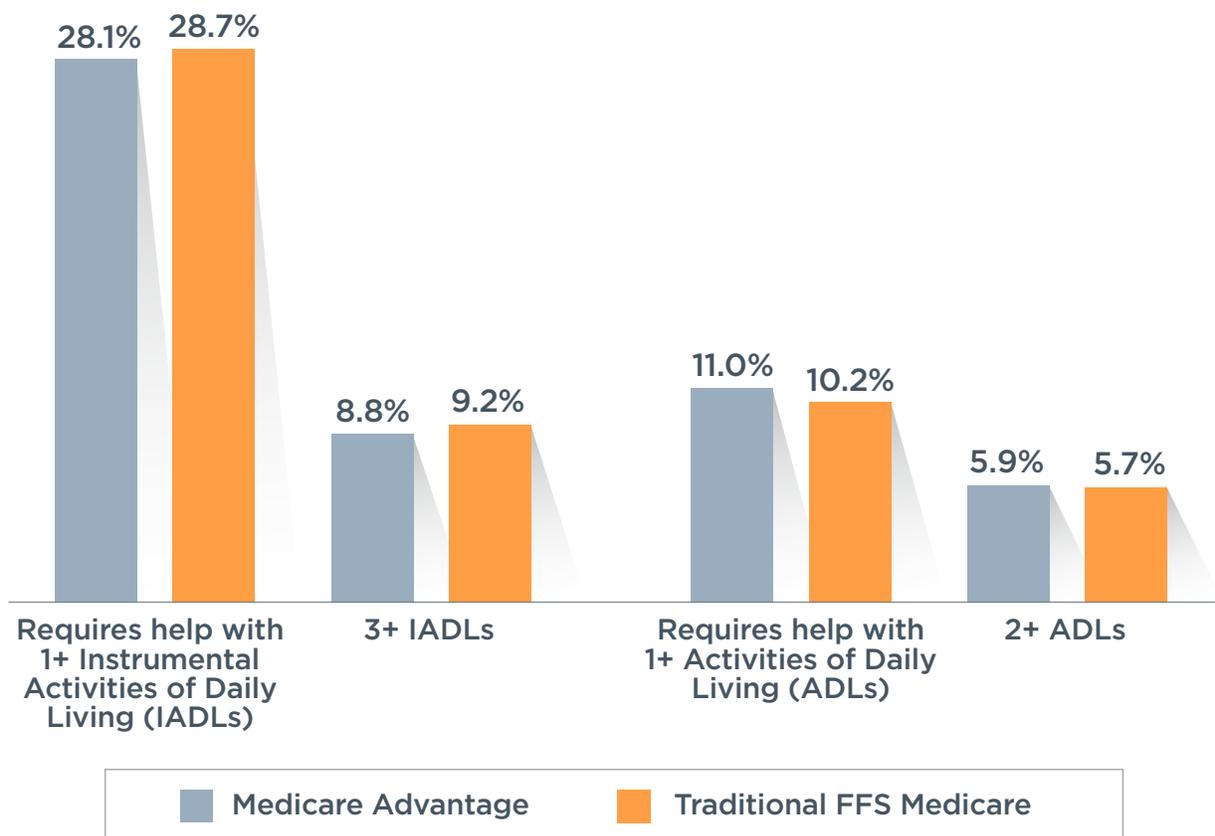
As **Figure 6** shows, rates of self-reported chronic conditions are similar across the Medicare Advantage and Traditional FFS Medicare populations, highlighting that the Medicare Advantage and Traditional FFS Medicare populations have very similar clinical profiles. Almost seven percent of Medicare Advantage beneficiaries report having congestive heart failure (CHF), 20 percent report chronic obstructive pulmonary disease (COPD), and about four percent report dementia or Alzheimer’s. These rates closely mirror rates of self-reported chronic conditions among Traditional FFS Medicare beneficiaries (CHF (6.7%), COPD (19.2%), dementia or Alzheimer’s (3.5%)). The Medicare Advantage population, however, reports higher rates of Diabetes: 35.2 percent in Medicare Advantage compared to 31.6 percent in Traditional FFS Medicare.

**Figure 6 Percentage of Medicare Beneficiaries with Key Chronic Conditions in 2017**



**Figure 7** shows Medicare beneficiaries enrolled in Medicare Advantage and those in Traditional FFS Medicare report similar levels of functional impairment. More than a quarter 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. Over 10 percent of Medicare beneficiaries require help with one or more activities of daily living (ADL), such as eating, bathing, and dressing; and almost six percent report needing help with two or more ADLs.

**Figure 7 Percentage of Medicare Beneficiaries by Impairment Level in 2017**



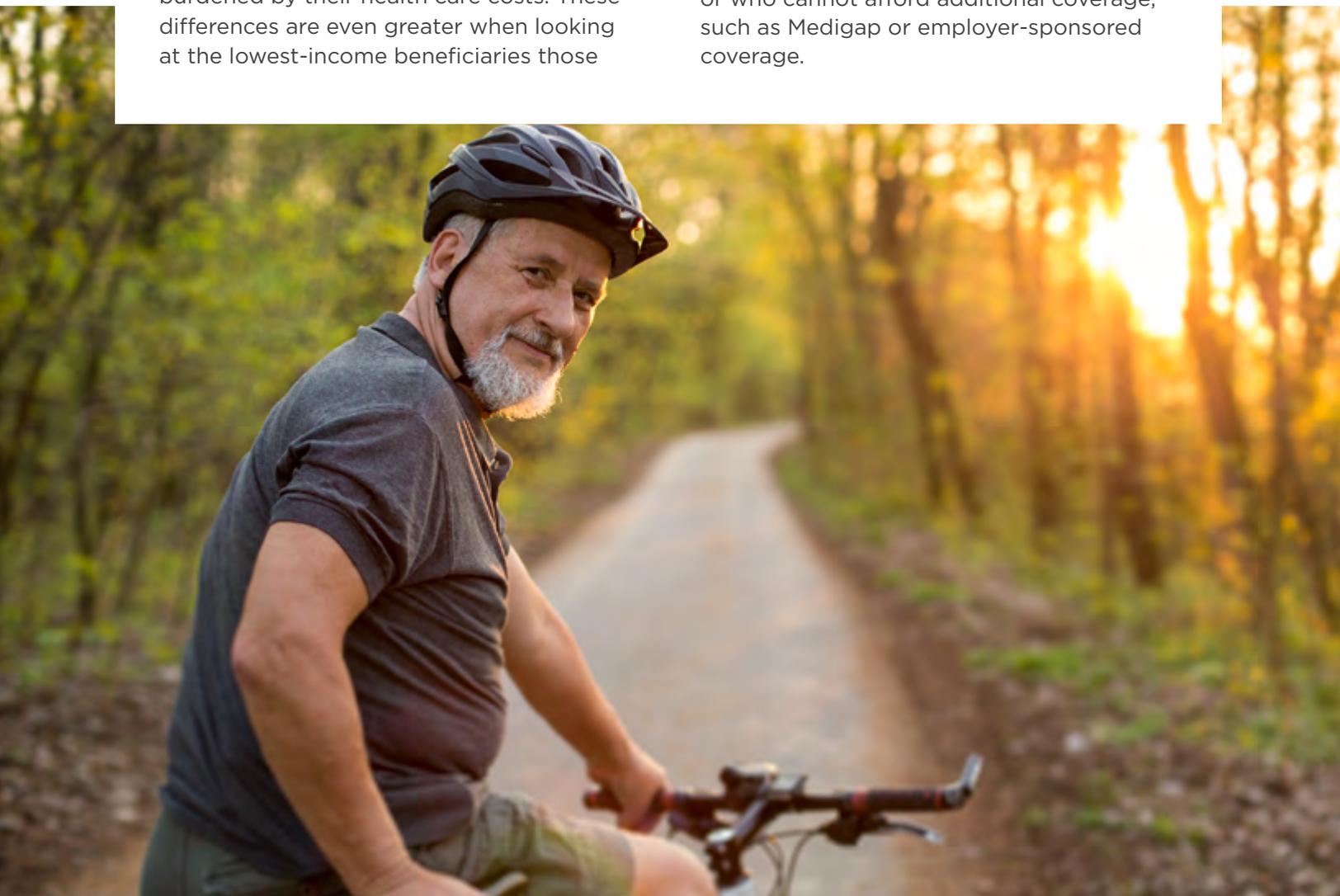
## Conclusion

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This report shines light on the ability of Medicare Advantage to provide critical cost protections to beneficiaries relative to Traditional FFS Medicare, particularly for those who are most financially vulnerable. The analysis demonstrates that the populations enrolled in Medicare Advantage and Traditional FFS Medicare are clinically similar and have comparable functional impairments and support needs. Despite these similarities, beneficiaries in Medicare Advantage report lower out-of-pocket spending (almost \$1,600 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, they should consider the important role that Medicare Advantage plays in providing financial protections for Medicare beneficiaries. 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

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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 beneficiaries and their families to better enable them to improve their health and well-being.

New benefits made available under the CHRONIC Care Act provide an opportunity for Medicare Advantage plans to provide non-medical benefits for a high need, chronically ill population. For example, new flexibilities allow plans to provide food and produce along with more extensive meal benefits. This analysis finds that 8.2 percent of Medicare Advantage beneficiaries are food insecure, compared to 5.4 percent of Traditional FFS Medicare beneficiaries. Providing these non-medical benefits to

individuals who are food insecure has the potential to improve health and reduce unnecessary medical costs. Medicare Advantage plans are examining these new opportunities to improve their beneficiaries' health. Plans are increasingly acquiring or partnering with provider organizations that can help them develop and deliver innovative care and services to serve high-need beneficiaries with multiple 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 beneficiaries, 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

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Using the 2017 Medicare Current Beneficiary Survey (MCBS) and Cost Supplement file, analyzing Part A, B, and D Medicare claims for Medicare beneficiaries enrolled in Traditional FFS Medicare, ATI Advisory examined how Medicare coverage arrangements affect beneficiaries' access to care, utilization of benefits, and out-of-pocket costs. Full methodology available at [www.atiadvisory.com](http://www.atiadvisory.com)

