



DATA BRIEF

**Medicare Advantage
Provides Strong
Financial Value to
Beneficiaries as
Compared to All
Other Coverage
Options**

MAY 2020

Analysis by ATI Advisory for:

BETTER MEDICARE
ALLIANCE

Background

Medicare Advantage continues to grow in popularity among Medicare beneficiaries, with 24.8 million individuals enrolled as of April 2020,¹ or approximately 36 percent of the Medicare population. This growth is driven by access to enhanced benefits and innovative clinical models, typically at lower out-of-pocket costs as compared with Traditional Fee-For-Service (FFS) Medicare.

Research published by the Better Medicare Alliance in March 2020 demonstrated that although Medicare Advantage beneficiaries experience clinical and functional care needs at levels similar to Traditional FFS Medicare, the Medicare Advantage population tends to be more financially vulnerable. This new research, described below, finds that Medicare Advantage beneficiaries also report lower levels of employment and educational attainment than

Traditional FFS Medicare. Further, this research compares financial protections in Medicare Advantage to Traditional FFS Medicare across subsets of coverage categories, including Traditional FFS Medicare beneficiaries with other forms of supplemental insurance such as Medigap or employer-sponsored insurance (ESI). It finds that Medicare Advantage provides greater financial protections than Traditional FFS Medicare, even across income levels and a variety of different health care coverage configurations. Medicare Advantage beneficiaries report lower cost burden, even when holding constant income/poverty levels and the inclusion of supplemental coverage in the form of Medigap, ESI or Medicaid.

¹ Medicare Advantage Penetration File, April 2020. Enrollment total includes all plan/organization types; Coordinated Care Plan, Private FFS, Medicare Savings Account, and Regional Preferred Provider Organization plan enrollment totaled 24.1 million; Medicare-Medicaid Plan, Cost plan, and PACE enrollment totaled 700,000.



Overview and Implications

Medicare Advantage plans attract beneficiaries by reducing out-of-pocket costs and premiums required in the Traditional FFS Medicare program, including the \$1,350 Part A deductible. Medicare Advantage plans also offer supplemental benefits not covered by Traditional FFS Medicare, such as dental, vision, hearing, fitness programs, transportation, and meals.

This analysis suggests that Medicare Advantage plans may be meeting the needs of Medicare beneficiaries who cannot afford to fill coverage gaps by purchasing Medigap insurance, or who do not have access to employer-sponsored retiree healthcare coverage or Medicaid. Additionally, it 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 on February 9, 2018 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 include non-medical services, such as in-home care and pest control, that improve or help maintain the health or overall function of chronically ill beneficiaries.

Finally, this analysis underscores the importance of beneficiaries having access to information about the differences in coverage options related to cost protections. While over one-third of all Medicare beneficiaries are enrolled in Medicare Advantage, many beneficiaries do not know or understand the options they have for coverage or find the process for enrollment confusing and complicated.² This may be particularly true for those beneficiaries with low literacy skills, language barriers, or lack of access to an agent/broker or counselor to assist in the enrollment process. These factors likely inhibit beneficiaries from enrolling in plans that offer enhanced coverage and lower costs.

² <https://www.bettermedicarealliance.org/newsroom/press-releases/new-poll-medicare-advantage-satisfaction-soars-record-94>

Findings

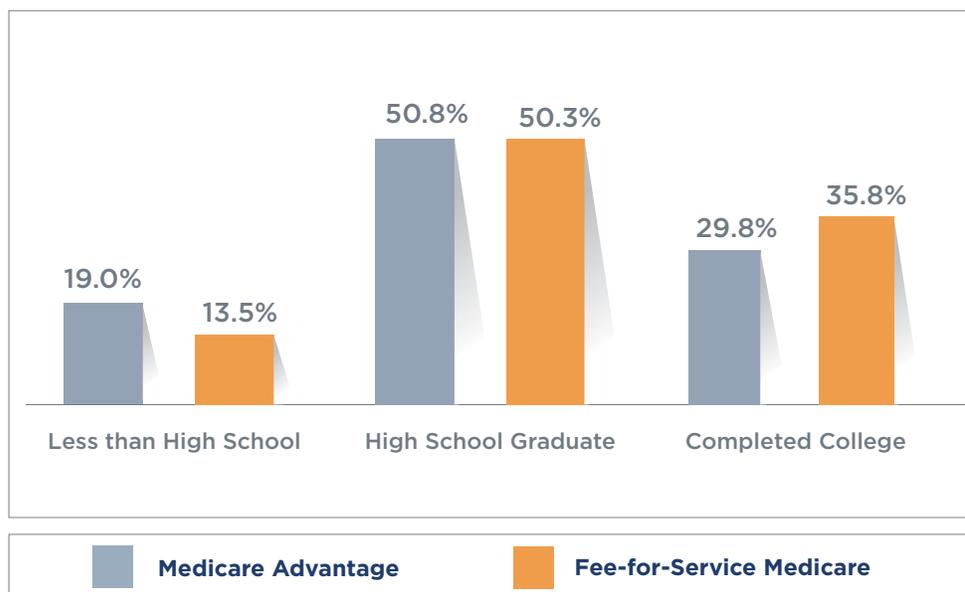
Medicare Advantage Beneficiaries are more Socioeconomically Disadvantaged than Traditional Fee-for-Service Medicare Beneficiaries

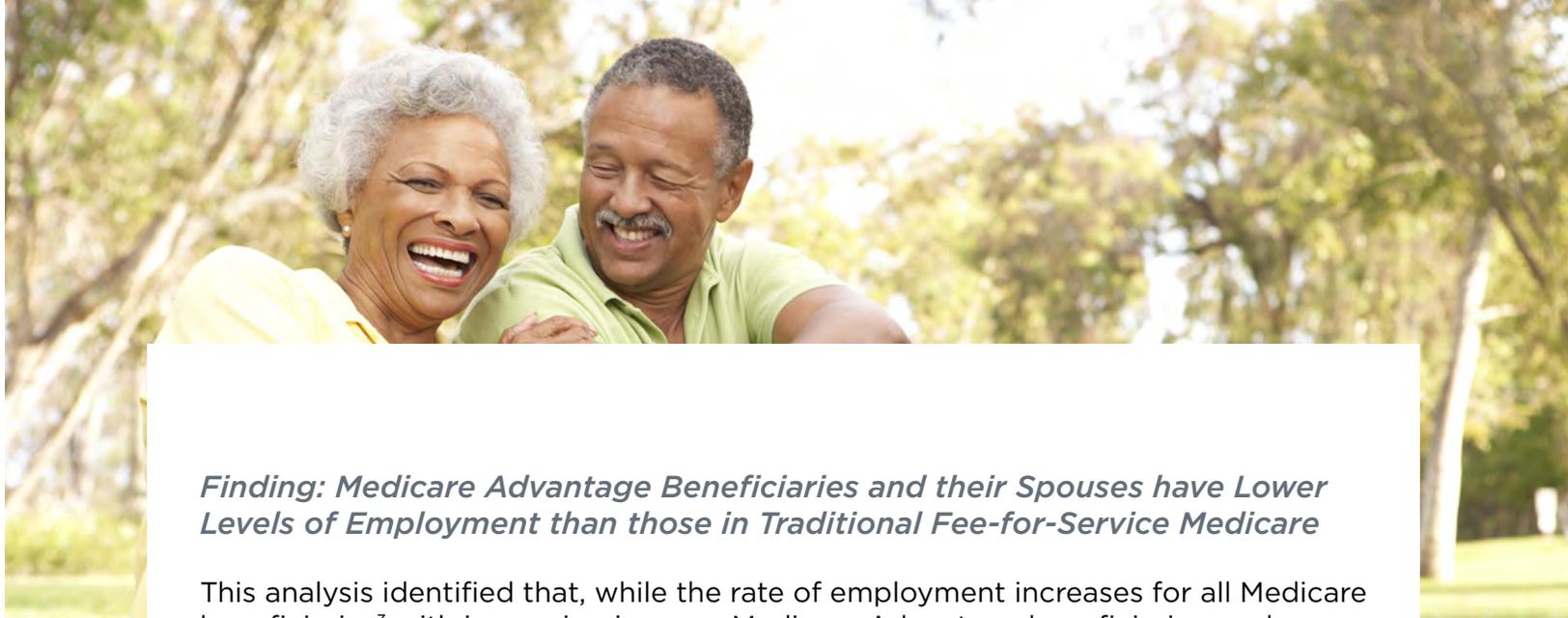
As published in the March 2020 report, over 50 percent of Medicare Advantage beneficiaries live below 200 percent of the Federal Poverty Level (FPL), which in 2017 was the equivalent of \$24,120 for a single individual. This compares with 40 percent of the Traditional FFS Medicare population, suggesting Medicare Advantage beneficiaries tend to be more financially vulnerable. This new analysis demonstrates that Medicare Advantage beneficiaries also report other markers of increased socioeconomic vulnerability, even when accounting for income level in the case of employment status.

Finding: Medicare Advantage Beneficiaries have Lower Levels of Education than Traditional Fee-for-Service Medicare Beneficiaries

As **Figure 1** shows, Medicare Advantage beneficiaries report lower levels of education attainment than Traditional FFS Medicare beneficiaries. For example, 19 percent of Medicare Advantage beneficiaries completed less than a high school degree, compared with 13.5 percent of Traditional FFS Medicare beneficiaries. Conversely, nearly 36 percent of Traditional FFS Medicare beneficiaries have completed college, compared with less than 30 percent of Medicare Advantage beneficiaries.

Figure 1 Percentage of Medicare Beneficiaries by Educational Level



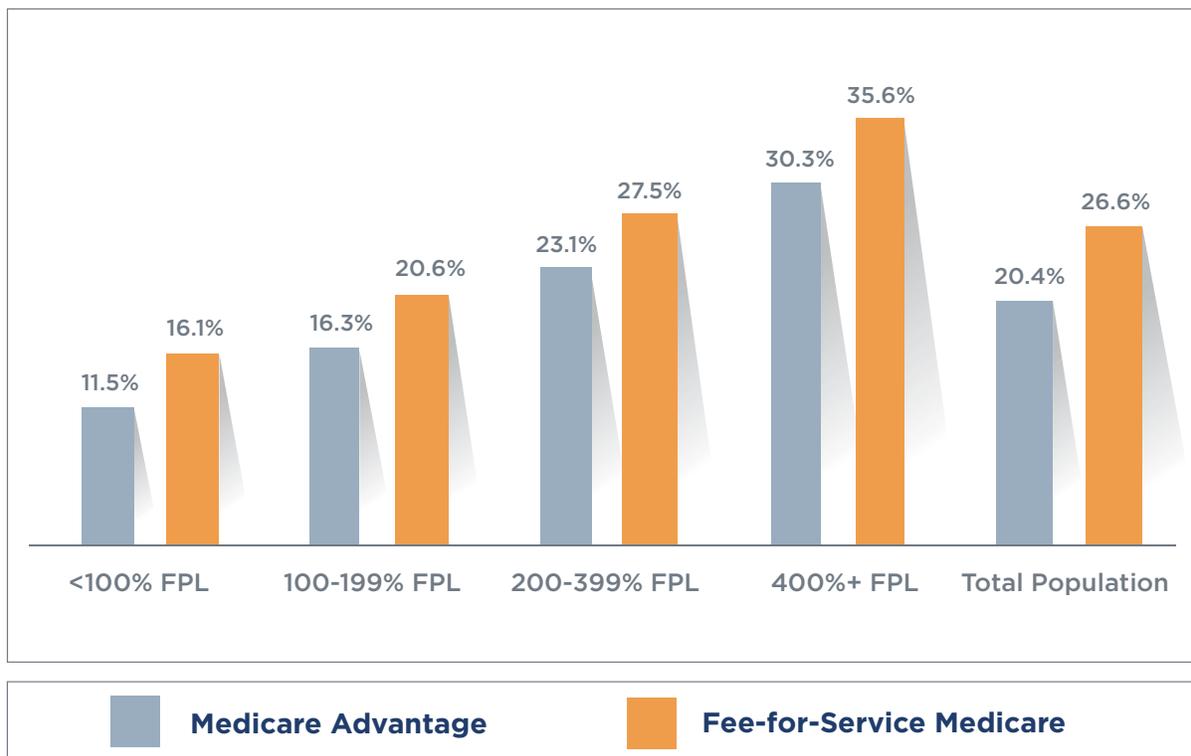


Finding: Medicare Advantage Beneficiaries and their Spouses have Lower Levels of Employment than those in Traditional Fee-for-Service Medicare

This analysis identified that, while the rate of employment increases for all Medicare beneficiaries³ with increasing income, Medicare Advantage beneficiaries are less likely to be employed when compared with Traditional FFS Medicare beneficiaries at all income levels. In the aggregate, 20.4 percent of Medicare Advantage beneficiaries report being employed compared with 26.6 percent of the Traditional FFS Medicare population (see Figure 2).

³ Employment is defined as a Medicare beneficiary and/or his or her spouse reporting employment during the month preceding the survey.

Figure 2 Percentage of Medicare Beneficiaries and/or Spouses who are Employed, by Income Level



Medicare Advantage Offers Important Financial Protection to Medicare Beneficiaries Across a Variety of Coverage Configurations

Important differences exist in the financial experiences of Medicare beneficiaries based on their sources of coverage. This likely is influenced by underlying variation in the income level of Medicare beneficiaries across coverage configurations. In addition to differences in financial experiences with the Medicare program based on income level, financial experiences of Medicare beneficiaries were assessed across the following coverage configurations:

- Individuals covered only by Traditional FFS Medicare (“FFS only”; 7.1 million beneficiaries)
- Individuals covered by Traditional FFS Medicare and Medicare supplemental insurance (“FFS + Medigap”; 10.7 million beneficiaries)
- Individuals covered by Traditional FFS Medicare and employer sponsored insurance (“FFS + ESI”; 13.0 million beneficiaries)
- Individuals covered by Traditional FFS Medicare and Medicaid, i.e., FFS dual eligibles (“FFS + Medicaid”; 5.7 million beneficiaries)
- Individuals covered by Medicare Advantage without Medicaid coverage (“MA Only”; 15.0 million beneficiaries)⁴
- Individuals covered by Medicare Advantage with Medicaid, i.e., Medicare Advantage dual eligibles (“MA + Medicaid”; 4.1 million beneficiaries)

Finding: Medicare Advantage Beneficiaries have Lower Premium and Out-of-Pocket Costs, and Lower “Cost-Burden,” across all Income Levels

Previous findings identified that beneficiaries in Medicare Advantage report considerably lower average total beneficiary spending (premiums plus out-of-pocket costs) than in Traditional FFS Medicare, at \$3,087 and \$4,685, respectively.⁵ The previous findings also noted that these lower costs contributed to Medicare Advantage beneficiaries being less likely to be cost-burdened than beneficiaries in Traditional FFS Medicare, at 11.8 percent and 19.0 percent, respectively (with “cost-burden” defined as spending over 20 percent of income on premium and out-of-pocket costs). As **Figures 3 and 4** show, the current analysis identified that these financial trends are present at all income levels, with Medicare Advantage beneficiaries consistently experiencing lower average total spend and lower rates of cost-burden than Traditional FFS Medicare beneficiaries.

⁴ “MA Only” includes Medicare Advantage beneficiaries with and without employer-sponsored coverage as well as those enrolled in employer-group waiver plans (EGWPs).

⁵ Premium amounts include all premiums paid, including Part D and potential private insurance products such as dental and vision. Average premium plus out-of-pocket spending is annual.

Figure 3 Average premium and Out-of-Pocket Spending, by FPL

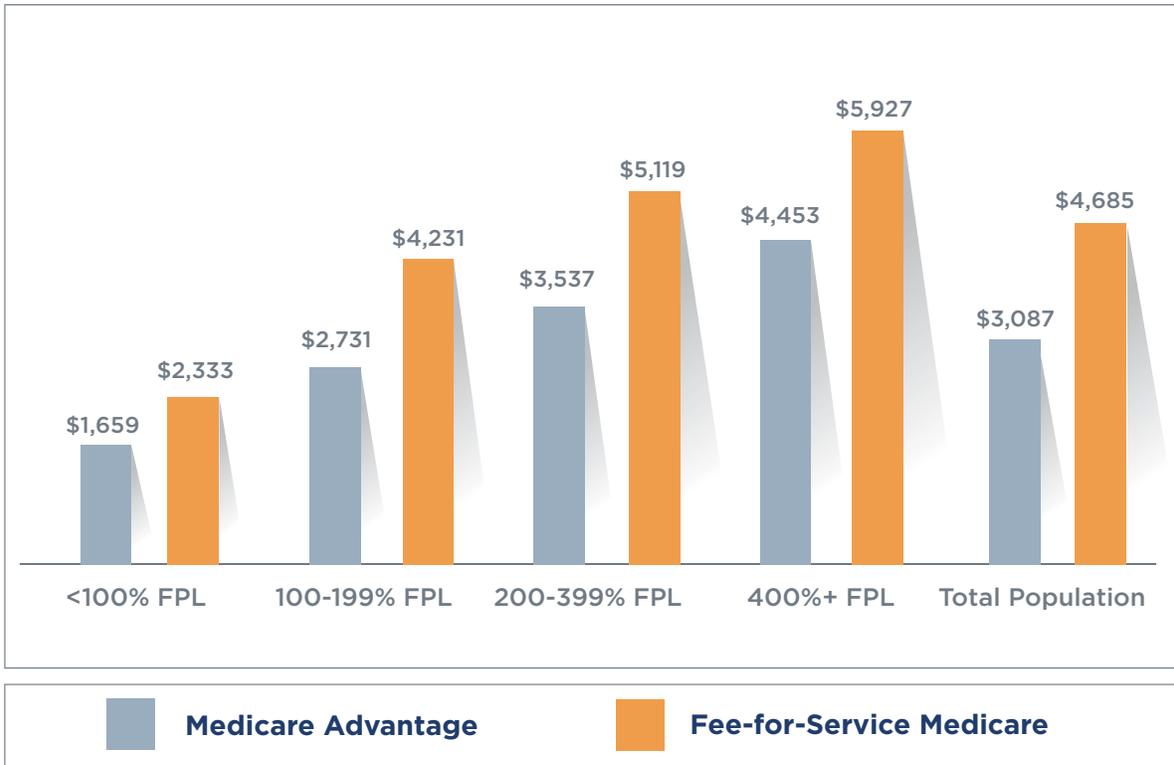
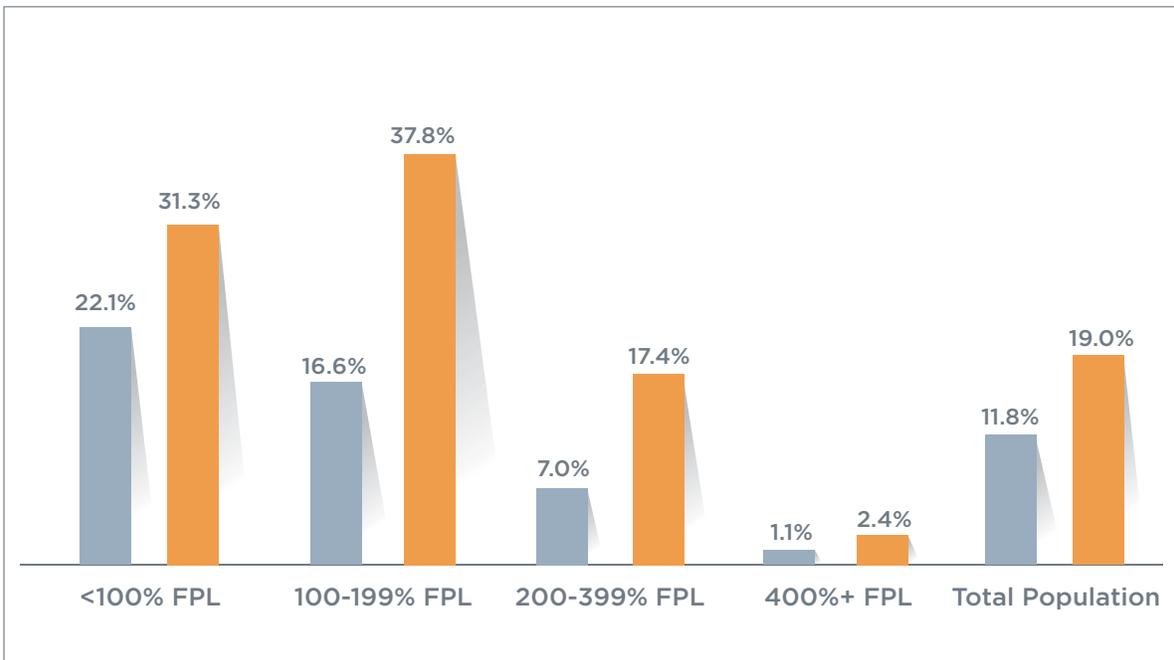


Figure 4 Percentage of Medicare Beneficiaries who are Cost-Burdened, by FPL



Finding: Medicare Advantage Beneficiaries Generally Have Lower Premium and Out-of-Pocket Costs and are Less Likely to be Cost-Burdened Compared with Other Coverage Configurations

Figure 5 shows that Medicare Advantage beneficiaries experience lower premiums and out-of-pocket costs compared to every other comparable coverage category except Traditional FFS Medicare without supplemental insurance or ESI. **Figure 6** shows that Medicare Advantage beneficiaries are less likely to be cost-burdened than Traditional FFS Medicare beneficiaries across all coverage configurations. The highest premium and out-of-pocket spending, and subsequently cost burdens, in the Medicare population are experienced by beneficiaries in Traditional FFS Medicare with Medigap at \$6,259 in average annual spending with 28 percent reporting cost burden, respectively (see Figures 5 and 6).⁶ Among those with Medicaid eligibility (beneficiaries “dually eligible” for Medicare and Medicaid), Medicare Advantage beneficiaries spent 44 percent less on average than Traditional FFS Medicare (\$929 compared with \$1,338) and were 48 percent less likely to be cost-burdened (14.7 percent compared with 8.0 percent).

⁶ Nearly 60 percent of non-premium OOP costs for beneficiaries with Traditional FFS Medicare with Medigap are due to prescription drugs (\$823) and dental (\$622), contributing to this coverage configuration having the highest aggregate premium plus OOP Medicare spend.

Figure 5 Average Premium and Out-of-Pocket Spending by Coverage Configuration

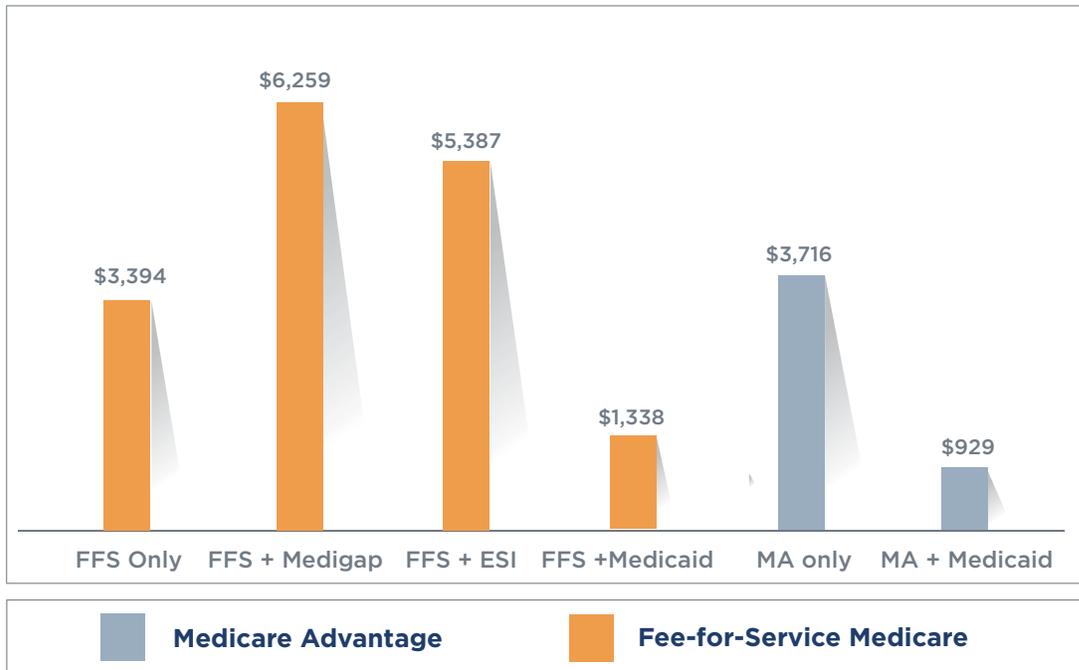
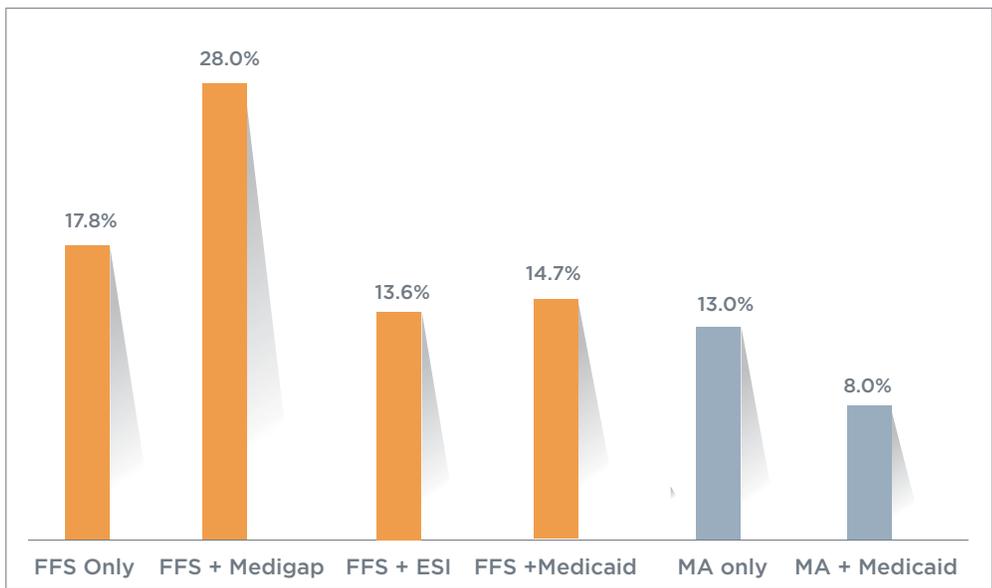




Figure 6 Percentage of Beneficiaries who are Cost-Burdened, by Coverage Configuration



Finding: Medicare Advantage Beneficiaries Spend Less than Traditional Fee-for-Service Medicare Beneficiaries Across Medicare Benefits

As Figures 7 - 10 show, Traditional FFS Medicare beneficiary out-of-pocket costs are higher than Medicare Advantage beneficiary costs for Medicare benefits under Part A and Part B, specific to inpatient facility stays, utilization of outpatient facilities, and visits to medical providers. Across all three site of service categories, Medicare Advantage beneficiaries reported lower out-of-pocket costs compared with each of the different coverage configurations for Traditional FFS Medicare even when dual eligibility is held constant. The most substantial proportional difference exists with inpatient care, with the highest out-of-pocket costs experienced by Traditional FFS Medicare Only beneficiaries at \$126 per year, more than seven times higher than the out-of-pocket costs experienced by non-dual eligible Medicare Advantage beneficiaries (\$15). Traditional FFS Medicare Only beneficiaries reported the highest out-of-pocket costs for each of the three standard Medicare benefits evaluated.

Figure 7 Average Out-of-Pocket Costs Associated with Inpatient Facility Stays

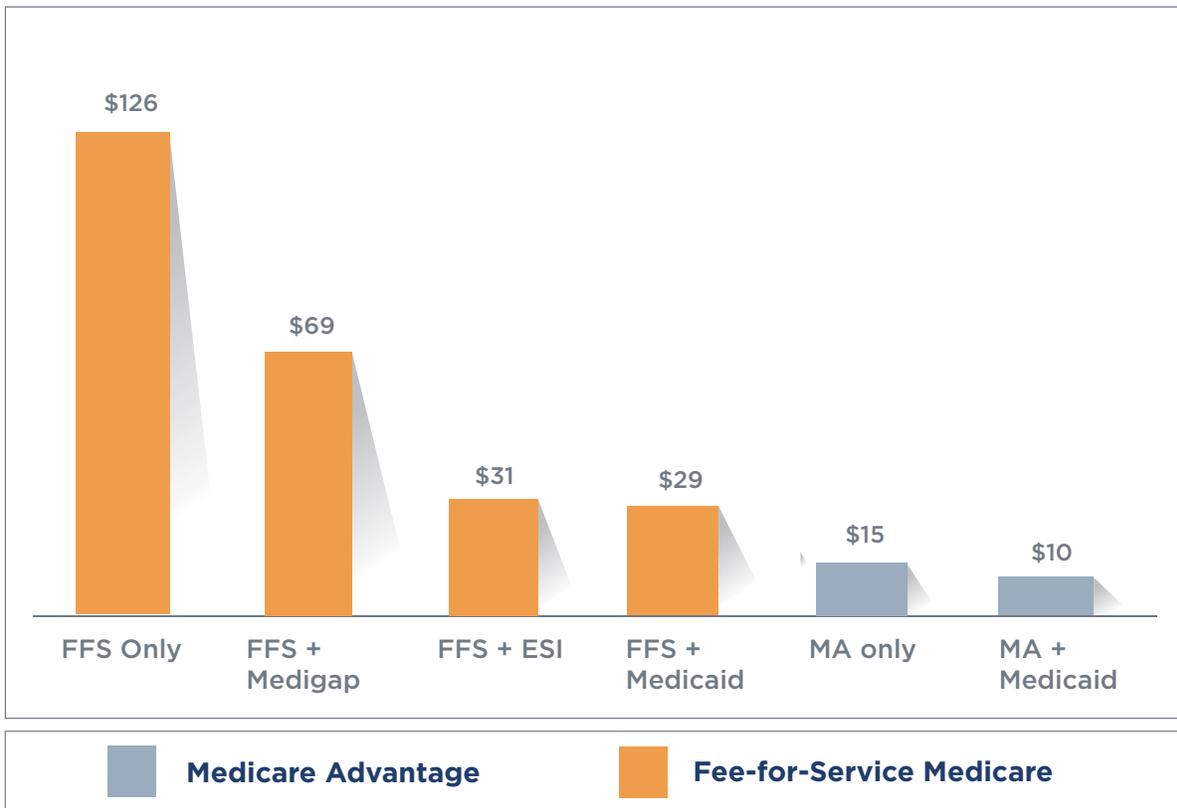


Figure 8 Average Out-of-Pocket Costs Associated with Outpatient Facilities

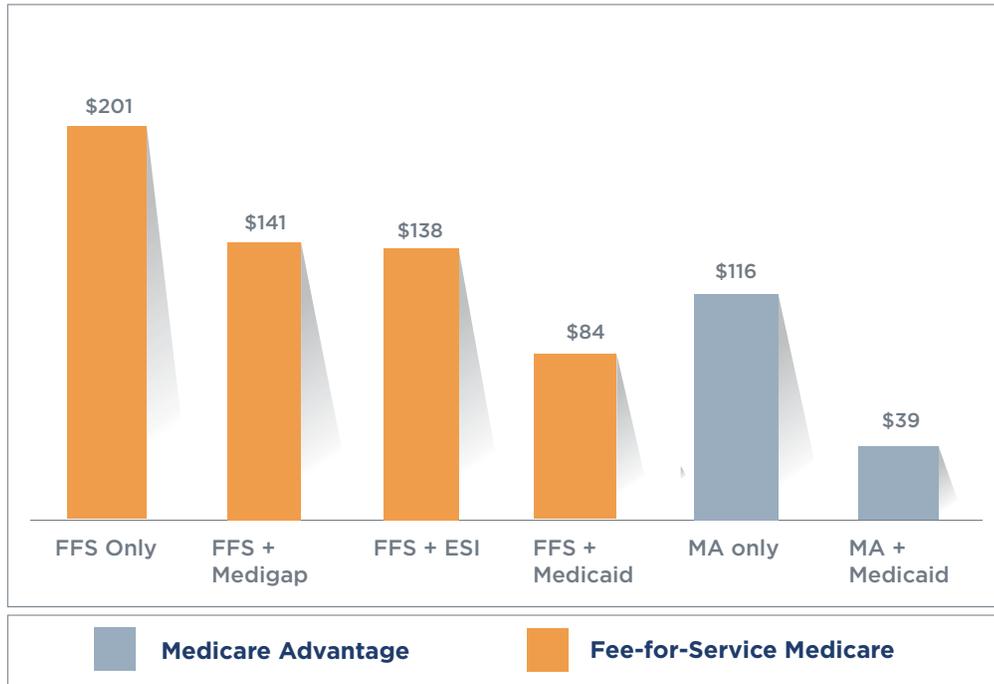


Figure 9 Average Out-of-Pocket Costs Associated with Visits to Medical Providers

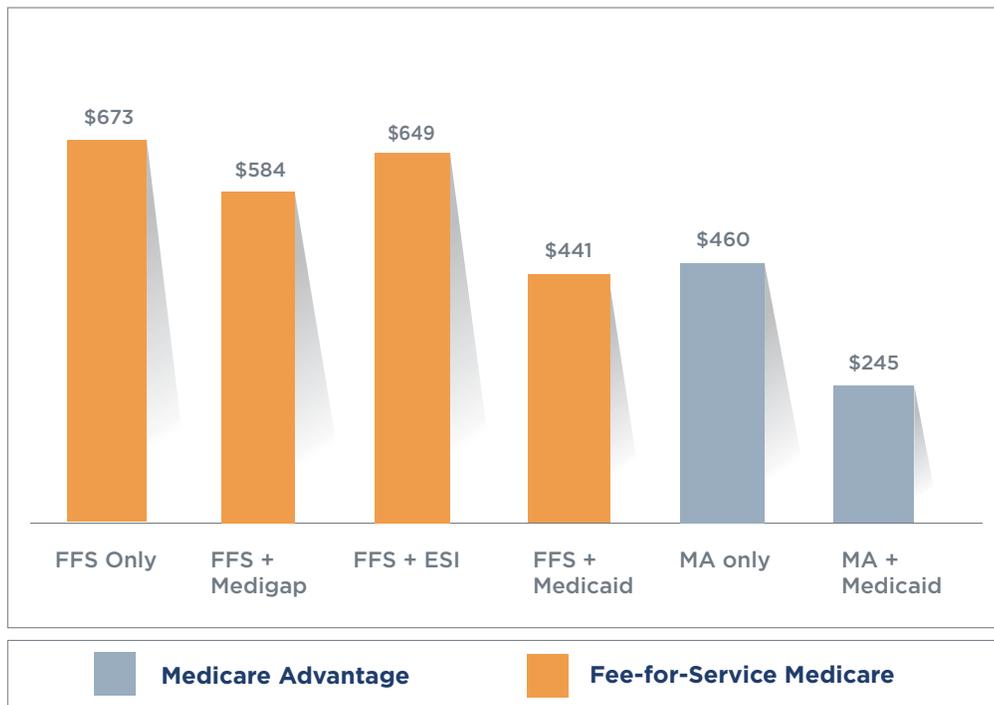
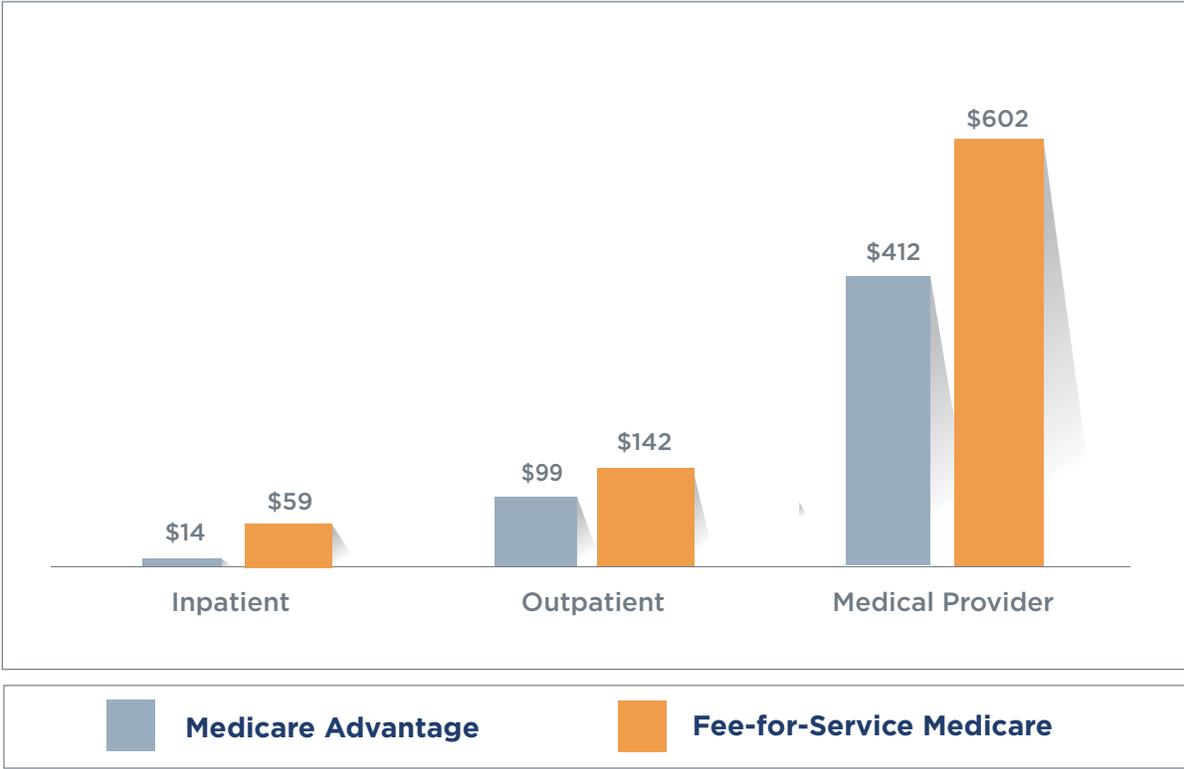




Figure 10 Average Out-of-Pocket Costs by Service Site





Conclusion

This report expands evidence that Medicare Advantage serves a more socioeconomically disadvantaged population than Traditional FFS Medicare, and further demonstrates Medicare Advantage’s important role in offering financial protections to Medicare beneficiaries. Medicare Advantage demonstrates its value against multiple other coverage configurations, including lower out-of-pocket costs when compared with Traditional FFS Medicare, Traditional FFS Medicare coupled with Medigap, and Traditional FFS Medicare coupled with employer-sponsored insurance. Medicare Advantage also demonstrates its value specific to dual eligibles, offering considerably lower costs and enhanced benefits to this particularly vulnerable population.

As policymakers contemplate Medicare Advantage moving forward, it will be important to maximize the potential of Medicare Advantage by providing full information on the option of Medicare Advantage for beneficiaries, and ensuring Medicare Advantage has sufficient tools to maintain this lower level of cost-burden. These tools include policies that facilitate Medicare Advantage’s capacity to offer expanded benefits and care models that address the “whole person,” support care management tools, and encourage innovative approaches to care delivery, including primary care teams, care coordination, and telehealth.

Methods

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 fee-for-service, ATI Advisory examined how Medicare coverage arrangements affect beneficiaries' access to care, utilization of benefits, and out-of-pocket costs. Full methods available at:

https://atiadvisory.com/wp-content/uploads/2020/04/2017-MCBS-Analysis_Research-Methodology_Revised-March-2020.pdf.

Unless otherwise noted, all data are from the 2017 MCBS and exclude assisted living and nursing home residents.



BETTER MEDICARE
ALLIANCE

BETTER MEDICARE ALLIANCE
1411 K Street NW, Suite 1400
Washington, DC 20005

202.735.0037

bettermedicarealliance.org