MILLIMAN REPORT

Comparing the Demographics of Enrollees in Medicare Advantage and Fee-For-Service Medicare

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Executive Summary

In 2019 there were 64 million Medicare beneficiaries. Twenty-four million of those beneficiaries chose to enroll in a Medicare Advantage plan; the remainder were covered by fee-for-service Medicare. Over 37% of the total Medicare beneficiary population chose Medicare Advantage. The Congressional Budget Office (CBO) projects that Medicare Advantage enrollment will grow to nearly 50% by 2029.[1] To better understand the increasing role of Medicare Advantage for Medicare beneficiaries we looked at similarities and differences among enrollees in those two programs across several years. We conclude that overall the two programs both attract a broad mix of beneficiaries but there are some interesting differences.

The age composition of Medicare Advantage and fee-for-service Medicare are largely similar but there are a few differences worth noting. A higher share of the fee-for-service Medicare population, 29%, is between the ages of 65 and 69 compared to 24% for Medicare Advantage. The opposite is true between 70 and 84. This age group represents 52% of Medicare Advantage enrollees versus 46% of fee-for-service Medicare beneficiaries.

The share of the Medicare population enrolled in Medicare Advantage, excluding EGWPs, grew from 24% in 2013 to 33% in 2019. This represents a 63% increase in Medicare Advantage enrollment over that time period. Our examination of the journey of the 2013 Medicare beneficiaries through 2019 reflects this movement.

- Medicare Advantage enrollees are more likely to stay in Medicare Advantage. 85% of 2013 Medicare Advantage enrollment remained in Medicare Advantage through 2019, compared to 81% of fee-for-service Medicare beneficiaries.
- In addition, 15% of the 2013 fee-for-service Medicare beneficiaries moved into Medicare Advantage between 2013 and 2019, compared to the 6% that left Medicare Advantage for fee-for-service Medicare.

Racial minorities make up a larger share of the Medicare Advantage population than in fee-for-service Medicare (32% vs 21% in 2019). They also comprise a larger share of the 2013 beneficiaries that transitioned into Medicare Advantage (38% vs 35%) between 2013 and 2019.

The number of dual eligible beneficiaries, i.e., those enrolled in both Medicare and Medicaid, choosing Medicare Advantage increased significantly between 2013 and 2019.

- In 2013 there were 9.6 million full or partial dual beneficiaries, with 2.4 million (25%) enrolled in Medicare Advantage.
- By 2019 the number had increased to 12.3 million, with 5.4 million, or 44%, enrolled in Medicare Advantage.

This report was commissioned by the Better Medicare Alliance, Inc.

[1] CBO (May 2, 20919). Medicare—CBO's May 2019 Baseline. Retrieved October 2, 2020, from https://www.cbo.gov/system/files/2019-05/51302-2019-05-medicare_0.pdf

Bruce Pyenson, Catherine Murphy-Barron, Christine Ferro, and Matt Emery are employed by Milliman, Inc. The American Academy of Actuaries requires its members to identify their credentials in their work product. Pyenson, Murphy-Barron, and Emery are members of the American Academy of Actuaries and meet its relevant qualifications.

Introduction

Medicare beneficiaries have the opportunity to enroll in Medicare Advantage (MA) every year during annual open enrollment. The number of beneficiaries choosing MA each year has been steadily increasing. 2019 MA enrollment was 60% more than in 2013, but fee-for-service Medicare (FFS) increased by only 5%. In this report we explore how this growth happened by examining the characteristics of the people who chose MA and by comparing those characteristics to people who chose FFS.

Most people become eligible for Medicare when they turn 65, but some individuals qualify at younger ages through disability or because they have end-stage renal disease (ESRD). The FFS program has operated since the 1960s and covers hospitalization, outpatient services, and physician care, as well as other benefits such as home healthcare.

MA, which has operated in some form since the 1980s, allows Medicare beneficiaries to receive Medicare-covered services through private health plans. The plans almost always operate with a network of providers. MA has become increasingly popular for Medicare beneficiaries, because MA plans offer richer benefits, including reduced cost sharing or additional benefits that are not part of FFS.

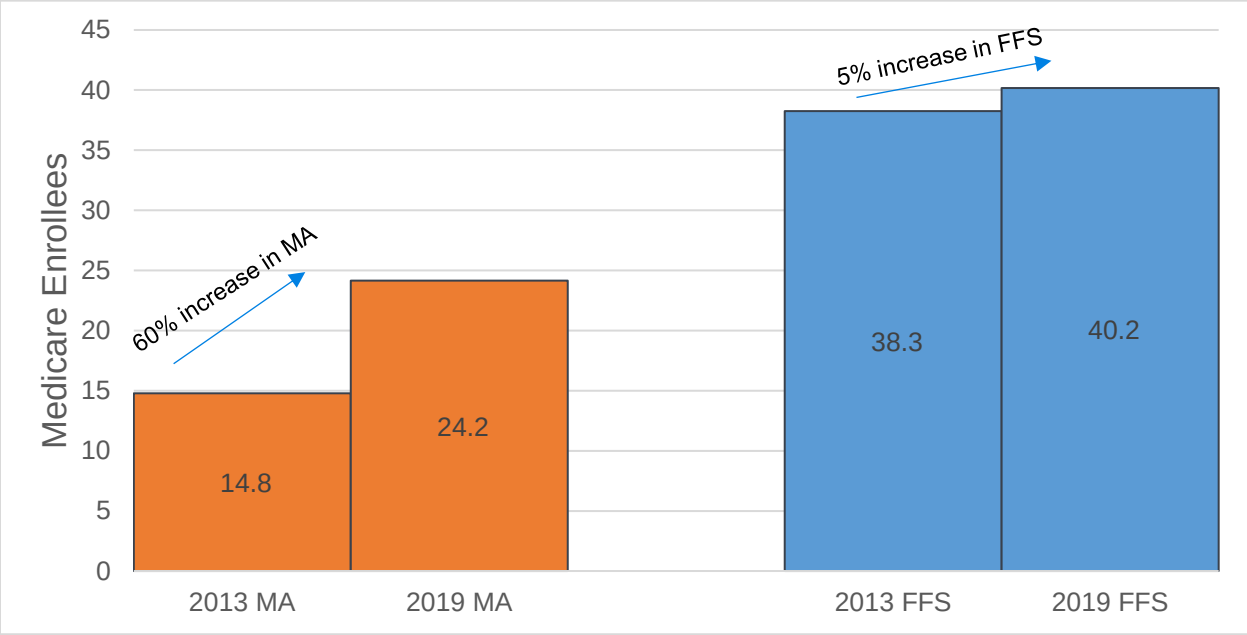
Most Medicare beneficiaries can choose between FFS and MA during an annual open enrollment period. Medicare beneficiaries may also be eligible for Medicaid based on their state's income requirements (known as "dual eligibles") and can enroll or disenroll in MA throughout the year. About 20% of Medicare beneficiaries are dual eligibles. We provide information on the two main categories of dual eligibles—the "full duals" and "partial duals." Full dual eligible beneficiaries receive full subsidies for out of pocket costs incurred on medical services as well as subsidy for Part B premiums. Partial dual eligible beneficiaries qualify for a partial subsidy of either Part B premium or their out of pocket costs.

Using the Centers for Medicare and Medicaid Services (CMS) 100% Medicare Research Identifiable Database, we examined the demographic characteristics of Medicare beneficiaries enrolled in Parts A, B, and D in 2013 and 2019. We also followed MA and FFS beneficiaries in 2013 and noted how they transitioned between MA and FFS each year through 2019. For this longitudinal analysis we included individuals with at least one valid month of enrollment in 2013 and followed them through 2019. Therefore, individuals who became eligible for Medicare after 2013 either by aging or through disability are not included in the longitudinal analysis. Beneficiaries enrolled in Employer Group Waiver Plans (EGWPs), which is a program for employers to subsidize retiree medical benefits, were included in the comparison of the total Medicare populations in 2013 and 2019 (figure 1), but excluded from the remainder of our analysis (figures 2-9). EGWPs are a function of employment and are therefore not available to all Medicare beneficiaries.

Comparing the demographics of enrollees in Medicare Advantage and Fee-For-Service Medicare

From 2013 to 2019, the number of Medicare beneficiaries enrolled in MA plans increased faster than overall Medicare enrollment. In 2013 there were approximately 53 million Medicare beneficiaries, with 38.3 million in FFS, 12.1 million in MA, and 2.7 million in EGWPs. In 2019, Medicare covered over 64.4 million individuals, with 40.2 million in FFS, 24.2 million in MA plans, of which almost 4.5 million were enrolled in EGWPs. The FFS population grew by 5% in that time period, while the MA population grew by 60%.

Figure 1: 2013 and 2019 Change in Medicare Enrollment (millions)



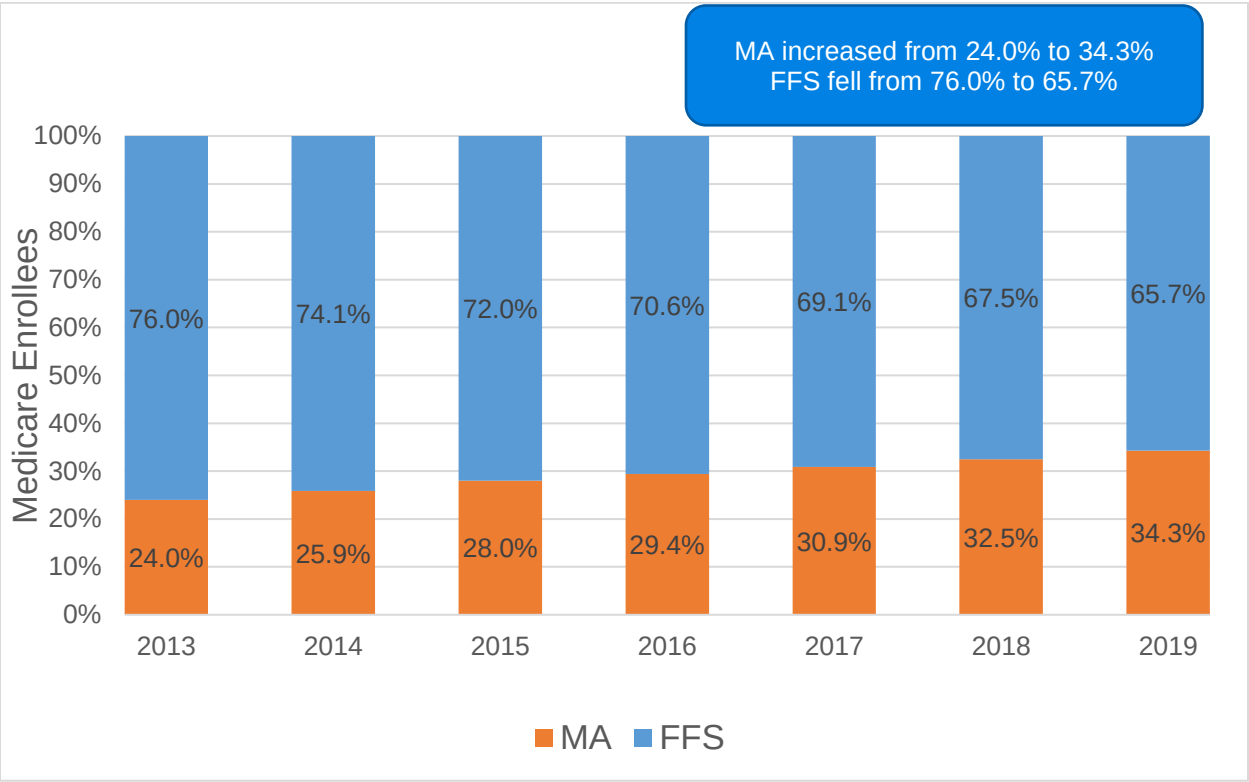
Note: MA values in Figure 1 include beneficiaries enrolled in EGWPs. However, we exclude EGWPs from the remainder of this report as EGWP is a function of employment and not available to all Medicare beneficiaries.

If we exclude EGWPs from the MA population, then MA grew by 63% between 2013 and 2019.

We exclude EGWPs from the remainder of our analysis as EWGP are offered on a group basis by some employers to their retirees and are not available to all Medicare beneficiaries. We included only beneficiaries who could choose between FFS and individually sold MA plans.

We followed the group of 50.3 million 2013 Medicare beneficiaries through 2019 to gain insight into how people moved between FFS and MA. By 2019 the surviving population of our 2013 group had approximately 36.9 million beneficiaries—a 25% reduction due to death (or loss to follow-up). However, in this "fixed block," MA enrollment grew while the number in FFS dropped. Figure 2 shows the change in distribution for the 2013 group.

Figure 2: 2013 Medicare Cohort, MA's Enrollment Share Grows Each Year

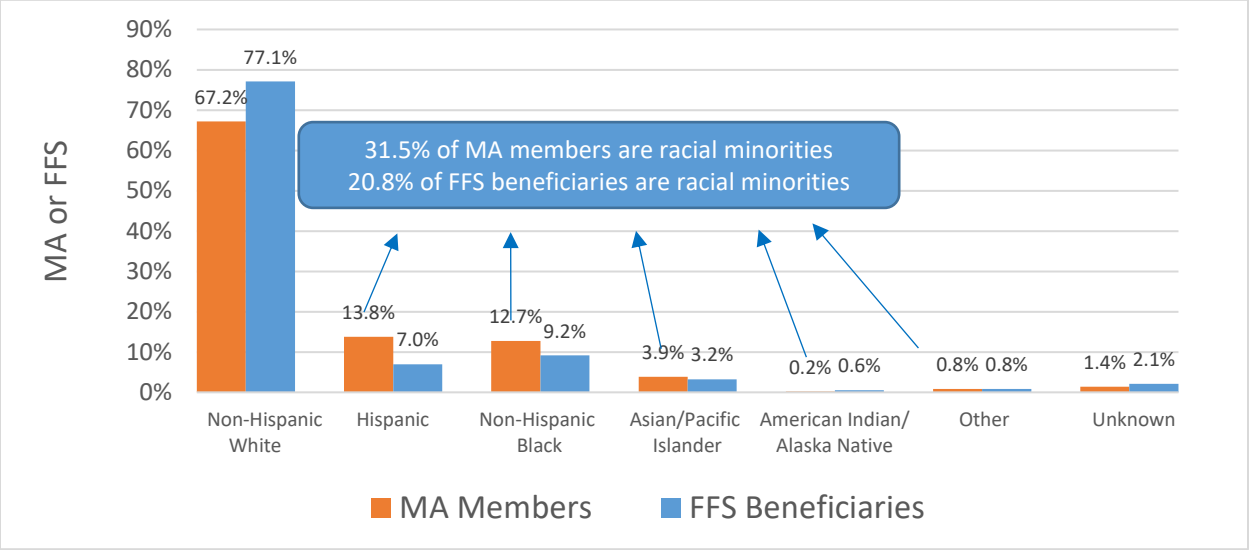


The MA share increased from 24.0% to 34.3% between 2013 and 2019 for the surviving members of the 2013 cohort. The total overall (non-EGWP) MA penetration increased from 24.0% to 32.9% in 2019. This growth reflects the net movement of individuals from FFS to MA and not necessarily reduced mortality in MA.

RACE AND ETHNICITY

Racial minorities make up over 30% of MA enrollees compared to approximately 20% of FFS enrollees. As shown in Figure 3, the 2019 Medicare population included 16.0 million racial/ethnic minorities, with 7.6 million in MA (31.5% of MA) and 8.4 million in FFS (20.8% of FFS). MA had nearly twice the proportion of Hispanics as FFS (13.8% vs. 7.0%). MA also had more non-Hispanic Black people than FFS (12.7% vs. 9.2%).

Figure 3: 2019 MA has Higher Enrollment of Racial/Ethnic Minorities than FFS

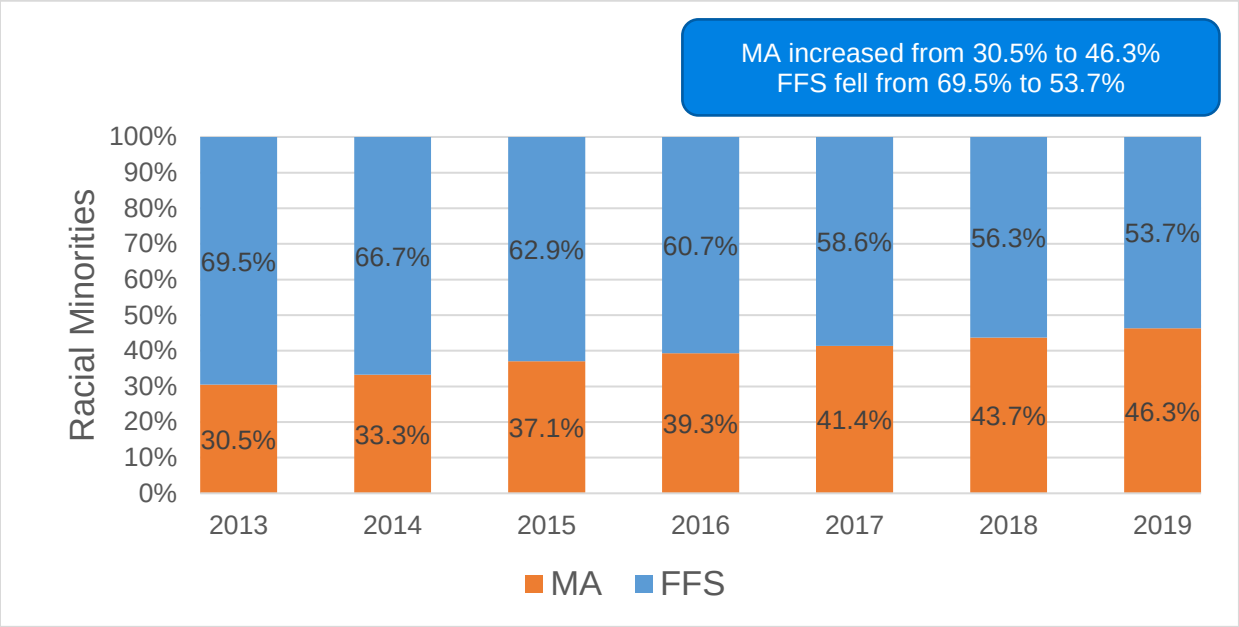


Note: The racial/ethnic minorities reported here reflect the coding in the CMS database. We caution the reader that researchers have reported shortcomings in the racial/ethnic identification in our source data.[2]

In 2013 MA had 3.6 million racial/ethnic minorities, representing about 30% of MA enrollment; FFS had 8.2 million, representing about 21% of FFS beneficiaries.

[2] Jarrin, O.F. et al. Validity of race and ethnicity codes in Medicare administrative data compared with gold-standard self-reported race collected during routine home health care visits. *Medical Care*. 2020 January; 58(1): e1-e8.

Figure 4: 2013 Medicare Cohort, MA has a Growing Share of Racial/Ethnic Minorities



By 2019 racial/ethnic minorities made up 24.5% of the total overall surviving 2013 cohort. The proportion of racial minorities that joined MA during that period was about 62% of the MA racial minority enrollment, but the proportion joining FFS was only 10% of the FFS racial minority population.

Figure 5: 2013 Medicare Cohort Cumulative Transitions through 2019, Racial/ethnic Minorities (millions)

Transition Type	MA		FFS	
	Beneficiaries	% of 2013 Racial Minorities in MA	Beneficiaries	% of 2013 Racial Minorities in FFS
Any-Time Joiner	2.2	62%	0.8	10%
Any-Time Leaver	0.8	23%	2.2	27%
Full-Time Stayer	3.0	85%	5.8	71%

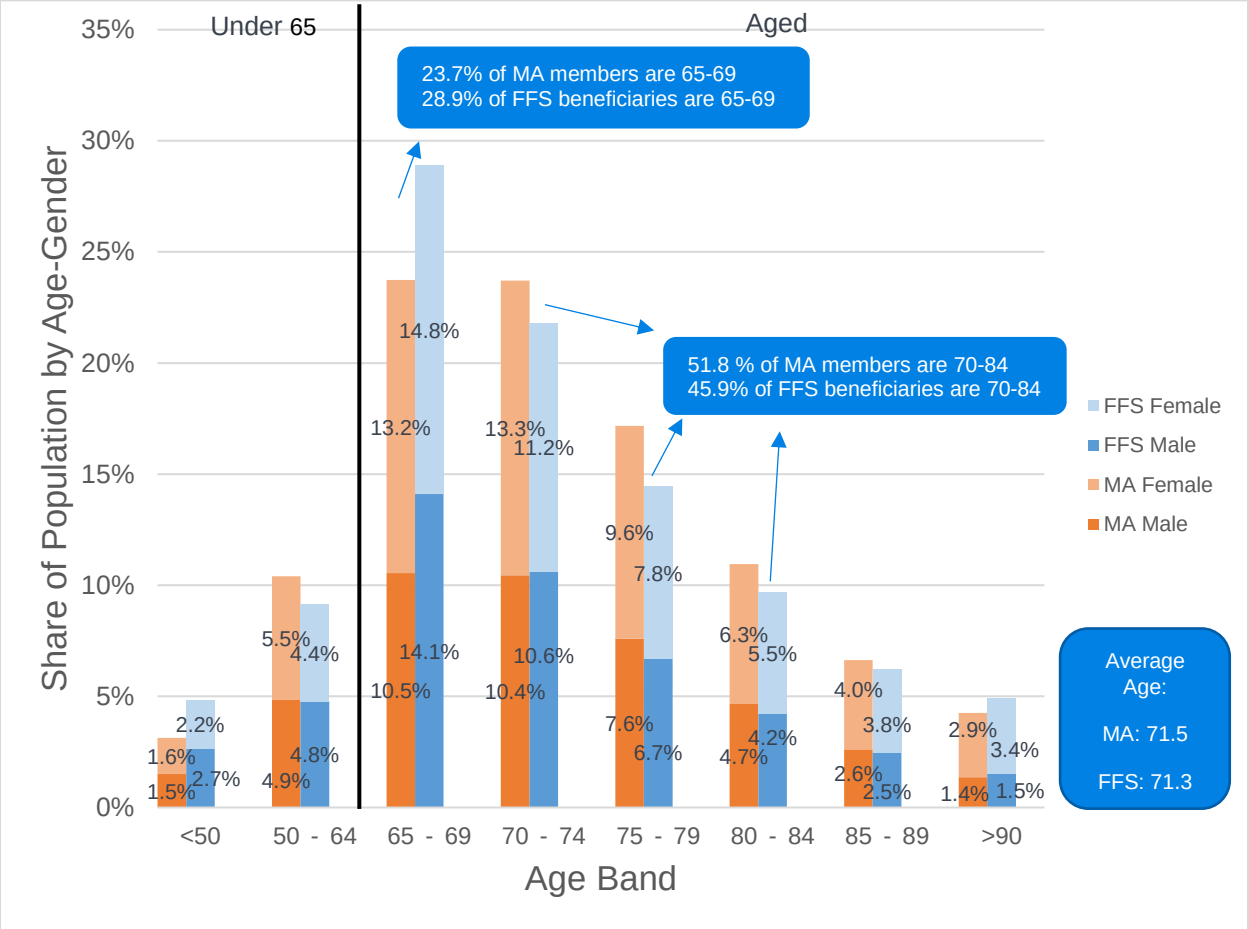
During the seven-year time period, 85% of the MA racial/ethnic minority population remained in MA for the entire period. This is consistent with the percentage of the overall population that remained in MA. FFS had a lower retention for racial/ethnic minorities (71%) versus the overall FFS retention of 81%.

AGE AND SEX

Figure 6 shows, for each five-year age band, the share of 2019 beneficiaries in MA and FFS.

- A higher share of FFS beneficiaries is between 65 and 69 than MA (28.9% versus 23.7%).
- A higher share of MA beneficiaries is between 70 and 84 than FFS (51.8% versus 45.9%).
- MA has a larger share of 50 to 64 year olds than FFS (10.4% compared to 9.2%), but a lower share of the under 50s (3.1% vs 4.8%).

Figure 6: 2019 Medicare Enrollment, Age and Sex



Note: For each cohort (MA/FFS) the sum across all age brackets equals 100%.

GEOGRAPHIC LOCATION

As a share of each population there are more MA enrollees living in urban areas than FFS. In 2019 83% of MA enrollees lived in urban areas compared to 74% for FFS. This is a slight increase from 2013 in the share of those living in urban areas for both MA (81%) and FFS (72%).

MEDICARE TRANSITIONS

Of the 53 million beneficiaries in the 2013 Medicare cohort, beneficiaries switched between MA and FFS over 8 million times by 2019, including people who switched multiple times. However, 41 million maintained their original coverage for the entire period; approximately 81% of FFS beneficiaries and 85% of MA enrollees.

Six million FFS beneficiaries joined MA, which represents 49% of the MA 2013 enrollment. Meanwhile 2.4 million joined FFS from MA, representing 6% of the 2013 FFS population. Enrollees leaving MA or FFS each represent 20% and 15%, respectively, of their 2013 populations.

Figure 7: 2013 Medicare Cohort Cumulative Transitions through 2019 (millions)

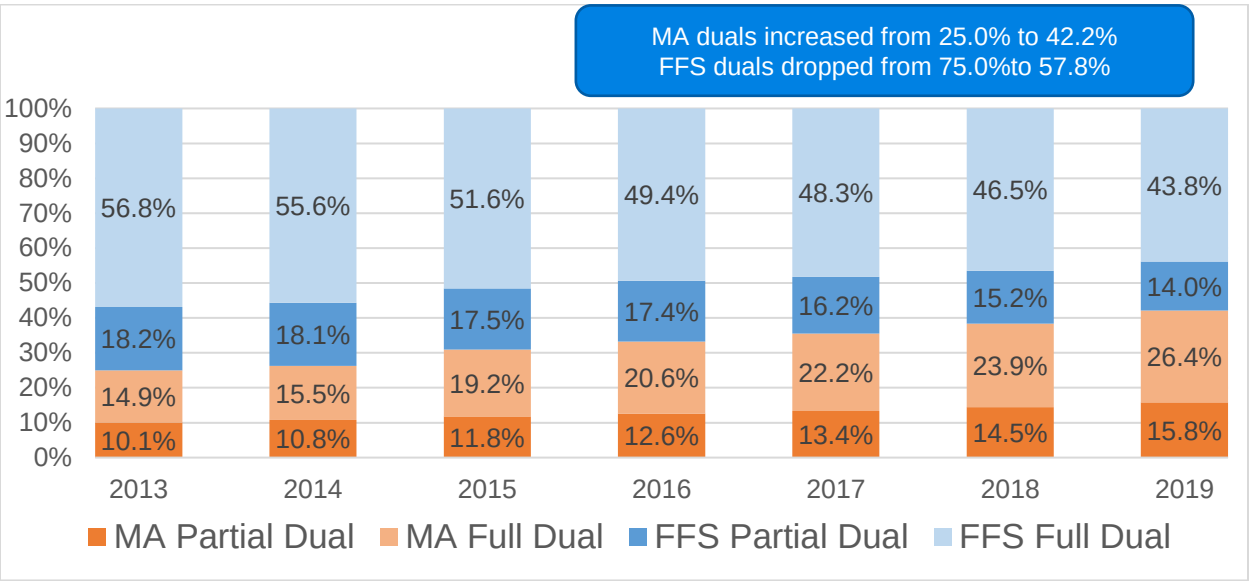
Transition Type	MA		FFS	
	Beneficiaries	% of 2013 enrollment	Beneficiaries	% of 2013 enrollment
Any-Time Joiner	5.9	49%	2.4	6%
Any-Time Leaver	2.4	20%	5.9	15%
Full-Time Stayer	10.3	85%	30.8	81%

FULL AND PARTIAL DUALS

MA has attracted an increasing portion of dual eligibles over the period from 2013 to 2019. In 2013 there were 9.6 million full or partial duals, with 2.4 million (25%) enrolled in MA and 7.2 million (75%) in FFS. In 2019 the number of full or partial duals in Medicare increased to 12.3 million, with 5.4 million enrolled in MA (44%), and 6.8 million (56%) in FFS. This represents an overall increase in dual eligibles from 2013 to 2019 of 28%, but MA grew by 125% while FFS dropped by 5.6%. The large increase in MA enrollment for dual eligibles may have been driven, at least in part, by implementation of the Medicare-Medicaid demonstration plans in some states.

In the 2013 Medicare cohort, only 7.5 million of the starting 9.6 million dual eligibles remained by 2019. However, the number enrolled in MA had increased by nearly 0.8 million. The number in FFS fell to 4.3 million. The 2019 percentage split of duals between MA and FFS is 42% and 58%, respectively. This is consistent with the distribution for the overall 2019 Medicare population.

Figure 8: 2013 Medicare Cohort, Full and Partial Duals



In the 2013 group, duals transitioned from FFS to MA approximately 2.3 million times through 2019. However, duals left MA for FFS only 1 million times. A higher percentage of dual MA enrollees remained in MA for the entire period compared to FFS beneficiaries, 78% of MA versus 73% of FFS.

Figure 9: 2013 Medicare Cohort Cumulative Transitions through 2019, Dual Eligibles (millions)

Transition Type	MA		FFS	
	Beneficiaries	% of 2013 MA Duals	Beneficiaries	% of 2013 FFS Duals
Any-Time Joiner	2.3	97%	1.0	13%
Any-Time Leaver	0.9	39%	2.3	33%
Full-Time Stayer	1.9	78%	5.3	73%

Data Source and Methodology

DATA SOURCE

The methodology described below was applied to the 2013 through 2019 CMS 100% Medicare Research Identifiable Data Set.

METHODOLOGY

MA and FFS identification

MA members were identified as those entitled to both Parts A and B and belonging to an MA plan by virtue of reporting a health maintenance organization (HMO) buy-in value. Those identified as MA members with plan IDs in the "800" series were further identified as EGWP members and excluded from the demographic comparisons. Part D-only EGWPs were also excluded. FFS beneficiaries were identified as any remaining entitled beneficiary with Part A-only, Part B-only, or both Parts A and B.

We initially identified FFS and MA enrollees based on their March 2013 enrollment. March was chosen as it is after the annual enrollment period allowing Medicare enrollees to switch between FFS and MA coverage on or before February 14. If there was no enrollment value in March, we identified individuals as MA or FFS based on their December enrollment, similar to above. If there was no enrollment value in December we considered the individual lost to follow-up and no enrollment type was assigned. Approximately 10,000 were not assigned to MA or FFS, thus 2013 reported figures exclude that group.

From 2014 through 2018 we identified transitions by comparing the March enrollment in each year to the previous year. If there was no enrollment value in March, we considered the individual as lost to follow-up. In 2019 we identified transitions by comparing the April enrollment to the March 2018 enrollment. April was chosen to align with the Medicare Advantage open enrollment period established in 2019, which allows MA members to switch plans or return to FFS Medicare through March each year.[3]

For the 2019 snapshot profile of all Medicare enrollees we also identified MA and FFS based on the April month of enrollment if available. We looked back from January to March to include any individuals who passed away during that time.

We excluded any enrollees with one or more months of dual eligibility with a state program payer other than Medicaid from 2013 to 2019.

Dual status identification

For the 2013 to 2019 longitudinal study we assigned dual eligible status in the same month we identified Medicare enrollment type. For the 2019 snapshot analysis we assigned dual status to

[3] Medicare.gov. Joining a Health or Drug Plan. Retrieved October 2, 2020, from https://www.medicare.gov/sign-up-change-plans/joining-a-health-or-drug-plan#

anyone with a single month of that status. Full or partial dual was assigned based on the plurality of months with dual status. Ties defaulted to the last month of dual enrollment.

Demographics and other characteristics of interest

We summarized demographics and other characteristics as follows:

- Age and gender distribution by age/gender bands
  - Age by year is as of the end of each year
  - Age for joiners and leavers is at the end of each year of transition
    - Age of an individual transitioning multiple times reflects that person's age at each transition so that some individuals are counted more than once
  - Age for full-time stayers is at the end of 2013
  - Any gender identified as “unknown” was censored
- Race and ethnicity was determined from the enhanced field “RTI_RACE,” which applies an algorithm based on the first and last name to identify more beneficiaries as Hispanic or Asian. We identified the following race and ethnicity categories:
  - Non-Hispanic White
  - Racial minorities:
    - Hispanic
    - Black (or African American)
    - Asian/Pacific Islander
    - Other
    - American Indian/Alaska Native
  - Unknown

Caveats and Limitations

These results are based on analysis of the 2013-2019 CMS 100% Medicare Research Identifiable Data Set. Different data and time periods can produce different results.

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