DATA BRIEF

Medicare Advantage Outperforms Fee-For-Service Medicare on Cost Protections for Low-Income and Diverse Populations

APRIL 2022

Analysis by ATI Advisory for:

BETTER MEDICARE ALLIANCE

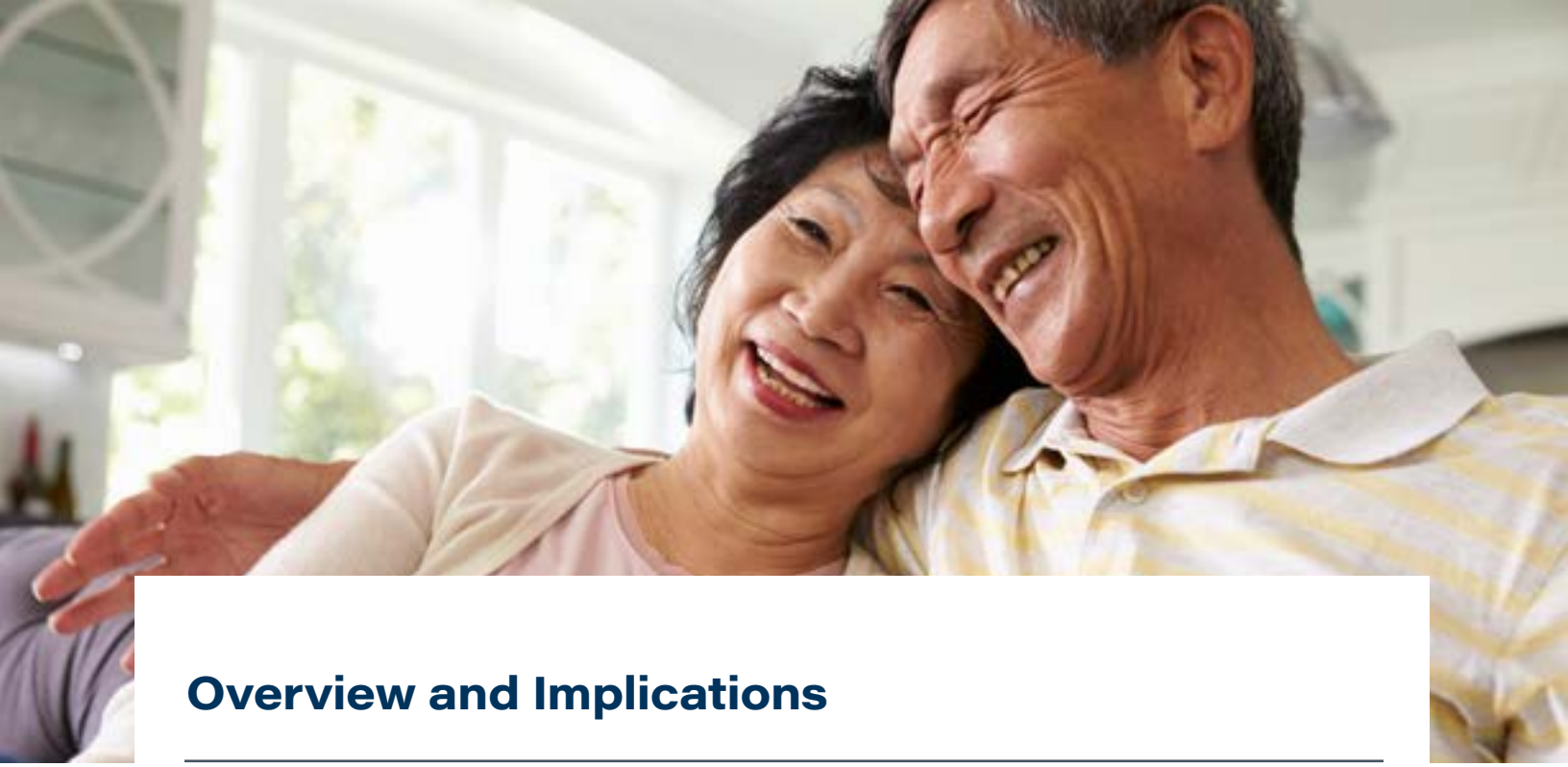
Background

Of the growing number of Medicare beneficiaries, 43 percent – 28.7 million – are served by Medicare Advantage plans.[1] 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. These plans bear full risk for the cost and quality of care for each enrollee, and plans must have a network of providers to ensure access to all covered care and services.

Medicare Advantage differs from Fee-For-Service (FFS) Medicare considerably in the populations it serves as well as the benefits and financial protections it provides. For example, over 99 percent of Medicare Advantage plans offer supplemental benefits that are not covered by FFS Medicare such as coverage for dental, vision, in-home support services, and/or wellness services.

Research and analysis commissioned by the Better Medicare Alliance and performed by ATI Advisory in 2019, 2020, and 2021 using data from 2016, 2017, and 2018, respectively, 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. These previous analyses are updated and expanded here with new data available for 2019.

[1] ATI Analysis of March 2022 and December 2021 CMS Enrollment Files: Monthly Contract and Enrollment Summary Report & MA State/County



Overview and Implications

This report compares Medicare Advantage to FFS Medicare on cost protections across income, disability, race, and ethnicity to understand how programs can better serve the health care needs of their beneficiaries.

Medicare Advantage plans have the flexibility to offer cost and coverage policies that are different from those in FFS Medicare. Plans may, for example, have different deductible and cost-sharing policies. Beneficiaries in Medicare Advantage have maximum annual out-of-pocket limits, which do not exist in FFS Medicare. On average, Medicare Advantage beneficiaries report spending nearly $2,000 less on out-of-pocket costs and premiums annually compared to FFS Medicare beneficiaries **(Figure 2)**. Cost protections from Medicare Advantage persist across race and ethnicity.

This lower spending through Medicare Advantage translates to fewer cost-burdened beneficiaries. FFS Medicare beneficiaries are nearly twice as likely to be cost burdened as Medicare Advantage beneficiaries even when looking at low-income beneficiaries **(Figure 3)**. A greater proportion of low-income beneficiaries are in Medicare Advantage than FFS Medicare **(Figure 1)**.

Despite lower costs, beneficiaries across both programs report similar levels of satisfaction in the quality of their health care. This analysis also shows that Medicare Advantage beneficiaries have similar clinical and functional needs as well as chronic conditions to FFS Medicare beneficiaries.

This fourth year of analysis continues to demonstrate that Medicare Advantage plans provide strong value for the Medicare dollar and may better meet the needs of Medicare beneficiaries, including those who cannot afford to fill coverage gaps by purchasing Medigap plans or who do not have access to employer-sponsored wrap-around coverage. It is important to ensure access to the cost protections and supplemental benefits are available through Medicare Advantage across the country.

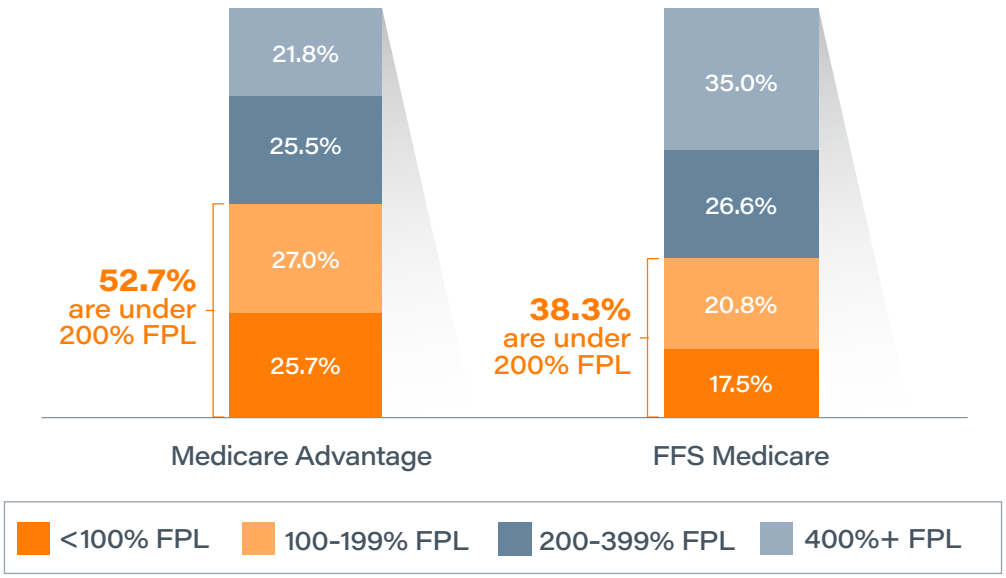
Findings

Low-Income Medicare Beneficiaries Choose Medicare Advantage

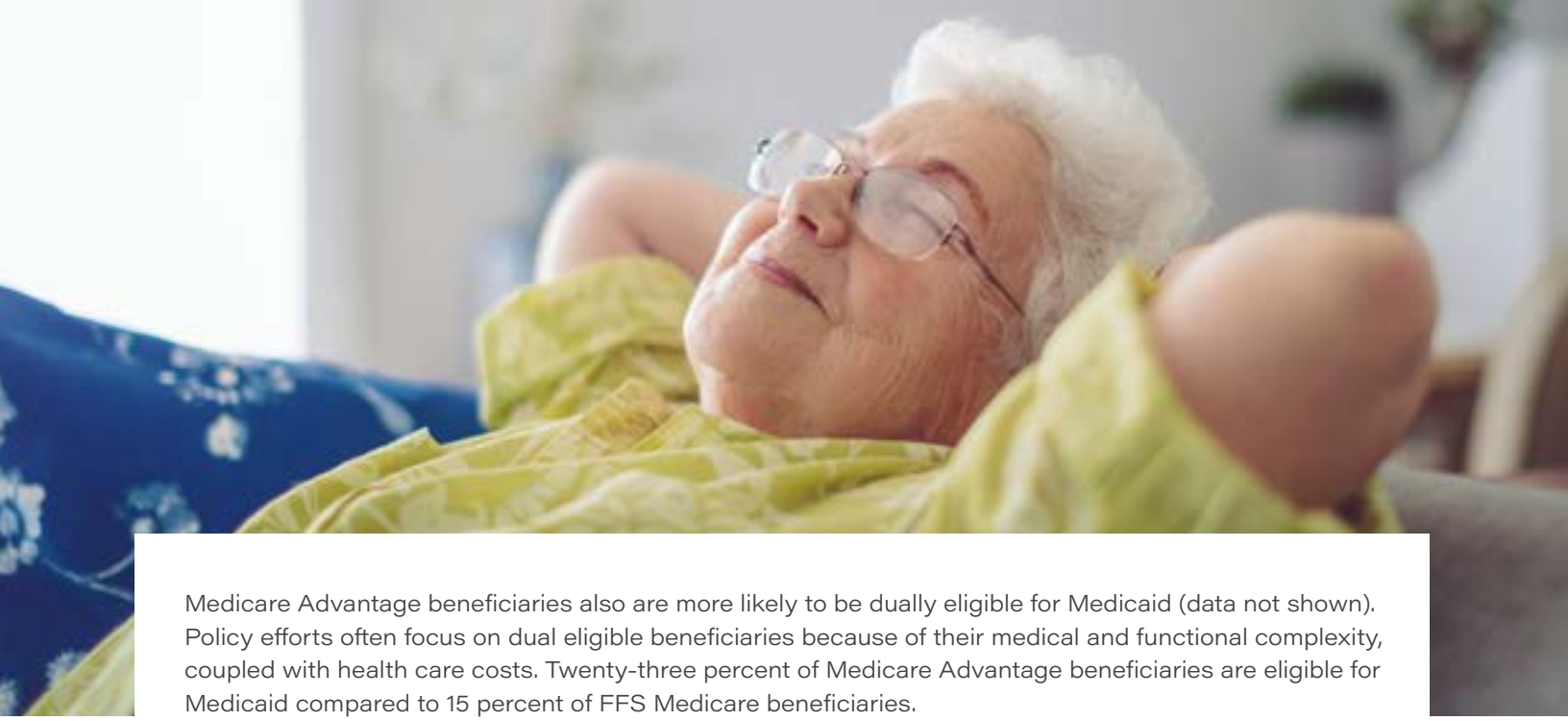
Low-income Medicare beneficiaries are more likely to enroll in Medicare Advantage than higher-income beneficiaries. Over 46 percent of beneficiaries under 200 percent of the Federal Poverty Level (FPL)[2] were enrolled in Medicare Advantage, compared with 28 percent of beneficiaries over 400 percent of the FPL (data not shown). The difference between the two programs is growing; in 2018, 40 percent of low-income Medicare beneficiaries chose Medicare Advantage. This 6 percentage point difference is a 15 percent increase year over year in the number of low-income Medicare beneficiaries choosing Medicare Advantage.

As **Figure 1** shows, Medicare Advantage beneficiaries are more likely to be financially vulnerable; 52.7 percent of Medicare Advantage beneficiaries live below 200 percent of the FPL. Comparatively, 38.3 percent of FFS Medicare beneficiaries live below 200 percent of FPL. Moreover, less than a quarter of Medicare Advantage beneficiaries live above 400 percent of FPL compared to more than one-third of FFS Medicare beneficiaries.

Figure 1: Percentage of Medicare Beneficiaries by Income as a Percent of Federal Poverty Level[3]



[2] In 2019, the FPL was $12,490 per year for one individual; 200% FPL was $24,980.
[3] All differences between Medicare Advantage and FFS Medicare are statistically significant at $p < 0.05$ except for the comparison at 200-399% FPL.

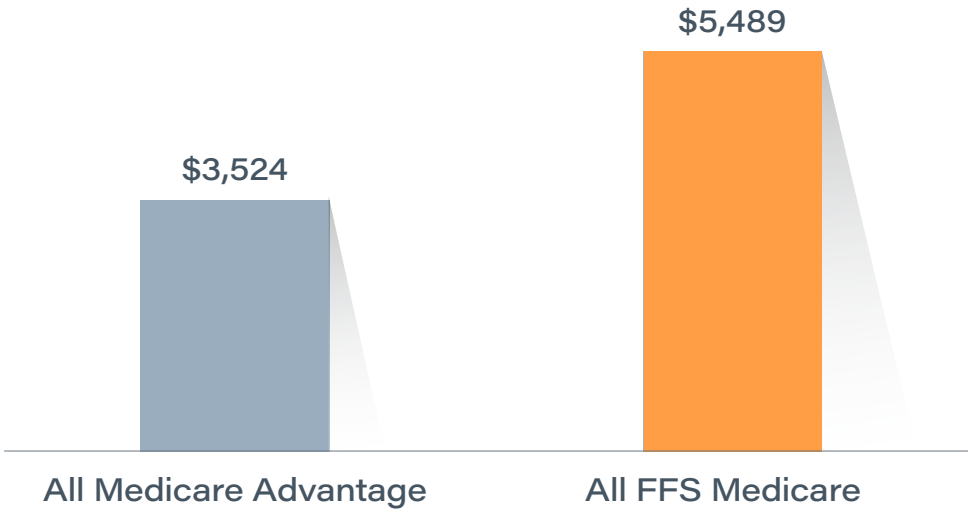


Medicare Advantage beneficiaries also are more likely to be dually eligible for Medicaid (data not shown). Policy efforts often focus on dual eligible beneficiaries because of their medical and functional complexity, coupled with health care costs. Twenty-three percent of Medicare Advantage beneficiaries are eligible for Medicaid compared to 15 percent of FFS Medicare beneficiaries.

Medicare Advantage Beneficiaries Spend Less than FFS Medicare Beneficiaries

On average, beneficiaries enrolled in Medicare Advantage spend less on out-of-pocket costs and premiums than those in FFS Medicare. Medicare Advantage beneficiaries report spending $1,965 less on out-of-pocket costs and premiums compared to FFS Medicare beneficiaries **(Figure 2).**[4] This difference in out-of-pocket spending has grown by $325 since 2018. Between 2018 and 2019, health care spending rose 5 percent for Medicare Advantage beneficiaries and 9 percent for FFS Medicare beneficiaries.[5]

Figure 2: Average Total Spending (Out-of-Pocket & Premium) Among Medicare Beneficiaries

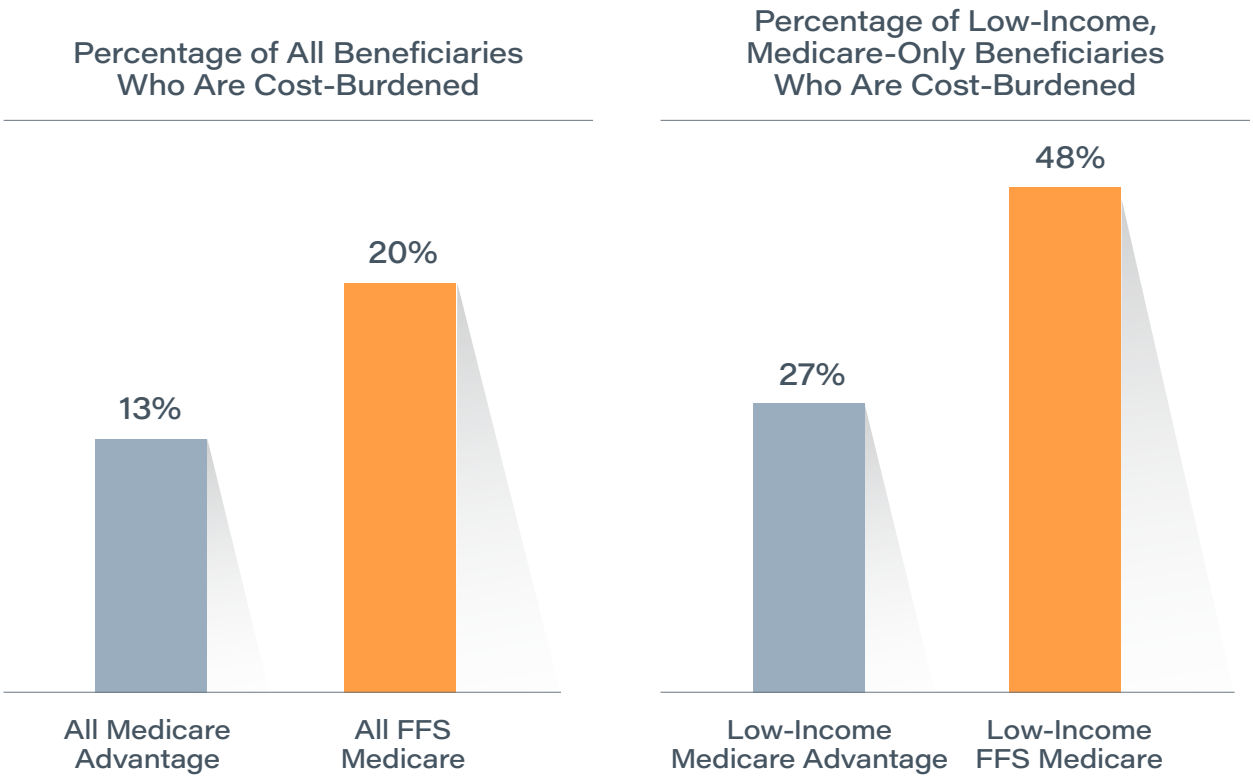


[4] Analytics limited to community-dwelling Medicare beneficiaries given the unique financial experiences of individuals living in facility settings. Including all beneficiaries (community and facility) would increase total average spending to $4,102 and $6,415 for Medicare Advantage and FFS Medicare, respectively. Fewer than 3 percent of Medicare beneficiaries reside in a facility.

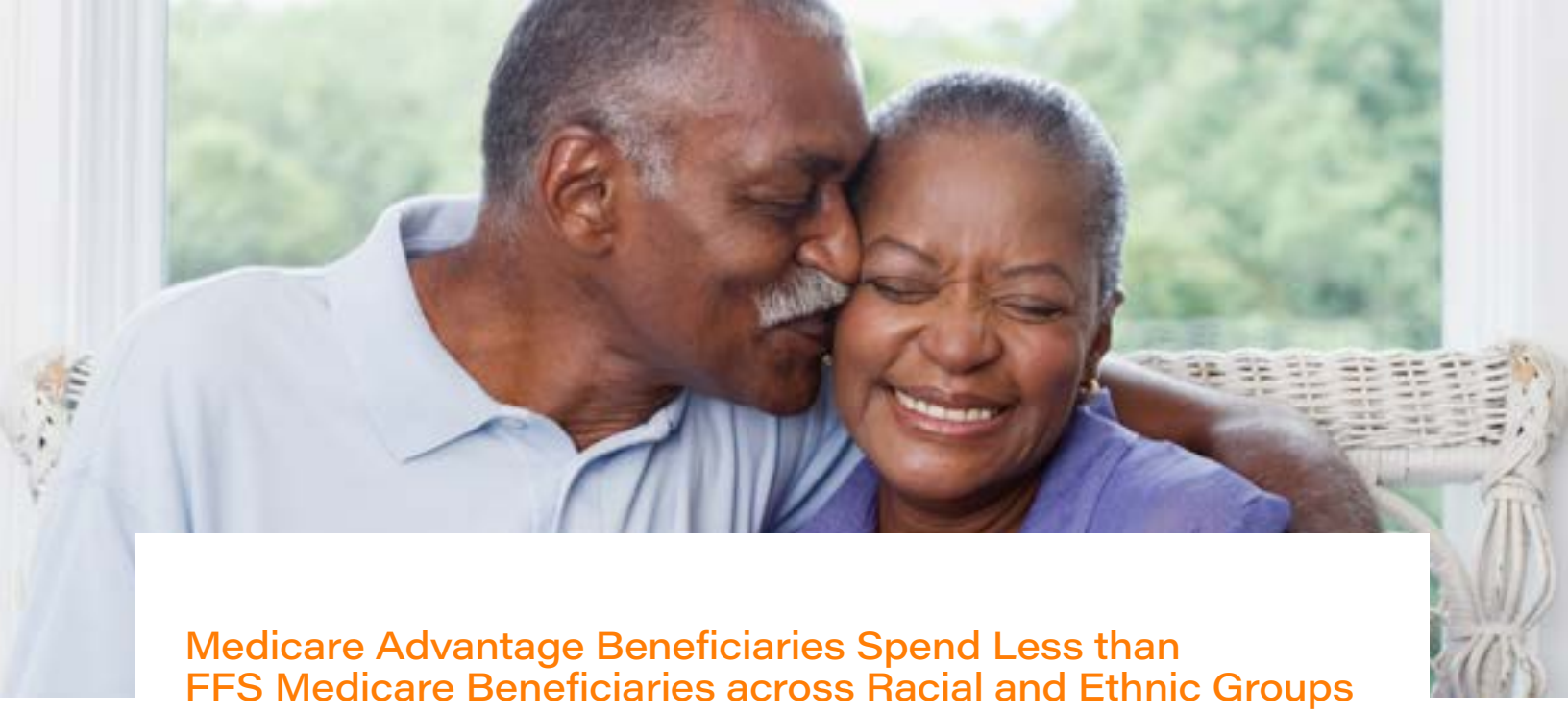
[5] 2021 Data Brief: Medicare Advantage Outperforms Traditional Medicare on Cost Protections for Low- and Modest-Income Populations.

Lower average spending by Medicare Advantage beneficiaries reduces the total cost burden of health care ("cost burden" is defined as spending over 20 percent of income on health care costs). Approximately 13 percent of Medicare Advantage beneficiaries experience cost burden associated with out-of-pocket and premium spending, compared to 20 percent of FFS Medicare beneficiaries. Cost burden is greatest among low-income beneficiaries. Nearly twice as many Medicare-only beneficiaries under 200 percent FPL experience cost burden in FFS Medicare as they do in Medicare Advantage, at 47.8 percent and 26.8 percent, respectively **(Figure 3).** Similarly, over twice as many dual eligible beneficiaries in FFS Medicare are cost burdened compared to Medicare Advantage, 17.9 percent and 8.1 percent respectively (data not shown).

Figure 3: Percentage of Beneficiaries Who Are Cost-Burdened[6]



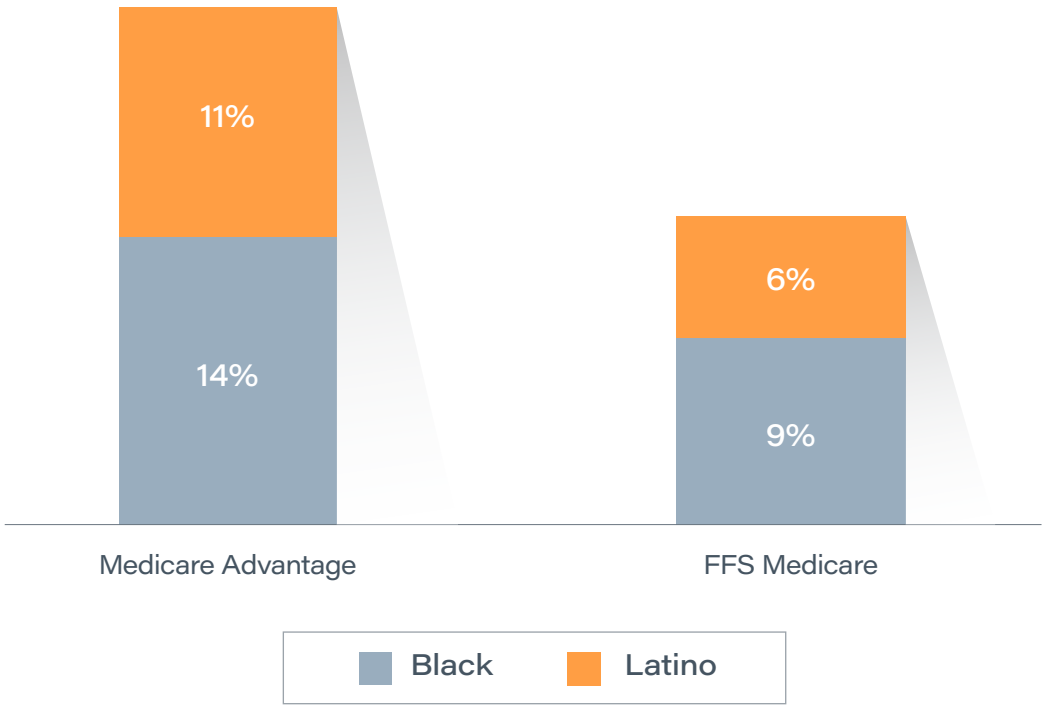
[6] All differences between Medicare Advantage and FFS Medicare are statistically significant at $p < 0.05$.



Medicare Advantage Beneficiaries Spend Less than FFS Medicare Beneficiaries across Racial and Ethnic Groups

Black and Latino beneficiaries make up a larger proportion of Medicare Advantage enrollment than FFS Medicare enrollment. Fourteen percent of Medicare Advantage beneficiaries are Black compared to 9 percent of FFS Medicare beneficiaries, and 11 percent of Medicare Advantage beneficiaries are Latino compared to 6 percent of FFS Medicare beneficiaries **(Figure 4)**. Seventy percent of beneficiaries in Medicare Advantage were white compared to 80 percent of FFS Medicare beneficiaries (data not shown).

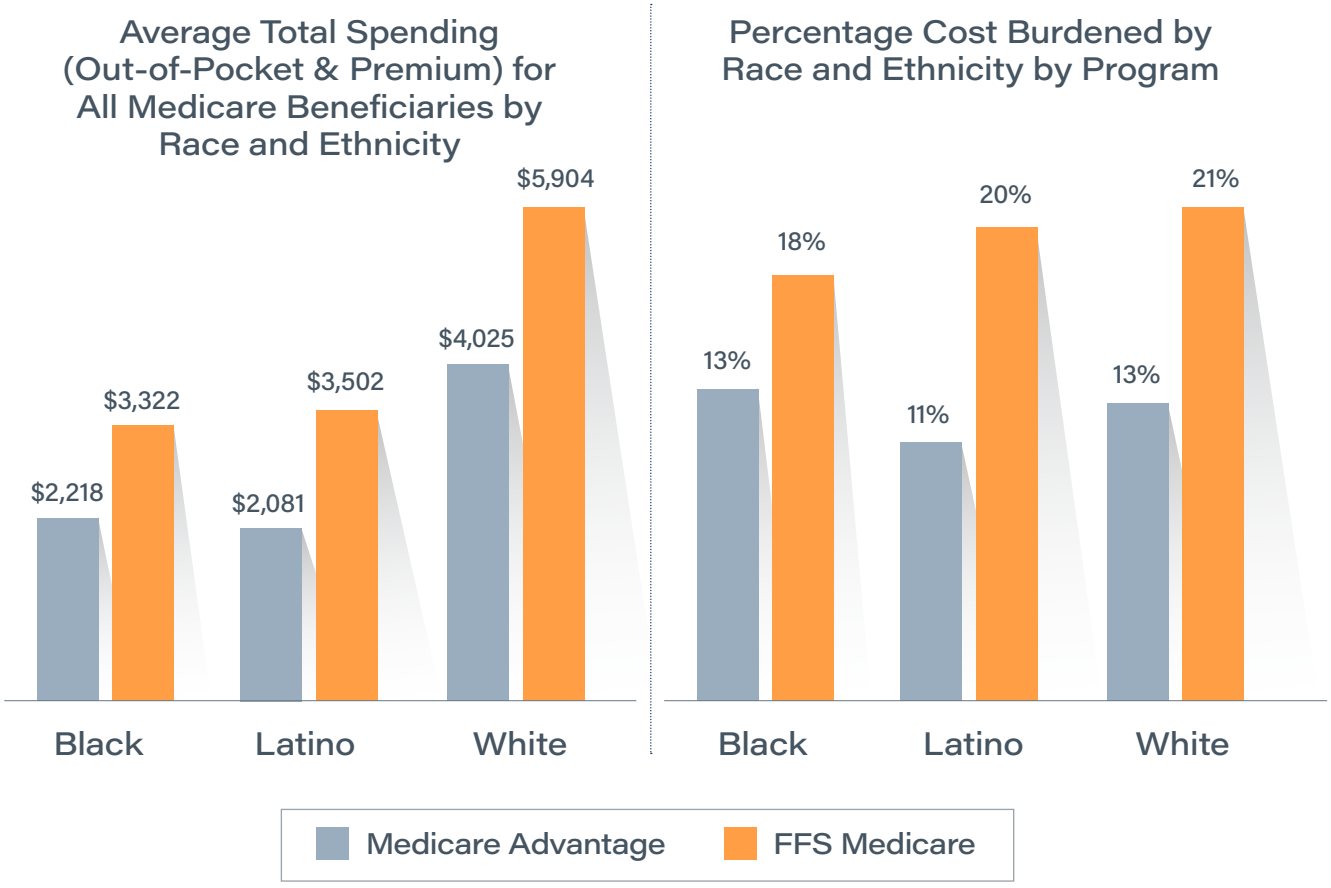
Figure 4: Percent of Program Enrollment Black or Latino[7]



[7] All differences between Medicare Advantage and and FFS Medicare are statistically significant at $p < 0.05$.

Across all racial and ethnic groups, Medicare Advantage beneficiaries spend less, on average, than FFS Medicare beneficiaries. Black beneficiaries spend an average of $1,104 less, Latino beneficiaries spend an average of $1,421 less, and white beneficiaries spend an average of $1,879 less. Overall, white Medicare beneficiaries enrolled spend more on average on out-of-pocket costs and premiums than Black and Latino beneficiaries. White FFS Medicare beneficiaries report spending $2,582 and $2,402 more than Black and Latino FFS Medicare beneficiaries, respectively. White Medicare Advantage beneficiaries report spending $1,807 and $1,944 more than Black and Latino Medicare Advantage beneficiaries, respectively **(Figure 5)**. Despite these differences in average total spending among Black, Latino, and white beneficiaries, the proportion of cost burdened beneficiaries is similar across racial and ethnic groups within Medicare programs **(Figure 5)**.

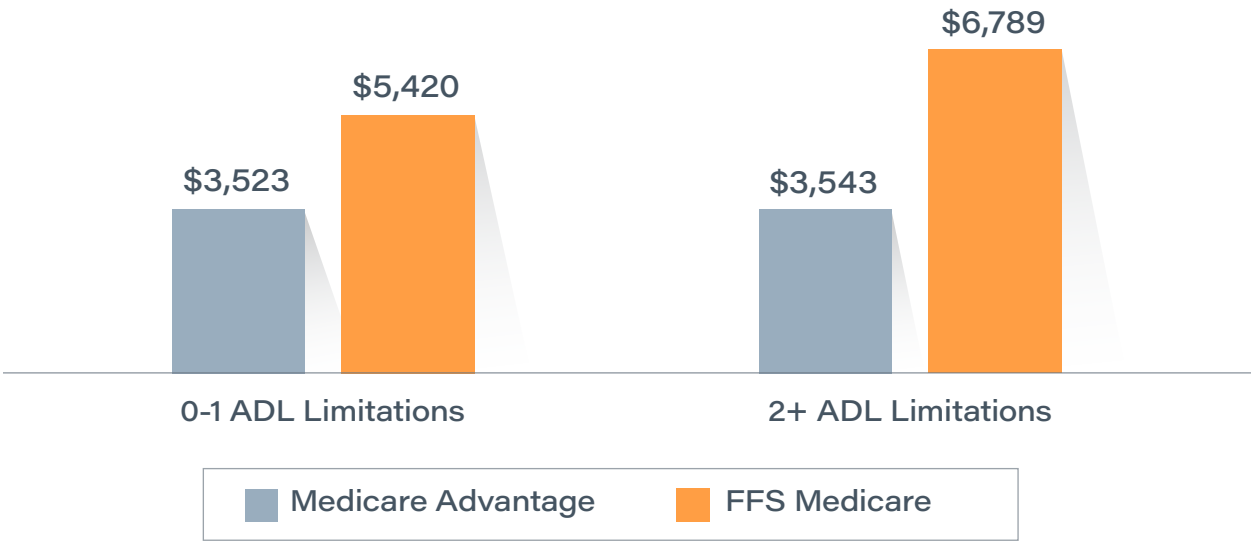
Figure 5: Average Total (Out-of-Pocket & Premium) Spending Among All Medicare Beneficiaries by Race/Ethnicity



Despite Similar Functional and Clinical Needs as FFS Medicare Beneficiaries, Medicare Advantage Beneficiaries Spend Less

A similar percent of Medicare Advantage and FFS Medicare beneficiaries need assistance with instrumental activities of daily living limitations (IADLs) and/or activities of daily living (ADL) limitations. Despite this similarity, the average amount spent on health care by FFS Medicare beneficiaries is greater than the amount spent by Medicare Advantage beneficiaries for both those reporting zero to one and two or more ADL limitations **(Figure 6)**. Beneficiaries experiencing two or more ADL limitations, spend an average of $3,246 more annually in FFS Medicare than in Medicare Advantage.

Figure 6: Average Total (Out-of-Pocket & Premium) Spending Among All Medicare Beneficiaries by ADL Limitations

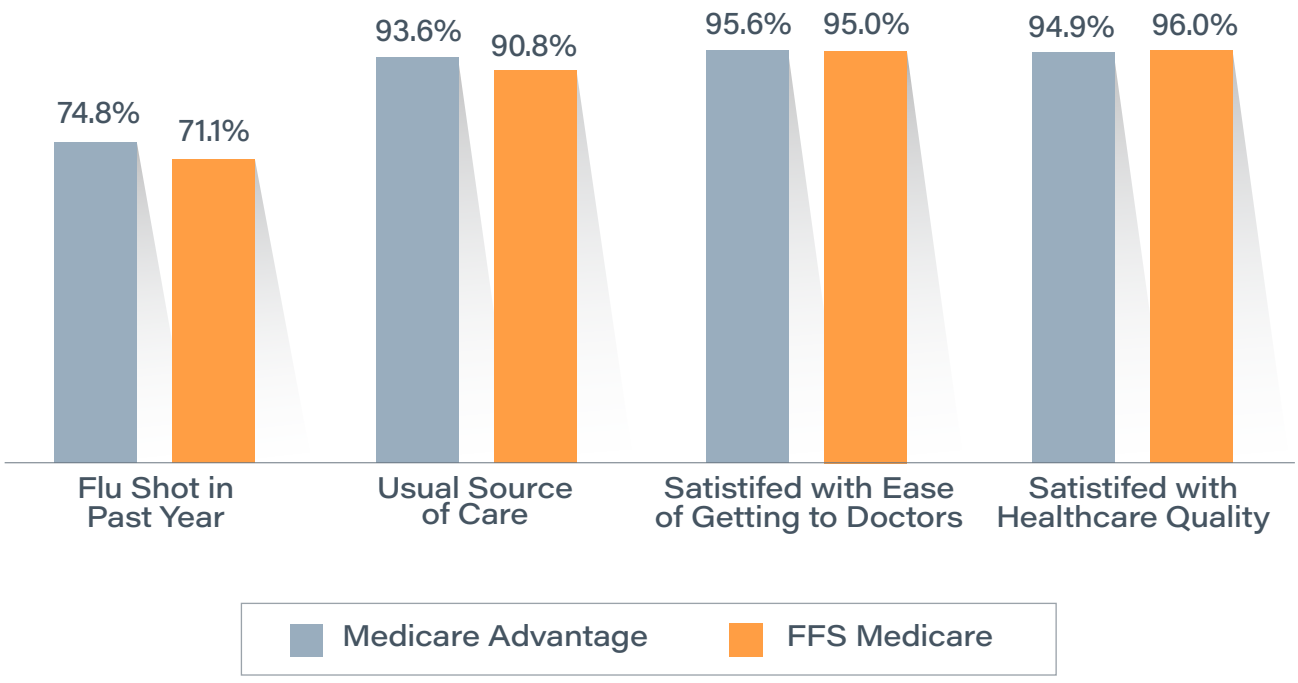


Furthermore, Medicare Advantage and FFS Medicare beneficiaries have similar clinical profiles. Rates of congestive heart failure, chronic obstructive pulmonary disease (COPD), cognitive impairment, and depression were similar across the two programs. The only chronic condition that differed significantly was diabetes; 37 percent of beneficiaries in Medicare Advantage had diabetes compared to 31 percent of FFS Medicare beneficiaries (data not shown).

Medicare Advantage Beneficiaries Report High Health Care Satisfaction and Access

Medicare Advantage beneficiaries report similar rates of satisfaction with their health care quality and ease of getting to the doctor as FFS Medicare beneficiaries. Medicare Advantage and FFS Medicare beneficiaries report being similarly "satisfied" or "very satisfied" when asked how satisfied they are with the overall quality of health care they have received in the past year, at 94.9 percent and 96.0 percent, respectively. Additionally, 95.6 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 95.0 percent of FFS Medicare beneficiaries. Medicare Advantage beneficiaries report having a usual source of care (93.6 percent) at a slightly higher rate than FFS Medicare beneficiaries (90.8 percent). Medicare Advantage beneficiaries also report receiving a flu shot in the last year at a slightly higher rate than FFS Medicare beneficiaries at 74.8 and 71.1 percent respectively **(Figure 7)**.

Figure 7: Access to Care and Quality of Care Measures by Program[8]

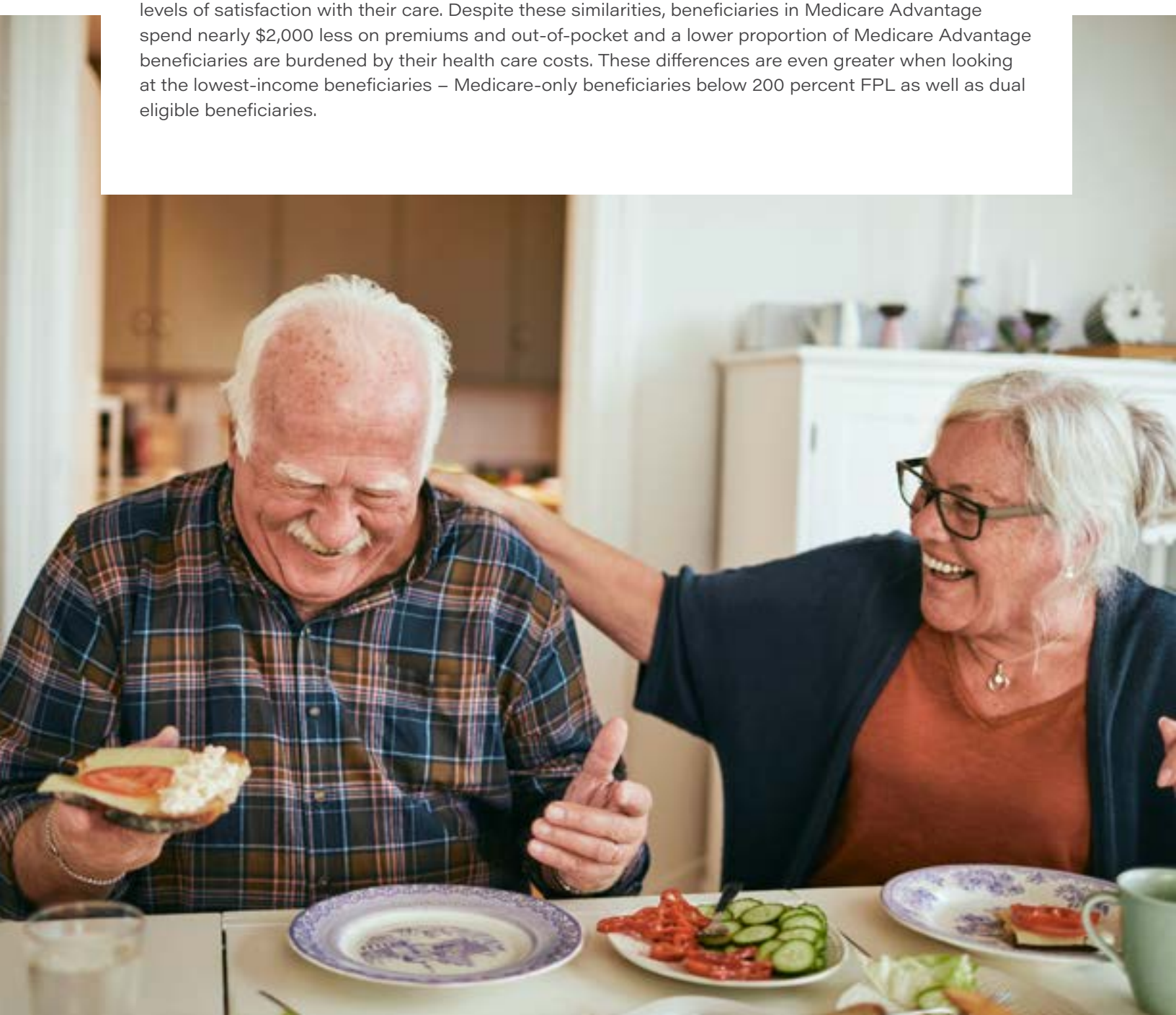


[8] All differences between Medicare Advantage and and FFS Medicare are statistically significant at $p < 0.05$ except for the comparison of Satisfaction with Ease of Getting to the Doctor.

Conclusion

This report continues to demonstrate the ability of Medicare Advantage to provide critical cost protections to beneficiaries relative to FFS Medicare, particularly for those who are most financially or socially at-risk. As policymakers consider opportunities to enhance care and protections for Medicare beneficiaries, they should consider the important role that Medicare Advantage plays in easing the financial burden for beneficiaries.

Populations enrolled in Medicare Advantage and FFS Medicare are clinically similar and have comparable functional impairments and support needs. Beneficiaries in the two programs report similar levels of satisfaction with their care. Despite these similarities, beneficiaries in Medicare Advantage spend nearly $2,000 less on premiums and out-of-pocket 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 – Medicare-only beneficiaries below 200 percent FPL as well as dual eligible beneficiaries.



Looking Ahead

In the past five years, Medicare Advantage enrollment grew 38 percent which reflects the increasing popularity of the program. The policy landscape has enabled Medicare Advantage plans to meet the diverse and complex needs of Medicare beneficiaries and to expand the reach and impact of the Medicare Advantage program. Supplemental benefit flexibility, the use of health risk assessments, and expanded telehealth opportunities are examples of Medicare Advantage policies and tools that have improved access to and closed gaps in care and allowed plans to support beneficiary well-being while maximizing the value of the Medicare dollar.

Given the popularity of Medicare Advantage and the program's demonstrated ability to provide cost protections to Medicare beneficiaries while preserving their satisfaction and access to care, policymakers may be interested in building on Medicare Advantage's success in achieving lower out-of-pocket costs and additional benefits for enrollees. Enhancing 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.

Methods

Using the 2019 Medicare Current Beneficiary Survey (MCBS) and Cost Supplement file, analyzing Part A, B, and D Medicare claims for Medicare beneficiaries enrolled in FFS Medicare, ATI Advisory examined how Medicare coverage arrangements are related to beneficiaries' demographics, access to care, and health care costs.

Analytics are limited to community-dwelling Medicare beneficiaries given the unique financial experiences of individuals living in facility settings. Including all beneficiaries (community and facility) would increase total average spending to $4,102 and $6,415 for Medicare Advantage and FFS Medicare, respectively. Fewer than 3 percent of Medicare beneficiaries reside in a facility.

Full Methods at:
https://atiadvisory.com/wp-content/uploads/2022/04/2019-MCBS-Analysis-Research-Methods-April-2022.pdf