MEDICARE BENEFICIARY SPENDING 2024

Average Out-of-Pocket Spending is Lower for Beneficiaries in Medicare Advantage than Fee-For-Service Medicare, and the Gap Between Programs Has Grown in Recent Years

BETTER MEDICARE ALLIANCE

Analysis conducted by ATI Advisory

BACKGROUND

Half of the 66 million beneficiaries enrolled in Medicare Part A and B in 2024 receive their health care through Medicare Advantage plans.[1] Beneficiaries may choose from a number of Medicare Advantage plan options, with an average of 42 plans available in every county in 2024.[2] Medicare Advantage plans manage cost, service utilization, and quality through benefit, premium, cost sharing, and utilization management strategies.[3] Most plans offer additional benefits not included in Fee-for-Service (FFS) Medicare, such as vision, dental, and hearing, and many do not charge a premium beyond the standard Medicare Part B premium.[4]

Further, the Medicare Advantage program has annual out-of-pocket caps on enrollee costs, and Medicare Advantage organizations may have deductibles or cost-sharing amounts that differ from FFS Medicare.[5] Medicare Advantage organizations can also deploy utilization management strategies to which beneficiaries enrolled in FFS are not typically subject to, including prior authorization of items and services, which are designed to help determine medical necessity, manage risk, and deliver high-value care. Additional, or supplemental, sources of healthcare coverage for Medicare beneficiaries include employer plans, Medicaid, or Medigap. Only 14 percent of beneficiaries in the community were enrolled exclusively in FFS Medicare in 2021, while 36 percent of FFS Medicare enrollees also enrolled in Medigap plans, 38 percent in Employer-Sponsored Insurance, and 12 percent in Medicaid.[6] Medicare Advantage enrollees can enroll in additional sources of coverage as well, such as employer-sponsored insurance and Medicaid. Given these differences, this analysis examines the total individual healthcare costs for beneficiaries in both programs, along with their related cost burden and experience with healthcare access and quality.

The Better Medicare Alliance engaged ATI Advisory to analyze Medicare beneficiary demographics and spending. In this brief, ATI expands on previous years' analyses with new 2021 Medicare Current Beneficiary Survey (MCBS) data and includes previously available 2019 and 2020 data. The analysis compares community-dwelling Medicare Advantage and FFS Medicare enrollees' average total individual healthcare spending (inclusive of supplemental plan premiums) by income, race and ethnicity, and number of chronic conditions with the goal of understanding how programs can better serve beneficiaries' healthcare needs. This analysis does not examine the impact of utilization management or other policies that Medicare Advantage plans leverage to manage care. This analysis also provides information on beneficiaries' perception of their access to certain types of services such as annual wellness visits where possible. All data in this analysis was tested for statistical significance with a p-value less than or equal to 0.05. Data meeting this criterion for statistical significance is marked with an asterisk (*) in the figures. See the Methods section for more details.

OVERVIEW

Medicare Advantage enrollees spent, on average, $2,541 less on healthcare costs (spending on premiums and out-of-pocket expenses) than FFS Medicare enrollees in 2021. The average total individual healthcare spending for beneficiaries in both programs has grown since 2020, however FFS beneficiaries' spending increased more than Medicare Advantage beneficiaries.

Enrollees' reported income varied between the Medicare Advantage and FFS Medicare programs. More than half of Medicare Advantage enrollees reported an income less than 200 percent of the Federal Poverty Level (FPL) compared to approximately a third of enrollees in FFS Medicare.[7] Despite the higher risk of being cost burdened due to an average lower income, Medicare Advantage enrollees experienced 31 percent lower levels of cost burden than FFS Medicare enrollees.[8]

Although there is a significant difference in beneficiaries' demographic composition and healthcare spending, Medicare Advantage and FFS Medicare enrollees reported similar satisfaction levels with their access to healthcare and the quality of care they receive.

FINDINGS

INDIVIDUALS IN MEDICARE ADVANTAGE WERE MORE LIKELY TO REPORT LOWER INCOMES COMPARED TO THOSE IN FFS MEDICARE

The distribution of Medicare beneficiaries by income as a percentage of the FPL varied significantly between the Medicare Advantage and FFS Medicare programs. As shown in **Figure 1**, in 2021, Medicare Advantage enrollees were 58 percent more likely to report incomes under 200 percent of the FPL than FFS Medicare enrollees, with half of Medicare Advantage enrollees reporting incomes under 200 percent of the FPL compared to one-third of FFS Medicare enrollees. One in four Medicare Advantage enrollees reported incomes at or above 400 percent of the FPL, while two in five FFS Medicare enrollees reported income levels 400 percent or greater than the FPL.

FIGURE 1: DISTRIBUTION OF MEDICARE BENEFICIARIES BY INCOME AS A PERCENT OF THE FEDERAL POVERTY LEVEL

2021

	MEDICARE ADVANTAGE	FFS MEDICARE
400%+ FPL	24%*	41%*
200-399% FPL	25%	26%
100-199% FPL	28%*	20%*
<100% FPL	24%*	13%*

52% are under 200% FPL*

33% are under 200% FPL*

MEDICARE ADVANTAGE ENROLLEES SPENT LESS ON HEALTHCARE THAN FFS MEDICARE ENROLLEES

In 2021, Medicare Advantage enrollees spent an average of $2,541 less (40 percent less) on healthcare expenses than FFS Medicare enrollees, as shown in **Figure 2**. From 2020 to 2021, the average total individual healthcare spending for individuals living in the community increased for both Medicare Advantage and FFS Medicare beneficiaries, rising 24 percent and 15 percent, respectively. The difference in total average healthcare spending between the two programs increased by $108, or 4 percent, from 2020 to 2021. On average, Medicare Advantage enrollees spent 40 percent less on healthcare expenses compared to FFS Medicare enrollees.

FIGURE 2: AVERAGE TOTAL INDIVIDUAL HEALTHCARE SPENDING (OUT-OF-POCKET + PREMIUM) AMONG MEDICARE BENEFICIARIES

From 2019 to 2021, by Program

	Medicare Advantage	FFS Medicare
2019*	$3,529	$5,474
2020*	$3,114	$5,547
2021*	$3,861	$6,402

In this report, we define the presence of "cost burden" as spending over 20 percent of one's income on healthcare, such as out-of-pocket costs and premiums (refer to Variable Definitions on page 13 for more details). Despite having a higher proportion of enrollees reporting income under 200 percent of the FPL, Medicare Advantage enrollees experienced being cost burdened by healthcare expenses at lower percentages than enrollees in FFS Medicare. Among all Medicare beneficiaries in 2021, Medicare Advantage enrollees were 31 percent less likely than FFS enrollees to experience cost burden from healthcare expenditures, as shown in Figure 3.

FIGURE 3: PERCENTAGE OF MEDICARE BENEFICIARIES WHO EXPERIENCE COST BURDEN FROM HEALTHCARE EXPENSES

From 2019 to 2021, by Program[9]

Year	Medicare Advantage	FFS Medicare
2019*	12%	20%
2020*	10%	18%
2021*	13%	18%

Individuals dually eligible for Medicaid are also more likely to enroll in Medicare Advantage (versus FFS Medicare) compared to individuals who are not dual eligible (62 percent of full and partial dual eligible individuals chose Medicare Advantage compared to 41 percent of Medicare-only enrollees in 2021). Because Medicaid covers substantial healthcare costs for Medicare dual eligible beneficiaries, ATI also assessed the rate of cost burden among Medicare-only individuals to account for the potential impact of Medicaid on beneficiaries' spending. As shown in **Figure 4**, the rate of cost burden by healthcare expenses was higher among FFS Medicare enrollees than Medicare Advantage enrollees when restricted to Medicare-only beneficiaries; among the Medicare-only beneficiaries who reported incomes less than 200 percent of the FPL, less than a third of Medicare Advantage enrollees experienced being cost burden by their healthcare expenses in 2021 compared to half of FFS Medicare enrollees.

FIGURE 4: PERCENTAGE OF MEDICARE-ONLY BENEFICIARIES WITH REPORTED INCOMES LESS THAN 200% OF THE FPL WHO EXPERIENCE COST BURDEN FROM HEALTHCARE EXPENSES

From 2019 to 2021, by Program[10]

	Medicare Advantage	FFS Medicare
2019*	27%	48%
2020*	23%	48%
2021*	31%	50%

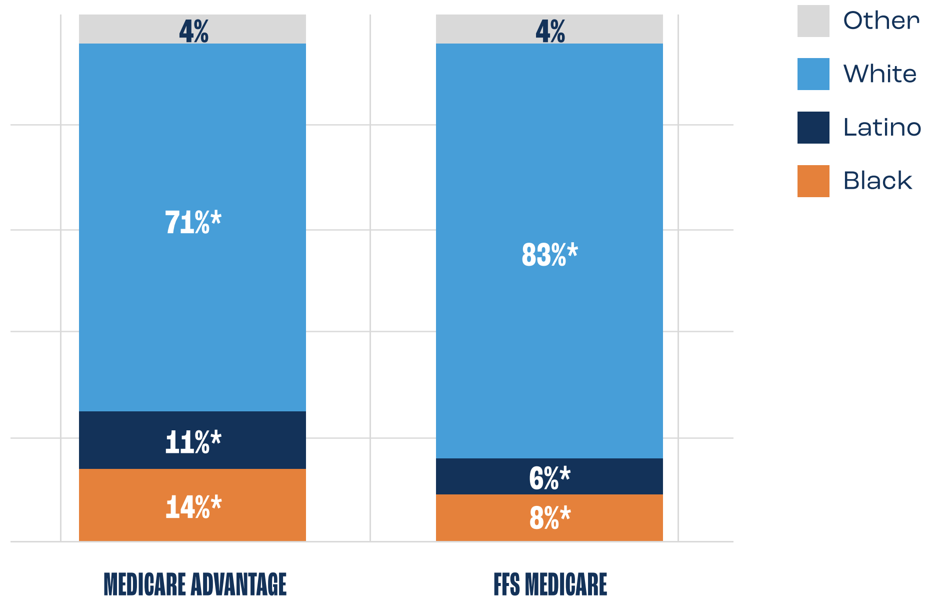
LOWER TOTAL INDIVIDUAL HEALTHCARE SPENDING IN THE MEDICARE ADVANTAGE PROGRAM HOLDS ACROSS RACIAL AND ETHNIC GROUPS*

Black and Latino enrollees made up a larger portion of individuals in the Medicare Advantage program than in FFS Medicare. As shown in Figure 5, Black and Latino enrollees made up 25 percent of the Medicare Advantage population and 14 percent of the FFS Medicare population in 2021.

*Due to sample size, spending data on beneficiaries identifying as Asian, North American Native, or Other is not available and not shown.

FIGURE 5: RACE/ETHNICITY OF MEDICARE BENEFICIARIES

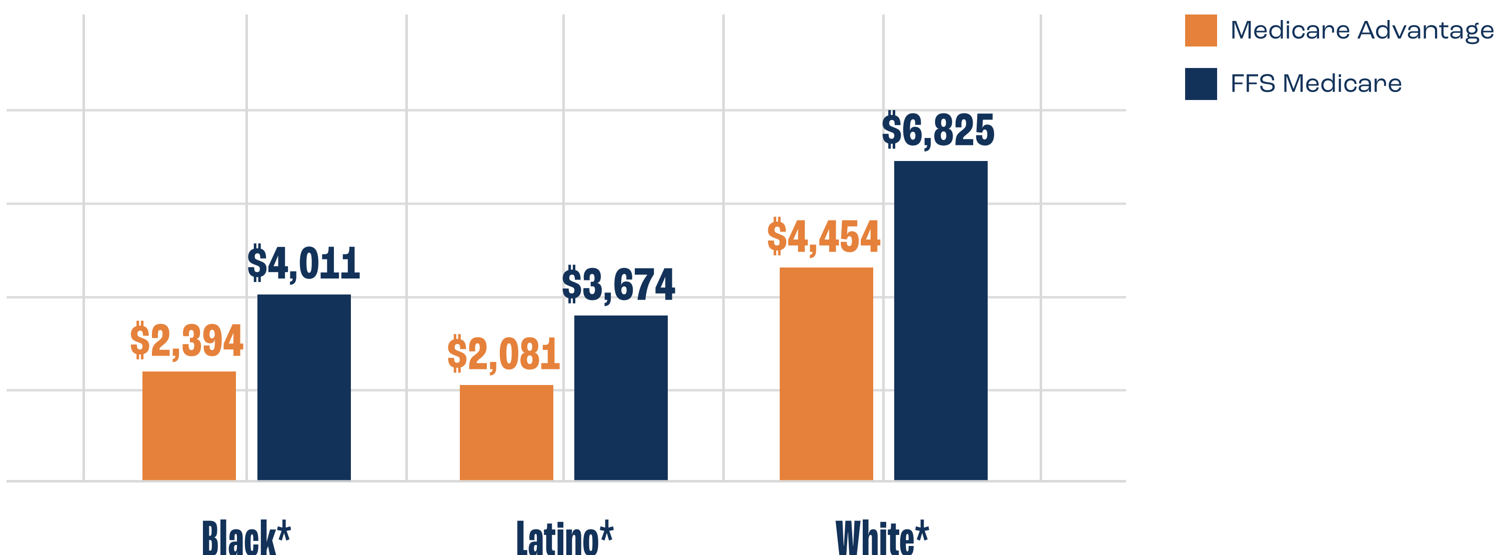
2021, by Program



Total individual healthcare spending varied slightly by race and ethnicity between the two programs in 2021, as shown in Figure 6. Among Black, Latino, and white enrollees, white enrollees had the highest total spending in both programs, while Latino enrollees had the lowest total spending in both programs. Total individual healthcare spending was an average of $2,541 (40 percent) lower overall for enrollees in the Medicare Advantage program compared to those in FFS Medicare. This trend persisted across race and ethnicity, with higher average total individual healthcare spending in the FFS program compared to Medicare Advantage.

FIGURE 6: AVERAGE TOTAL INDIVIDUAL HEALTHCARE SPENDING (OUT-OF-POCKET + PREMIUM) AMONG MEDICARE BENEFICIARIES

2021, by Race and Ethnicity, and Program



The percentage of individuals who experienced being cost burden from their healthcare expenses was not significantly different between Medicare Advantage and FFS Medicare programs among Black and Latino enrollees in 2021. As shown in Figure 7, white enrollees in the Medicare Advantage program were 31 percent less likely to experience being cost-burdened from healthcare expenses compared to those in the FFS Medicare program.

FIGURE 7: PERCENTAGE OF MEDICARE BENEFICIARIES WHO EXPERIENCE COST BURDEN FROM HEALTHCARE EXPENSES

2021, by Race and Ethnicity, and Program[11]

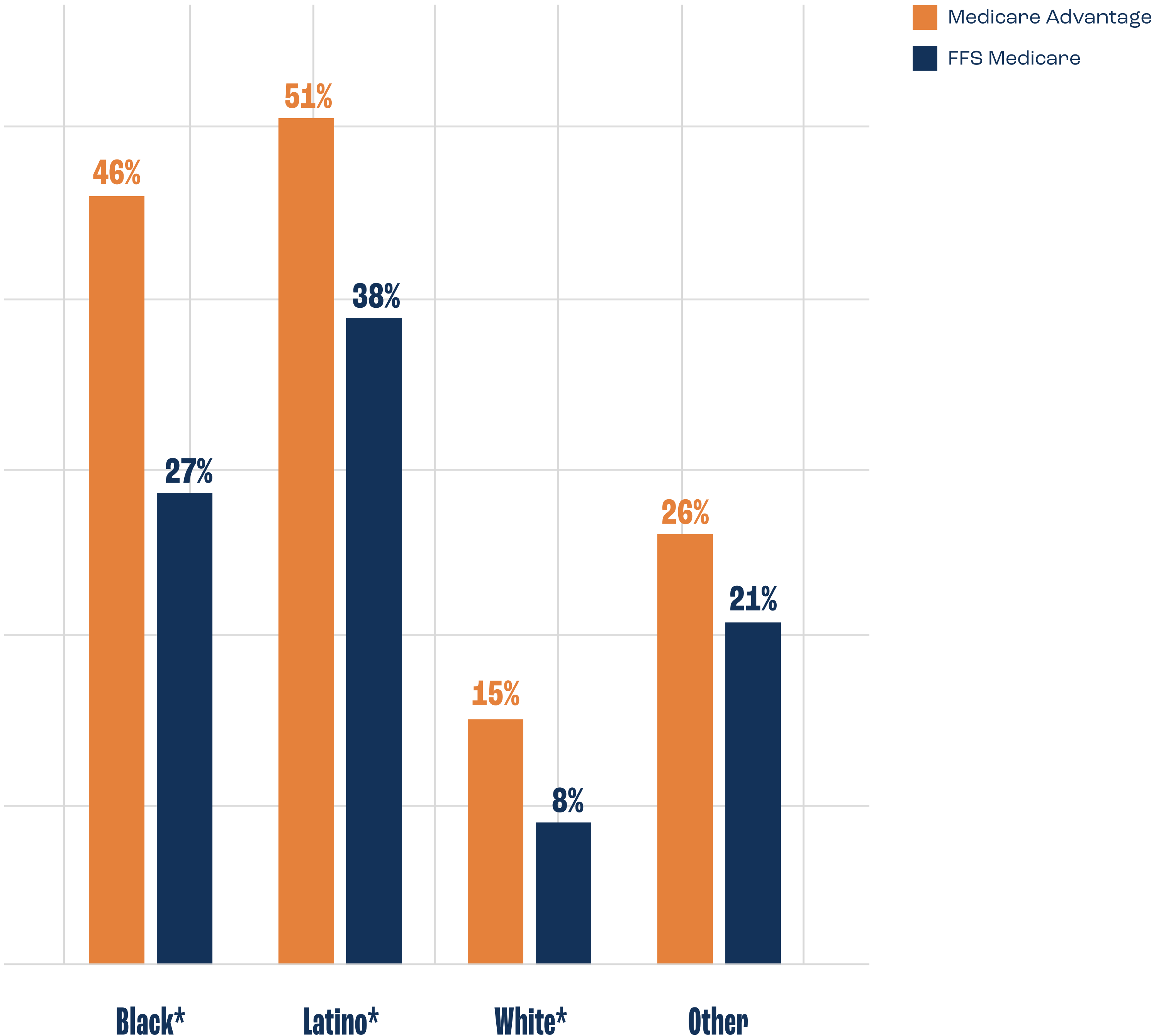
	Medicare Advantage	FFS Medicare
Black	12%	13%
Latino	13%	17%
White*	13%	19%

MEDICARE ADVANTAGE ENROLLEES ARE MORE LIKELY TO BE DUALLY ELIGIBLE FOR MEDICARE AND MEDICAID ACROSS RACIAL AND ETHNIC GROUPS

Dually eligible beneficiaries are Medicare enrollees who are also enrolled in Medicaid or receive help with Medicare premiums or cost-sharing through the Medicare Savings Programs (MSP). Rates of dual eligibility are higher across all race and ethnicity groups among enrollees in Medicare Advantage than in FFS Medicare, as shown in **Figure 8**. Among both the Medicare Advantage and FFS Medicare enrollee populations, Latino enrollees had the highest rate of dual eligibility, followed by Black, other, and white enrollees.

FIGURE 8: PERCENT OF FULL OR PARTIAL DUAL ELIGIBLE INDIVIDUALS

2021, by Race and Ethnicity, and Program



AVERAGE TOTAL INDIVIDUAL HEALTHCARE SPENDING INCREASED WITH NUMBER OF CHRONIC CONDITIONS IN BOTH MEDICARE ADVANTAGE AND FFS MEDICARE

Medicare beneficiaries' average total individual healthcare spending increased as the reported number of chronic conditions increased. Sixty-four percent of Medicare Advantage enrollees reported 3+ chronic conditions, compared to 60 percent of FFS Medicare enrollees in 2021 (data not shown). Among beneficiaries with 0-2 chronic conditions, FFS Medicare enrollees spent an average of $1,392, or 39 percent, more on healthcare expenses annually than Medicare Advantage enrollees, as shown in **Figure 9**. Among beneficiaries with 3+ chronic conditions, this difference more than doubles with FFS Medicare enrollees having spent $3,165, or 79 percent, more on healthcare expenses than Medicare Advantage enrollees annually.

FIGURE 9: AVERAGE TOTAL INDIVIDUAL HEALTHCARE SPENDING (OUT-OF-POCKET + PREMIUM) AMONG MEDICARE BENEFICIARIES BY NUMBER OF CHRONIC CONDITIONS

2021, by Program

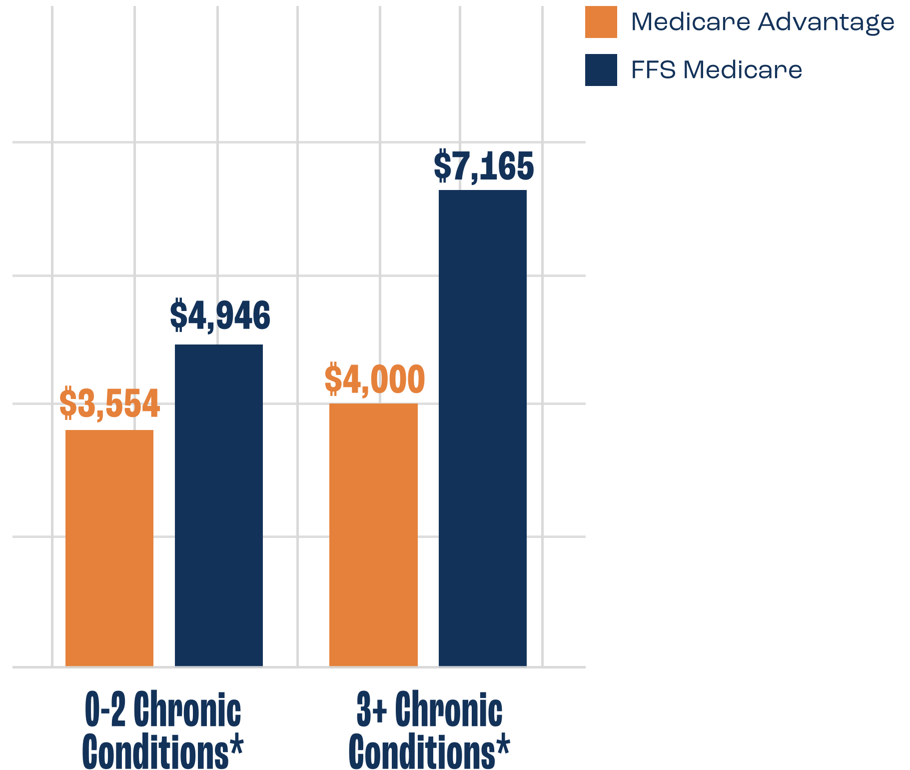
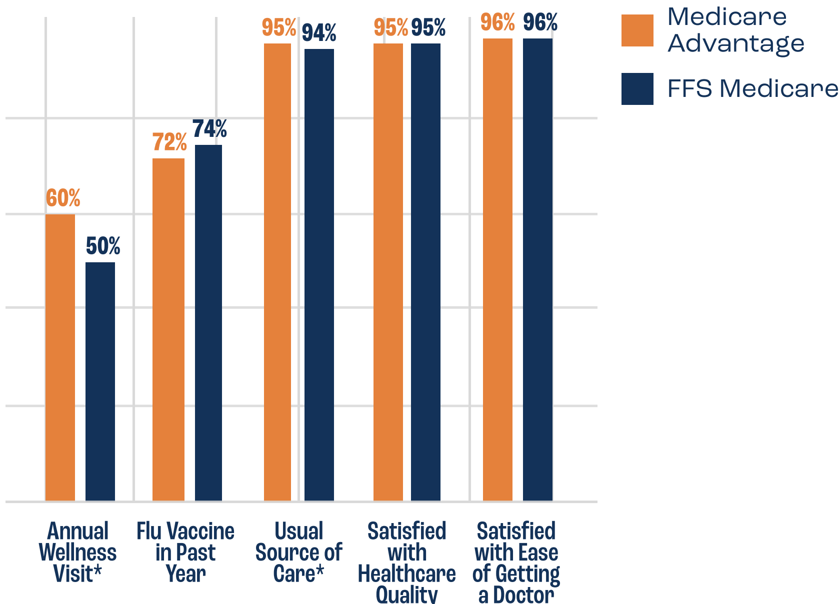


FIGURE 10: ACCESS TO CARE AND QUALITY OF CARE MEASURES AMONG MEDICARE BENEFICIARIES

2021, by Program



ACCESS TO AND QUALITY OF CARE WAS SIMILAR AMONG MEDICARE ADVANTAGE AND FFS MEDICARE ENROLLEES

Medicare Advantage and FFS Medicare enrollees reported similar access to and quality of care in 2021, shown in **Figure 10**. Most beneficiaries in both programs reported satisfaction with their ability to get to their doctor and were satisfied with the quality of healthcare they received. In both programs, just under three-quarters of beneficiaries reported receiving a flu vaccine in 2021. However, Medicare Advantage enrollees were 20 percent more likely to report an annual wellness visit compared to FFS Medicare enrollees.

CONCLUSION

In 2021, Medicare Advantage enrollees spent, on average, $2,541 less on total individual healthcare expenses than those in FFS Medicare, a finding consistent with data from 2019 and 2020. There continues to be a widening in the spending differential between enrollees in Medicare Advantage and in FFS Medicare. Although over half of individuals in the Medicare Advantage program reported incomes under 200 percent of the FPL, Medicare Advantage enrollees were 31 percent less likely to experience being cost-burdened by healthcare expenses compared to FFS Medicare enrollees. These spending trends persist across race and ethnicity, and number of chronic conditions. Despite the higher spending in FFS Medicare compared to Medicare Advantage, enrollees in both programs have similar levels of satisfaction with access to and quality of care received.

METHODS

DATA SOURCE

ATI Advisory conducted this analysis using the 2019 to 2021 Medicare Current Beneficiary Survey (MCBS) and Cost Supplement files.

INCLUSION AND EXCLUSION CRITERIA

The analysis was filtered to community-dwelling Medicare beneficiaries to minimize the impact of the high healthcare costs experienced by individuals living in the facility setting. In 2021, 97 percent of FFS Medicare enrollees and 98 percent of Medicare Advantage enrollees lived in the community.

In this analysis, Medicare Advantage enrollment is defined as at least one month of coverage under Medicare Advantage and related managed care types (including Medicare Advantage, Medicare-Medicaid Plans, Cost Plans, and PACE) during the study year using CMS-derived variables that describe Medicare managed care membership.

STATISTICAL SIGNIFICANCE AND WEIGHTING METHODOLOGY

Statistical significance was performed for all figures and calculations to a p-value that was less than or equal to 0.05. Asterisks (*) mark differences between enrollees in programs that were statistically significant. Fay's method of Balanced Repeated Replication (BRR) was used for variance estimation using a shrinkage factor of 0.30, in line with MCBS complex survey design recommendations.

Note, there was a minor change in ATI's weighting methods using the 2019 MCBS data, resulting in slight difference from what was previously published and this report (0.1% change in total individual healthcare spending for Medicare Advantage enrollees and 0.3% for FFS Medicare enrollees).

VARIABLE DEFINITIONS

Medicare-only Enrollees: Individuals not enrolled in Medicaid.

Total Individual Healthcare Spending: Beneficiary spending on premiums includes spending on Medicare Advantage, FFS Medicare, and other health insurance premiums, like Medigap plans or employer-sponsored insurance. Out-of-pocket costs include beneficiary spending toward the deductible and services that may not be covered by Medicare, for example, dental and vision. Out-of-pocket costs also include any beneficiary spending on office visits, inpatient care, outpatient care, prescription medications not fully covered by health insurance, and other healthcare expenses.

In the MCBS, healthcare costs are calculated from health care events, using receipts, explanation of benefits, and other resources to assess the full cost of services. For FFS Medicare enrollees, the MCBS additionally uses Medicare claims. Further, the survey adjusts for likely underreporting of health care events among Medicare Advantage enrollees.

For more details on how the MCBS collects beneficiary spending data, reference the data user guide: https://www.cms.gov/files/document/2021-mcbs-puf-data-user-guide.pdf

Income: Income is based on self-reported data collected by the MCBS. Data on all income sources including but not limited to income from employment, Social Security Income (SSI), and passive income are collated together into the "income" variable. Missing data may be supplemented/imputed using external sources.

Cost Burden: ATI leverages income and spending data in the MCBS to calculate cost burden. This report defines the presence of “cost burden” as spending over 20 percent of one’s income on healthcare, such as out-of-pocket costs and premiums based on a commonly used definition.[12]

Chronic conditions: Chronic conditions are calculated as a count of positive responses to the MCBS survey question “Has a doctor ever told you that you have [condition]?” for the following twelve conditions: (1) Hypertension, (2) Hyperlipidemia, (3) CHF, (4) Other heart disease, (5) Stroke, (6) Cancer, (7) Arthritis, (8) Alzheimer’s/Dementia, (9) Depression, (10) Osteoporosis, (11) Emphysema/asthma/COPD, and (12) Diabetes.

Race and Ethnicity: The MCBS codes race and ethnicity using the beneficiary race code historically used by the Social Security Administration and in CMS’s enrollment database and applying the Research Triangle Institute (RTI) race code.[13]

NOTES AND CITATIONS

BETTER MEDICARE ALLIANCE

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2. ATI Analysis of data from PY2023 and PY2024 Landscape Files. A plan is the combination of a Contract ID, Plan ID, and Segment ID. MA plans include HMOs, Local and Regional PPOs, MSAs, Cost plans, PFFS, and SNPs. Analysis includes all 50 states, Washington D.C., and Puerto Rico.
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5. "Compare Original Medicare & Medicare Advantage." Medicare.gov. https://www.medicare.gov/basics/get-started-with-medicare/get-more-coverage/your-coverage-options/compare-original-medicare-medicare-advantage
6. ATI Analysis of 2021 Master Beneficiary Summary File
7. Based on the HHS 2021 Poverty Guidelines, the FPL for 2021 in 48 states and DC (excluding Alaska and Hawaii) was $12,880 for a one-person family/household.
8. Note: This report defines the presence of "cost burden" as spending over 20 percent of one's income on healthcare, such as out-of-pocket costs and premiums.
9. The presence of "cost burden" is defined as spending over 20 percent of one's income on healthcare, such as out-of-pocket costs and premiums.
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11. The presence of "cost burden" is defined as spending over 20 percent of one's income on healthcare, such as out-of-pocket costs and premiums.
12. Ochieng, N., Cubanski, J., and Damico, A. (March 14, 2024). "Medicare Households Spend More on Health Care Than Other Households." Kaiser Family Foundation. https://www.kff.org/medicare/issue-brief/medicare-households-spend-more-on-health-care-than-other-households/
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