

Driving Medicare Efficiency:

How Medicare Advantage Delivers More for Taxpayers and Beneficiaries

- ➔ The federal government faces a critical challenge with health care spending: In 2024, the Governmental Accountability Office reported that Medicare and Medicaid accounted for [roughly 43 percent of improper federal payments](#) due to the programs' size and scope relative to other government programs.
- ➔ With a lower rate of improper payments than Fee-for-Service Medicare or Medicaid, in line with the federal government median, Medicare Advantage offers a proven framework for maximizing value for taxpayers while delivering high-quality care for beneficiaries. Through data-driven oversight, value-based incentives and innovative cost-controls, Medicare Advantage demonstrates how to achieve smarter federal health care spending without compromising quality of care.

Preventing Waste, Fraud and Abuse

Medicare Advantage is a highly regulated program and operates under strict program and financial oversight to prevent waste and ensure that taxpayer dollars are used efficiently.

- **Actuarially Certified Bids** – MA plans submit and CMS approves detailed bids each year, ensuring their cost structures are reasonable and in line with CMS standards.
- **Government Audits** – Routine audits validate that plans deliver high-quality care while adhering to financial regulations.
- **Continuous Monitoring** – Oversight includes real-time tracking of claims, required financial reporting and independent audits that verify proper fund allocation.

Ensuring Accurate Payments & Reducing Overpayments

Medicare Advantage's risk adjustment process ensures payments align with the health status of beneficiaries, preventing both overpayments and underpayments, and adequate to cover the true cost of beneficiaries' care.

- **Data-Driven Accuracy** – The risk adjustment process assesses enrollees' medical conditions to appropriately adjust payments, reducing inefficiencies.
- **Lower Overpayments than Traditional Fee-for-Service Medicare** – According to HHS, [Medicare Advantage had a significantly lower overpayment rate \(5.061.82%\) in FY 2024](#) compared to traditional Fee-for-Service Medicare (7.494.55%). The payment accuracy rate of 95% for Medicare Advantage is in line with the median across the federal government.
- **Preventive Care & Cost Management** – Medicare Advantage's emphasis on early intervention and disease management reduces long-term spending, ensuring taxpayer dollars are allocated effectively.

Quality Standards Drive Better Care for Beneficiaries

Medicare Advantage's structure creates strong financial incentives for high-quality, cost-effective care.

- **CMS Star Ratings System** – Plans receive one to five stars based on performance in chronic disease management, customer service, medication safety and preventive care.
- **Incentives for High-Performing Plans** – Plans rated three stars or higher receive performance-based reimbursements, while underperforming plans face corrective action or funding reductions.
- **Consumer & Health Outcome Surveys** – Regular evaluations ensure patient satisfaction and care effectiveness, reinforcing a cycle of continuous improvement.