

MedPAC's Spending Comparison Undercounts the Value of Medicare Advantage

A fair comparison with Fee-for-Service must look at the full picture.

THE ISSUE

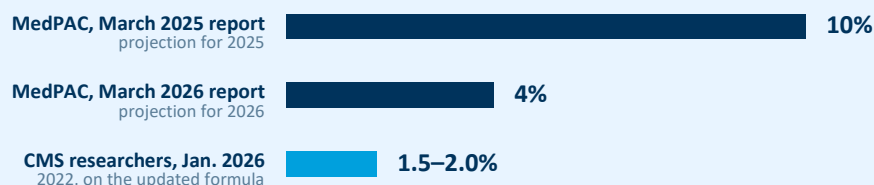
MedPAC says the government spends more per beneficiary in Medicare Advantage than in Fee-for-Service Medicare, and that number drives federal payment policy. But that conclusion rests on four analytic choices that make Medicare Advantage look more expensive than it is: what counts as a cost, which benefits get valued, whose spending gets compared, and how long a window you measure.

FOUR WAYS THE COMPARISON FALLS SHORT

- 1 It leaves out the spending where Medicare Advantage saves.** MedPAC compares Parts A and B only — excluding Part D and the Medicaid cost of dual eligibles, both places MA plan design can lower spending.
- 2 It compares populations that aren't alike.** MedPAC's "switcher" method builds its comparison group almost entirely from dual status and mortality — blunt stand-ins for clinical complexity — and looks only at the year before someone switches.
- 3 It ignores benefits Medicare Advantage is required to provide.** MA plans must cap out-of-pocket costs and often waive cost-sharing for office visits. MedPAC acknowledges these but assigns them no dollar value, so the two sides aren't measured on the same terms.
- 4 It stops at one year.** A single-year view can't capture the multi-year payoff of preventive care and care coordination — fewer avoidable hospitalizations, less post-acute care — or the lower per-capita Medicare spending that tracks with higher MA penetration.

ACCURATE, UP-TO-DATE DATA CHANGES THE ESTIMATE

MedPAC's own coding estimate has fallen from 10 percent to 4 percent — a decline MedPAC attributes to Medicare's updated v28 payment formula. CMS researchers, applying MedPAC's own method to that formula, put the difference lower still.



WHY IT MATTERS

Payment rates set from an incomplete comparison put coverage for more than **35 million people** — more than half of Medicare beneficiaries — at risk.