



DATA BRIEF

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# Medicare Advantage Outperforms Traditional Medicare on Cost Protections for Low- and Modest-Income Populations

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Analysis by ATI Advisory for:

**BETTER MEDICARE**  
ALLIANCE

## Background

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Medicare Advantage (MA) and Traditional Fee-For-Service (FFS) Medicare offer health coverage to the more than 62 million Medicare beneficiaries in our nation. However, the two programs differ considerably with respect to the financial protections and benefits they provide and demographics of the individuals they serve. Research and analysis commissioned by the Better Medicare Alliance and performed by ATI Advisory in 2019 (using 2016 data) and again in 2020 (using 2017 data) 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 here with new data available for 2018. As this report outlines, a greater proportion of low-income Medicare beneficiaries enroll in Medicare Advantage than Traditional

FFS Medicare. Additionally, low-income beneficiaries are less likely to report cost burden associated with out-of-pocket costs when enrolled in Medicare Advantage compared to those enrolled in Traditional FFS Medicare.

While the cost burden for low-income, non-Medicaid Medicare Advantage beneficiaries has remained stable since 2017, the cost burden for beneficiaries in Traditional FFS Medicare has increased moderately.<sup>1</sup> At the same time, Medicare Advantage beneficiaries report similar levels of satisfaction with health care quality and ease of getting to the doctor, and they have clinical and functional care needs that align with those of beneficiaries in Traditional FFS Medicare. The analysis also finds a similar proportion of Medicare Advantage and Traditional FFS Medicare beneficiaries to be chronically ill.

<sup>1</sup> 26.9 and 26 percent of low-income, non-Medicaid Medicare Advantage beneficiaries reported being cost-burdened in 2017 and 2018, respectively. Comparatively, the percentage of cost-burdened low-income, non-Medicaid Traditional FFS Medicare beneficiaries rose from 46.2 percent in 2017 to 49.4 in 2018. See the 2017 analysis at <https://bettermedicarealliance.org/publication/data-brief-medicare-advantage-outperforms-traditional-medicare-on-cost-protections-for-low-and-modest-income-populations-copy/>.



## Overview and Implications

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Medicare Advantage is an integrated system in which private health plans receive a capitated payment per enrollee from the Centers for Medicare & Medicaid Services (CMS) to provide coverage of Medicare benefits. Medicare Advantage 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 plans are available to more than 99 percent of all Medicare beneficiaries. Over 26 million beneficiaries – more than 42 percent of the total Medicare population – currently enroll in a Medicare Advantage plan, with an estimated average monthly premium of \$21 per month in 2021. Plans have the flexibility to offer cost and coverage policies that are different from those in Traditional FFS Medicare. For example, Medicare Advantage plans may have different cost-sharing and deductibles than in Traditional FFS Medicare. Medicare Advantage provides beneficiaries with a maximum annual out-of-pocket limit, which does not exist in Traditional FFS Medicare. In addition, in contract year 2021, over 99 percent of Medicare Advantage plans offer supplemental benefits that are not covered by Traditional FFS such as coverage for

dental, vision, and/or wellness services. As of 2020,<sup>2</sup> Medicare Advantage can also offer Special Supplemental Benefits for the Chronically Ill (SSBCI), supplemental benefits that are not strictly health-related in nature. From its first year in Plan Year 2020 to 2021, Medicare Advantage plans offering these SSBCI increased by 675 – a 253 percent increase. These non-medical benefits include support for services such as food and produce delivery, pest control, non-medical transportation to locations like the grocery store or bank, and indoor air quality services.

This third year of analysis continues to demonstrate that Medicare Advantage plans provide better value for the Medicare dollar than Traditional FFS Medicare and may better meet the needs of Medicare beneficiaries, including those who cannot afford to fill coverage gaps by purchasing Medigap plans, who do not have access to employer-sponsored wrap-around coverage, or who do not qualify for Medicaid. The analysis also underscores the importance of ensuring access across the country to the cost protections and supplemental benefits available through Medicare Advantage, as more than 40 percent of all Medicare beneficiaries enroll in Medicare Advantage.

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<sup>2</sup> Internal ATI Advisory analysis. Excludes employer-group waiver plans, cost plans, MSAs, Part B only, MMP, and PACE.



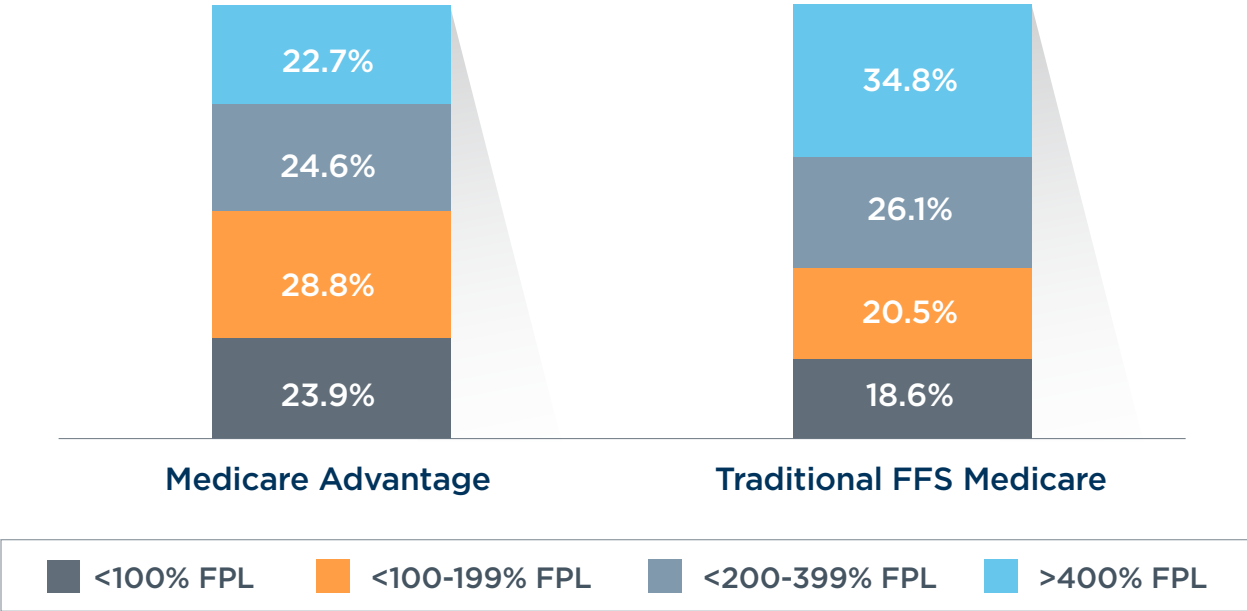
## Findings

### Low-Income Medicare Beneficiaries Choose Medicare Advantage

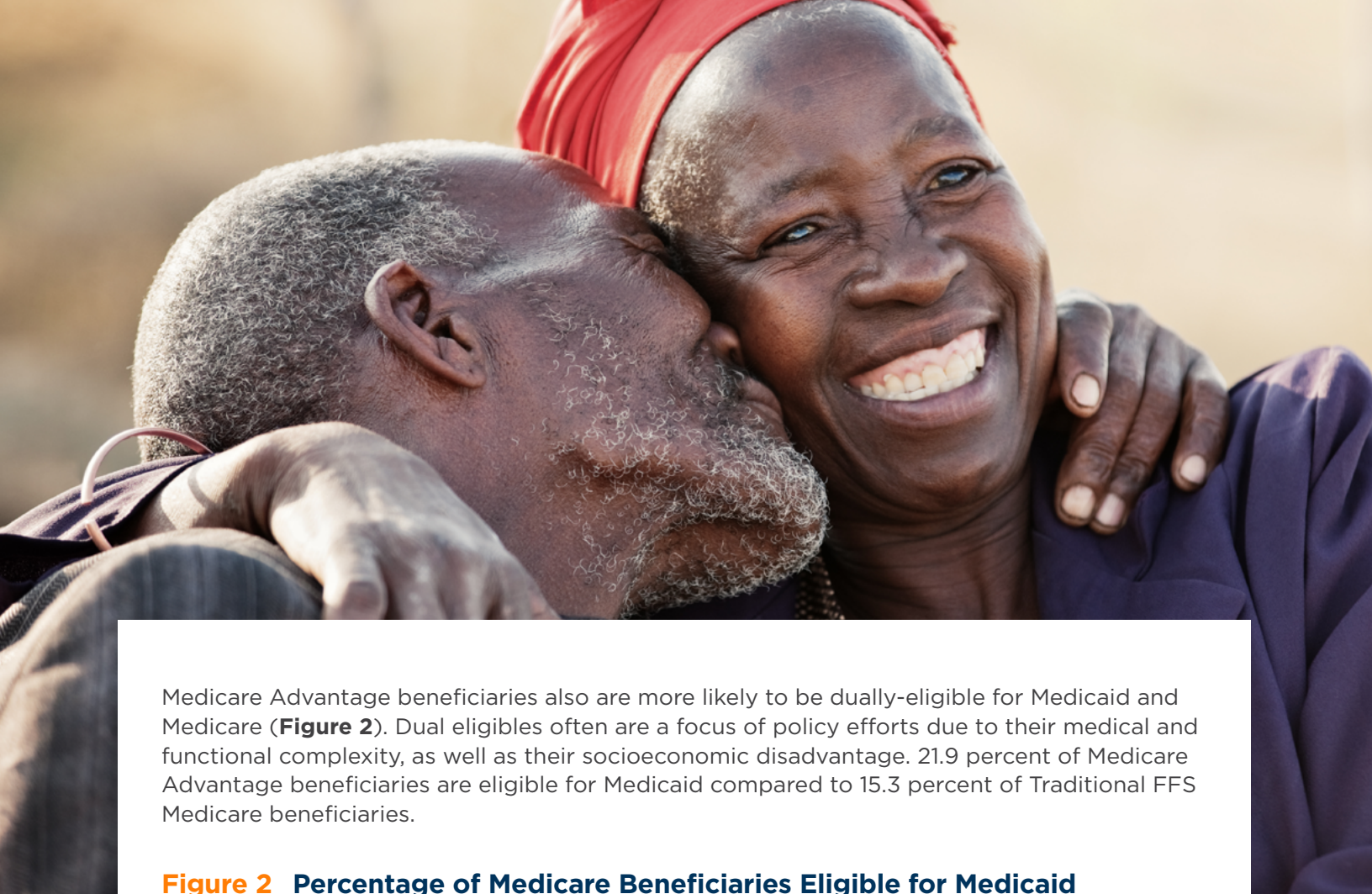
Medicare beneficiaries who are lower income are more likely to enroll in Medicare Advantage than higher income beneficiaries. In 2018,<sup>3</sup> over 40 percent of beneficiaries under 200 percent of the Federal Poverty Level (FPL) were enrolled in Medicare Advantage, compared with 27 percent of beneficiaries over 400 percent of the FPL (data not shown).

Additionally, low-income beneficiaries comprise a larger portion of Medicare Advantage enrollment than Traditional FFS enrollment. As **Figure 1** shows, 52.7 percent of Medicare Advantage beneficiaries live below 200 percent of the FPL, or \$24,280 a year for those with a household size of one in 2018. This contrasts with the Traditional FFS Medicare population, of which 39.1 percent of beneficiaries are 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 Traditional FFS Medicare beneficiaries.

**Figure 1** Percentage of Medicare Beneficiaries by Income as a Percent of Federal Poverty Level in 2017

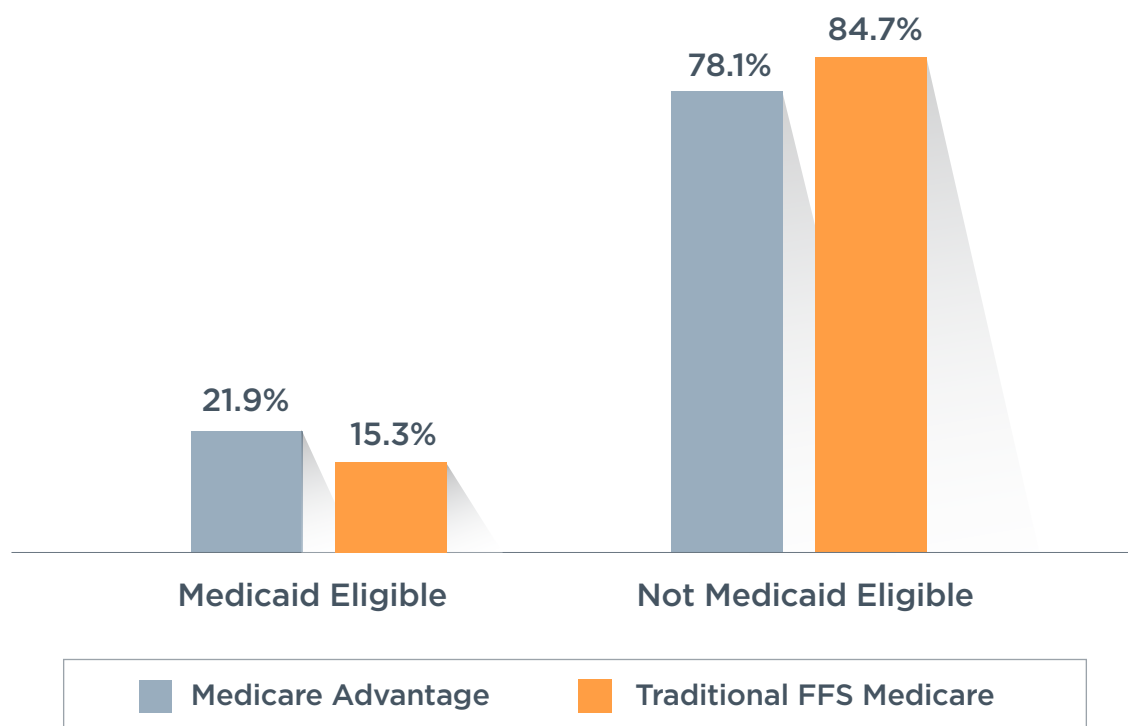


<sup>3</sup> All data for this report are from 2018, unless otherwise noted.



Medicare Advantage beneficiaries also are more likely to be dually-eligible for Medicaid and Medicare (**Figure 2**). Dual eligibles often are a focus of policy efforts due to their medical and functional complexity, as well as their socioeconomic disadvantage. 21.9 percent of Medicare Advantage beneficiaries are eligible for Medicaid compared to 15.3 percent of Traditional FFS Medicare beneficiaries.

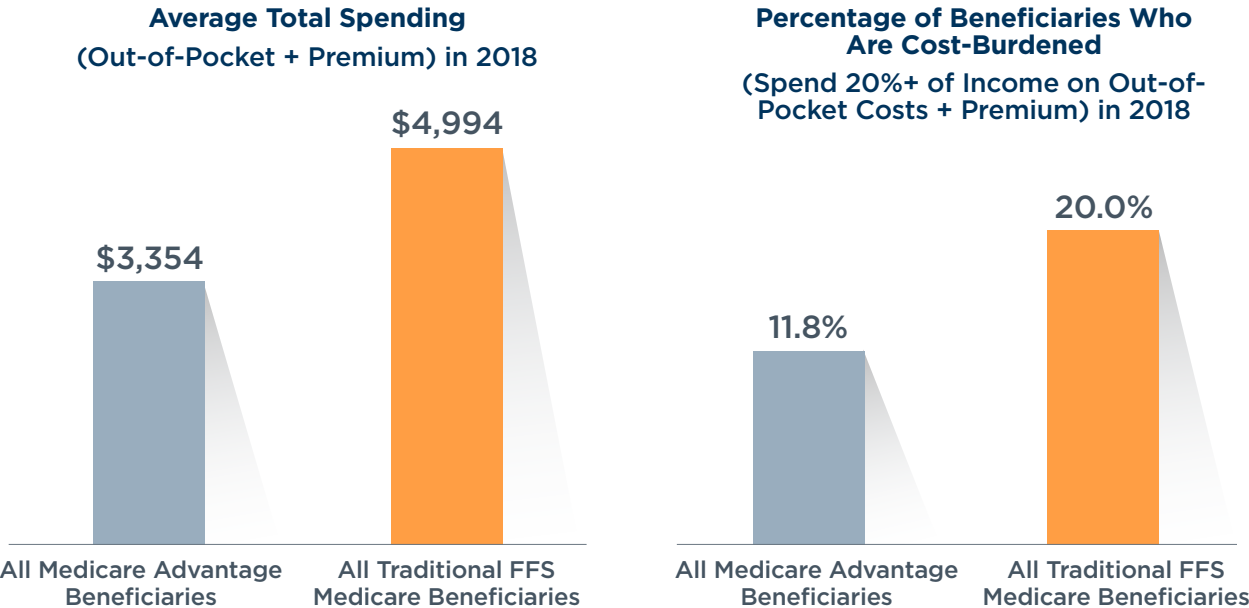
**Figure 2** Percentage of Medicare Beneficiaries Eligible for Medicaid




## Medicare Advantage Beneficiaries Spend Less than Traditional FFS Medicare Beneficiaries

On average, beneficiaries enrolled in Medicare Advantage spend less on out-of-pocket costs and premiums than those in Traditional FFS Medicare. Medicare Advantage beneficiaries report spending \$1,640 less on out-of-pocket costs and premiums compared to Traditional FFS beneficiaries (**Figure 3**). This difference in out-of-pocket spending has grown \$42 since 2017. Lower average spending by Medicare Advantage beneficiaries reduces the total cost burden of health care (“cost burden” is defined as spending over 20% of income on health care costs). Under 12 percent of Medicare Advantage beneficiaries experience cost burden associated with out-of-pocket and premium spending, compared to 20 percent of Traditional FFS Medicare beneficiaries.

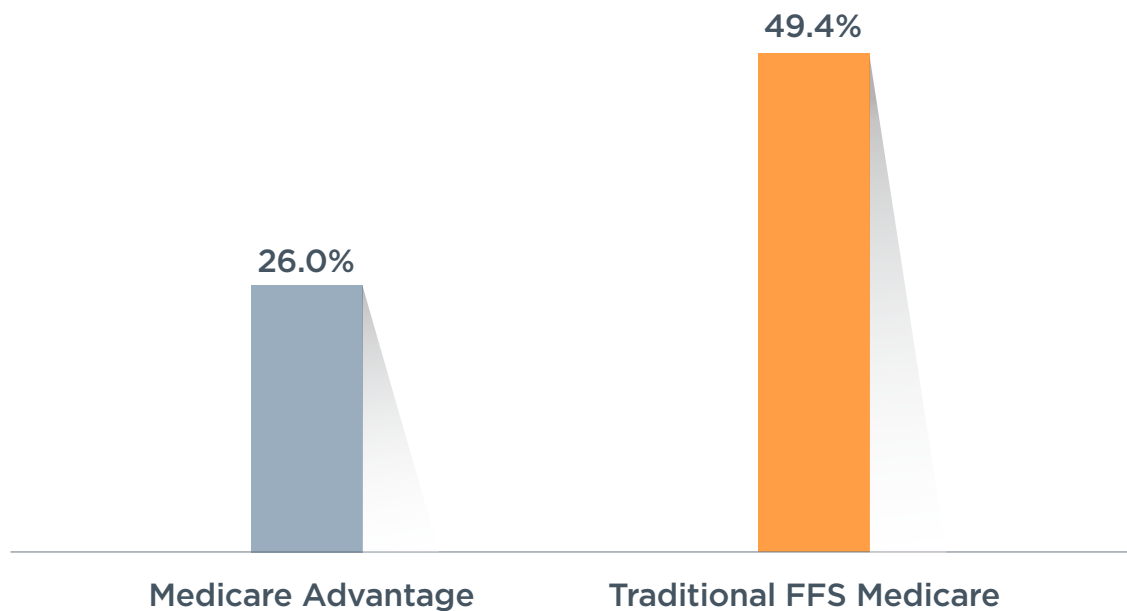
**Figure 3** Average Total Spending and Cost Burden Among Medicare Beneficiaries





Cost burden is greatest among low-income beneficiaries. Nearly twice as many beneficiaries under 200 percent FPL who are without Medicaid coverage experience cost burden in Traditional FFS Medicare as they do in Medicare Advantage, at 49.4 percent and 26.0 percent, respectively (**Figure 4**).

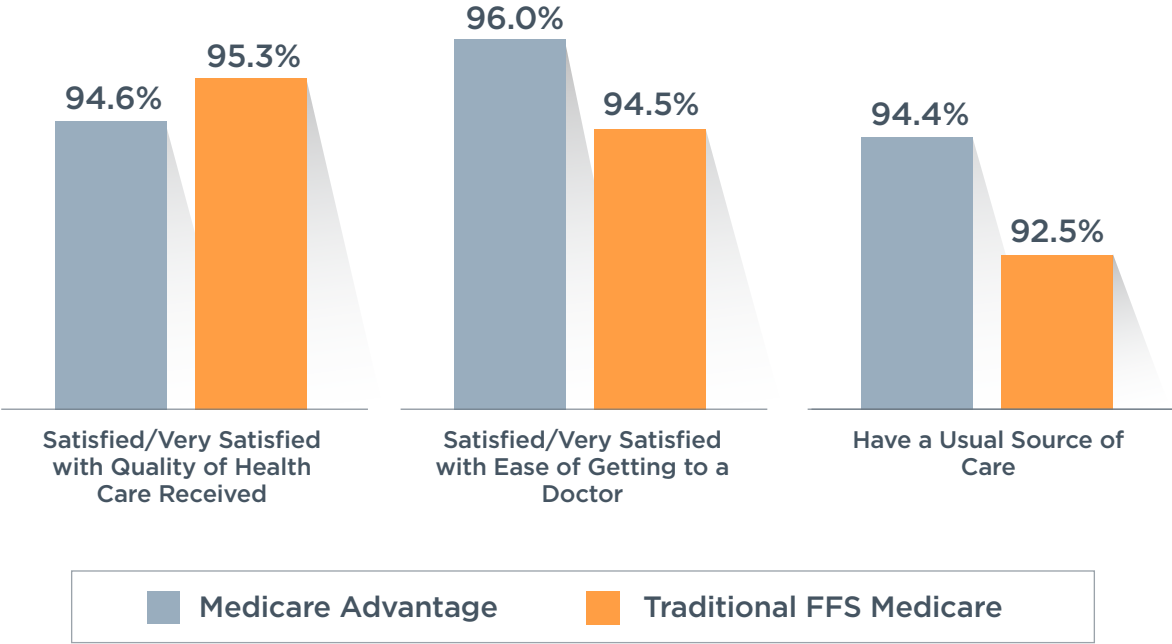
**Figure 4** Percentage of Low-Income, Non-Medicaid Medicare Beneficiaries Who Are Cost-Burdened



### 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 Traditional FFS Medicare beneficiaries (Figure 5).<sup>4</sup> Medicare Advantage and Traditional 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 94.6 percent and 95.3 percent, respectively. Additionally, 96 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 94.5 percent of Traditional FFS Medicare beneficiaries. Medicare Advantage beneficiaries report having a usual source of care (94.4%) at a slightly higher incidence than Traditional FFS Medicare beneficiaries (92.5%).

**Figure 5** Percentage of Medicare Beneficiaries Satisfied with Care, Satisfied with the Ease of Getting to a Doctor, and Who Have a Usual Source of Care



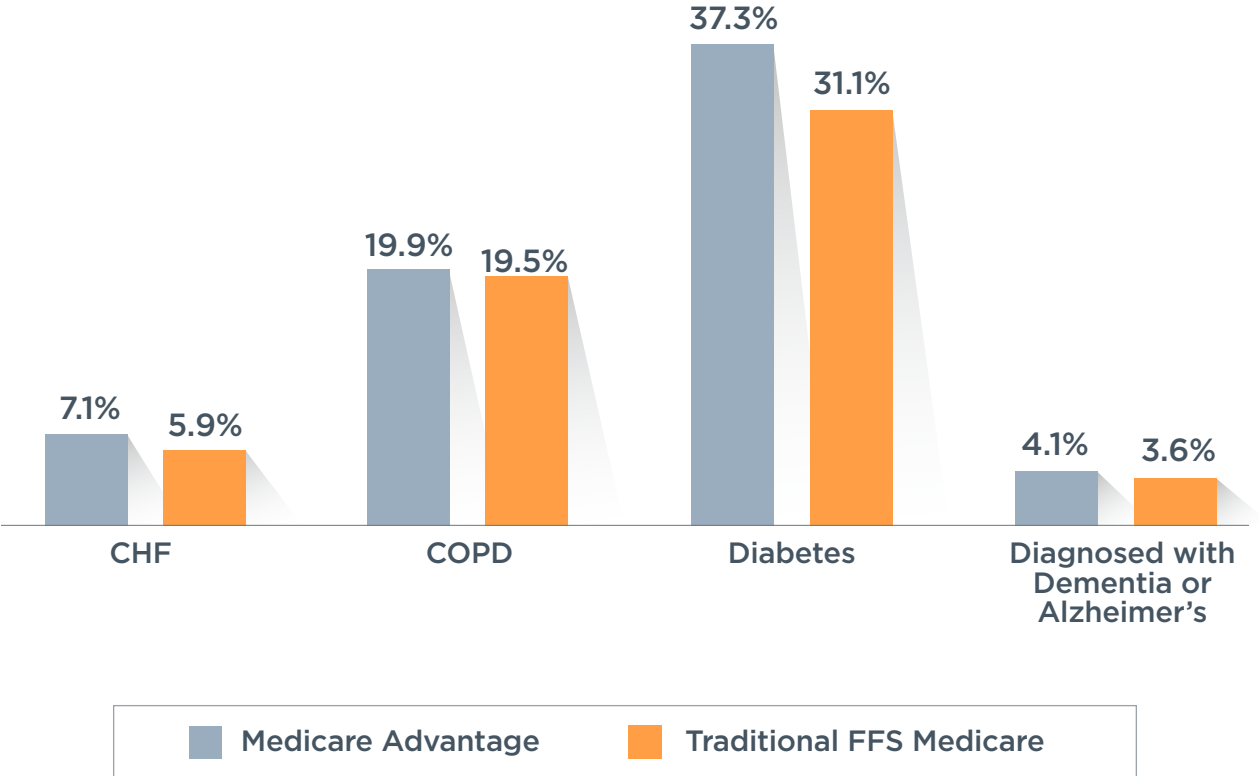
<sup>4</sup> Due to a minor change in methods, values in Figure 5 are not comparable with previous years' analyses.



### Medicare Advantage Beneficiaries Have Similar Medical and Functional Needs as Traditional FFS Medicare Beneficiaries

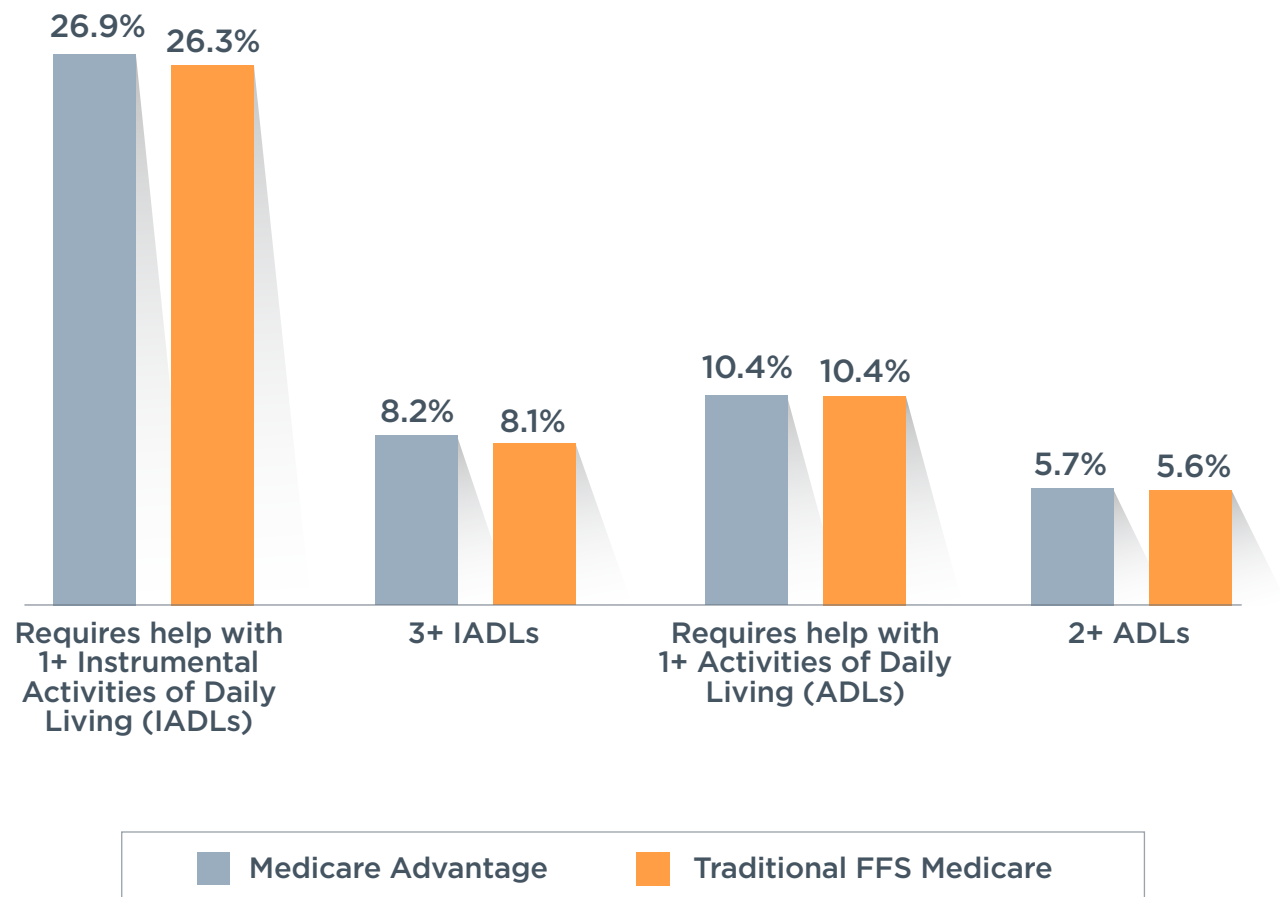
Between the Medicare Advantage and Traditional FFS Medicare populations, beneficiaries have similar clinical profiles with the exception of diabetes (**Figure 6**). Over seven percent of Medicare Advantage beneficiaries report having congestive heart failure (CHF), just under 20 percent report chronic obstructive pulmonary disease (COPD), and a little over four percent report dementia or Alzheimer’s. These reflect similar rates of self-reported chronic conditions among Traditional FFS Medicare beneficiaries (CHF (5.9 percent), COPD (19.5 percent), dementia or Alzheimer’s (3.6 percent)). The Medicare Advantage population, however, reports a much higher rate of diabetes: 37.3 percent in Medicare Advantage compared to 32.1 percent in Traditional FFS Medicare.

**Figure 6 Percentage of Medicare Beneficiaries with Key Chronic Conditions**



Medicare Advantage and Traditional FFS Medicare beneficiaries also report similar levels of functional impairment (**Figure 7**). More than one quarter of the beneficiaries in each program report needing help with one or more instrumental activities of daily living (IADLs), while under ten percent of all Medicare beneficiaries report needing help with three or more IADLs. Over ten percent of Medicare beneficiaries in both programs require help with one or more activities of daily living (ADLs), and just under six percent report needing help with two or more ADLs.<sup>5</sup>

**Figure 7 Percentage of Medicare Beneficiaries by Impairment Level**



<sup>5</sup> ADLs include eating, bathing, dressing, using the toilet, walking, and transferring; IADLs include using the telephone, light housework, heavy housework, preparing meals, shopping, and managing money. Help with IADLs is limited to beneficiaries in the community only and does not include beneficiaries in facilities.

## Conclusion

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This report adds to the evidence that Medicare Advantage provides critical cost protections to beneficiaries relative to Traditional FFS Medicare, while maintaining quality and access to care. This is particularly true for financially vulnerable beneficiaries, who tend to prefer Medicare Advantage over Traditional FFS Medicare, and who are less likely to be cost burdened when enrolled in Medicare Advantage.

The analysis also demonstrates that beneficiaries enrolled in Medicare

Advantage and Traditional FFS Medicare are clinically and functionally similar. Despite these similarities, beneficiaries in Medicare Advantage report lower out-of-pocket spending (\$1,640 lower on average) and lower health care cost burden.

As policymakers consider opportunities to enhance care and protections for Medicare beneficiaries, they should consider the important role that Medicare Advantage plays in easing financial burden for beneficiaries.



## Looking Ahead

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The Medicare population continues to grow in size, with approximately 10,000 beneficiaries aging into Medicare each day. Medicare Advantage plans are well-positioned to serve this growing number of high-need Medicare beneficiaries through coordination with clinical providers and community-based organizations, as well as targeted clinical models and benefit design. This is reflected in the increasing popularity of Medicare Advantage with a 44% increase in enrollment from 2017 to 2021.

The policy landscape has enabled Medicare Advantage plans to meet the diverse and complex needs of Medicare beneficiaries, and to maximize 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 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 satisfactions and access to care, it will be increasingly important for policymakers to ensure that Medicare Advantage plans retain and grow their ability to innovate to meet the needs of members.

## Methods

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Using the 2018 Medicare Current Beneficiary Survey (MCBS) and Cost Supplement file, analyzing Part A, B, and D Medicare claims for Medicare beneficiaries enrolled in Traditional FFS Medicare, ATI Advisory examined how Medicare coverage arrangements affect beneficiaries' access to care, utilization of benefits, and out-of-pocket costs. Full methods: [https://atiadvisory.com/wp-content/uploads/2020/12/2018-MCBS-Analysis\\_Research-Methods\\_December-2020.pdf](https://atiadvisory.com/wp-content/uploads/2020/12/2018-MCBS-Analysis_Research-Methods_December-2020.pdf).

