Beneficiaries in Medicare Advantage Receive Better Value and Spend 40% Less than Beneficiaries in Medicare FFS

Beneficiaries in Medicare Fee-For-Service (FFS) receive coverage for hospital and physician office services and can purchase a prescription drug plan (PDP) for drug coverage. Medicare Advantage (MA) plans cover the same services as Medicare FFS, include drug coverage under Part D (MA-PD), and typically offer additional protections and services, not covered by Medicare FFS, that support beneficiaries in staying healthy, improving care outcomes, and limiting the impact of unforeseen medical costs. Compared to Medicare FFS, MA beneficiaries with chronic conditions receive more preventative care[1] and experience fewer emergency department visits and lower rates of avoidable hospitalizations.[2]

Differences in Benefits Covered By Medicare FFS and Medicare Advantage

Medicare FFS

Covers 83.7% of costs for:
Part A Hospital services
Part B Physician office services

vs.

Medicare Advantage

Medicare FFS

Covers 83.7% of costs for:
Part A Hospital services
Part B Physician office services

Covers 5.6% of beneficiary out-of-pocket cost sharing

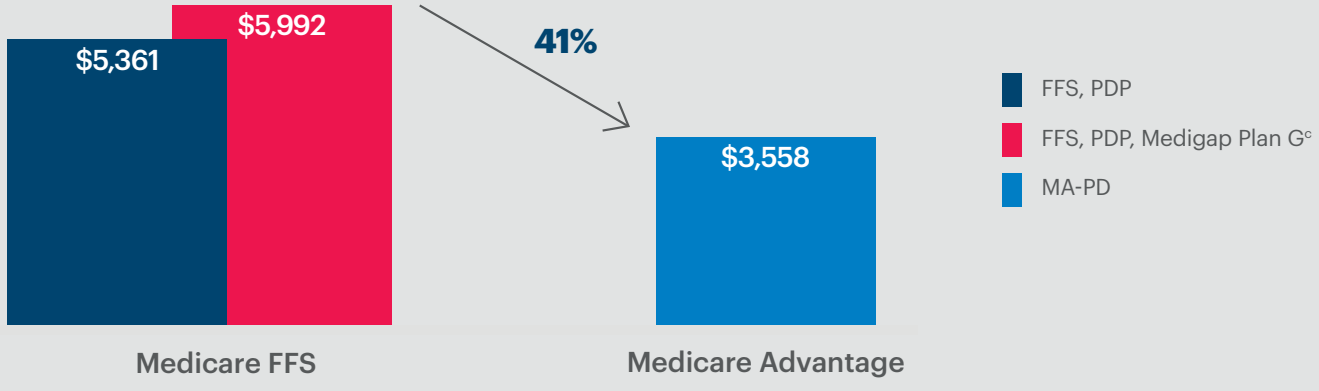
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Financial Protections and Enhanced Services May Include

- Part D prescription drug coverage
- Caps on annual out-of-pocket costs
- In-home health care assessments
- Transportation to primary care visits

A beneficiary's estimated health care spending is a key factor in the choice between MA and FFS coverage, especially since half of Medicare beneficiaries live on fixed annual incomes below $29,650.[3] The annual health care spending[a]—on individual premiums and out-of-pocket (OOP) cost sharing for medical, pharmacy, and ancillary services—by a 73 year-old beneficiary of average health in MA ($3,558) is as much as 41% less than for a comparable beneficiary in FFS.[b,4]

Annual Health Care Spending by Comparable Beneficiaries, 2020



a Unless otherwise stated, Medicare FFS beneficiary spending in this brief includes premiums and cost sharing for FFS + Part D (PDP) coverage.
b Unless otherwise noted, the term "beneficiary" is used throughout this brief to reflect a Medicare-eligible senior of average age (73 years old) with average health, and all analyses in this brief are based on the average Medicare-eligible beneficiary's health care utilization.
c Medigap Plan G is the most comprehensive supplemental coverage that FFS beneficiaries can purchase to cover all out-of-pocket spending (other than the Part B deductible) on hospital and physician services.

Medicare Advantage Provides Better Value than Medicare FFS

MA plans are required to provide the same benefits as Medicare FFS; however, MA plans provide additional high-value services that reduce beneficiaries' health care spending and protect beneficiaries when health status changes unexpectedly.

Financial Protections

Medicare-eligible beneficiaries can select MA at any age and will be guaranteed coverage regardless of health status or medical history. In contrast, Medigap plans can require underwriting if beneficiaries do not enroll in Medigap plans when they first become eligible for Medicare.[d]

MA premiums do not vary by age, gender, or health status while Medigap premiums do. In 2020, the average premium for beneficiaries was:

- $1,713 under MA, regardless of age; and
- $1,822 for age 65 and $2,889 for age 85 under Medigap Plan G.

MA plans have annual maximum out-of-pocket (MOOP) limits[e] for their beneficiaries while Medicare FFS does not offer such spending limits.

- From 2015-2018, about 3.8% of Medicare FFS beneficiaries exceeded the $6,700 MOOP limit established for MA beneficiaries and spent $12,000 on average in OOP costs.[f]

Enhanced Services

Lower Premiums

- MA Part B premiums are lower than those paid by Medicare FFS beneficiaries
- Beneficiaries in MA have no (or low) cost prescription drug coverage (MA-PD)

Reduced Cost Sharing

- MA-PD drug formularies have lower cost sharing than those offered by standalone Prescription Drug Plans
- MA beneficiary cost sharing is reduced for use of high-value medical services

Supplemental Benefits

- Dental, vision, and hearing services, which are not covered by Medicare FFS, are often included in MA for no additional premium and minimal beneficiary cost sharing
- MA plans offer supplemental benefits, such as meals and non-emergency transportation, not covered by Medicare FFS

Care Management

- MA provides care coordination to lower unnecessary hospital and emergency department visits
- MA beneficiaries have access to high-quality provider networks

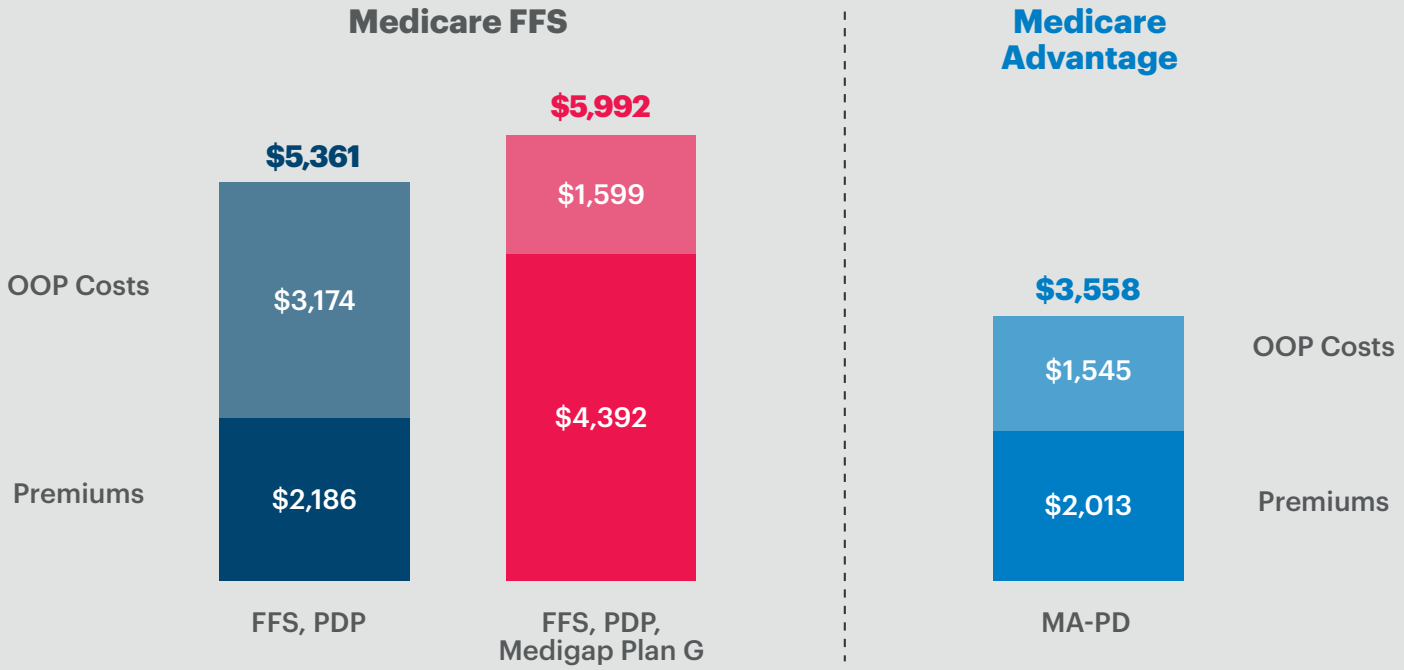
Collectively, these financial protections and enhanced services lower MA-PD beneficiaries' annual health care spending by more than 40%.

d Loss of employer coverage is also considered a qualifying event to enroll in Medigap.
e While the regulatory maximum for MOOP is $6,700, the average MOOP established by MA plans is just under $4,870 in 2020.
f This small percentage of the Medicare population with high expected OOP costs over a multi-year period might have lower costs by purchasing Medigap coverage because Plan G premiums are expected to average $2,500 annually, which is lower than MA's MOOP.

Beneficiaries in Medicare Advantage Experience Lower Health Care Spending

Federal spending per beneficiary for MA and Medicare FFS is comparable; however, a beneficiary's own health care spending varies significantly by choice of health coverage.

Estimated Annual Health Care Spending by Comparable Beneficiaries in Medicare[g]



A beneficiary enrolled in MA-PD spends:

$1,803 Less than a beneficiary who enrolls in Medicare FFS and PDP coverage

$2,434 Less than a beneficiary who also purchases Medigap Plan G as supplemental coverage for medical OOP costs

Within all age groups, a beneficiary who chooses an MA-PD plan spends less

$1,541 to $2,234 Less
than a **65-year old** Medicare FFS beneficiary in average health

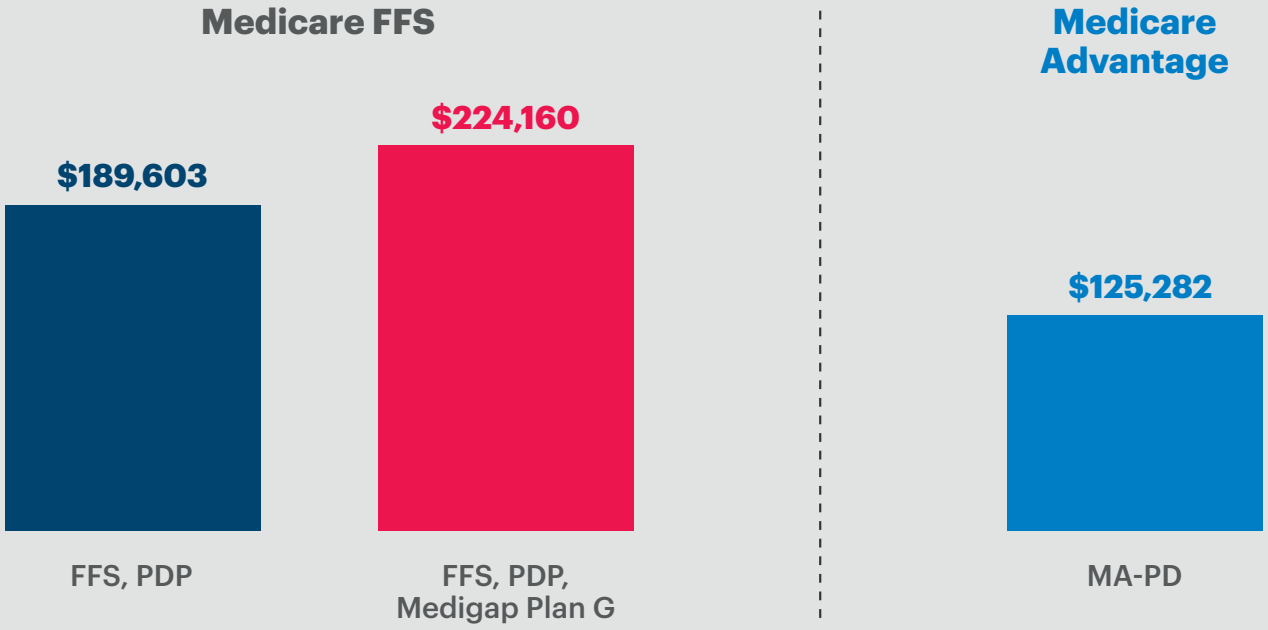
$2,259 to $2,701 Less
than an **85-year old** Medicare FFS beneficiary in average health

g In this brief, the sum of individual amounts may not be equal to the total annual health care spending due to rounding.

A Beneficiary in Medicare Advantage Can Save $64,000 - $99,000 Over Time

A 65-year old Medicare-eligible beneficiary will live, on average, for 21 more years.[5] During this time, the sizeable differences in a beneficiary's annual health care spending between MA-PD coverage and the two FFS coverage options can save an MA-PD beneficiary 44% in total health care spending.

Estimated Total Health Care Spending by a 65-Year Old Beneficiary in Medicare



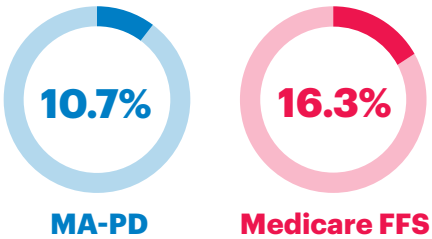
During their time as Medicare beneficiaries, an MA-PD beneficiary can expect to spend:

$64,321 Less
than those with Medicare FFS coverage

$98,878 Less
than Medigap Plan G beneficiaries

Beneficiaries in Medicare Advantage Experience Lower Cost Sharing

Beneficiaries' Cost Sharing



Of total annual health care spending per Medicare beneficiary, cost sharing is 10.7 percent for an MA-PD beneficiary and 16.3 percent for a Medicare FFS beneficiary.

Sources for citations are available at: http://www.uhg.com/MA-cost-savings-research.

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