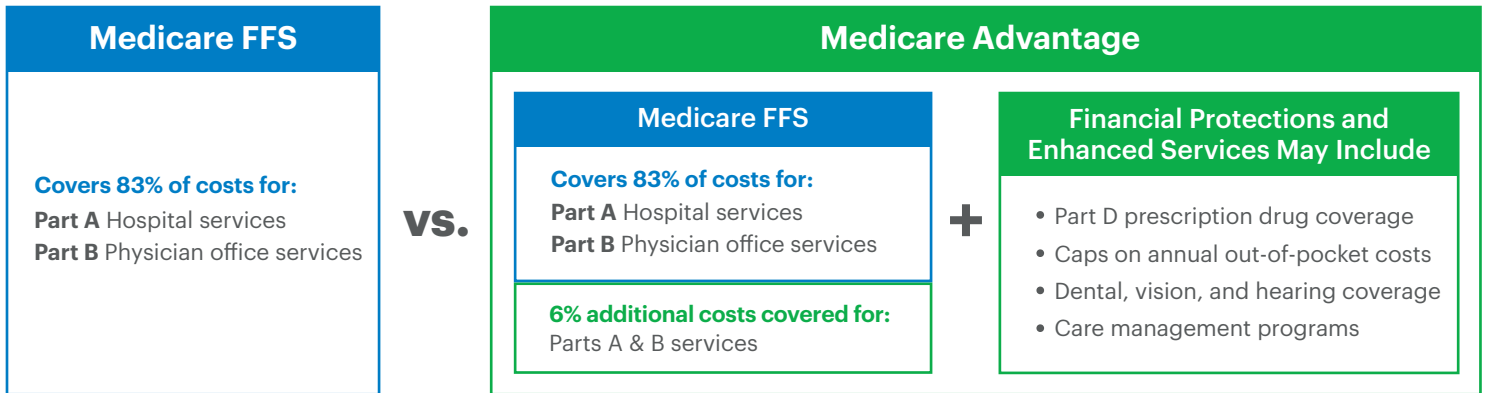


# Beneficiaries in Medicare Advantage Receive Better Value and Spend 40% Less than Beneficiaries in Medicare FFS

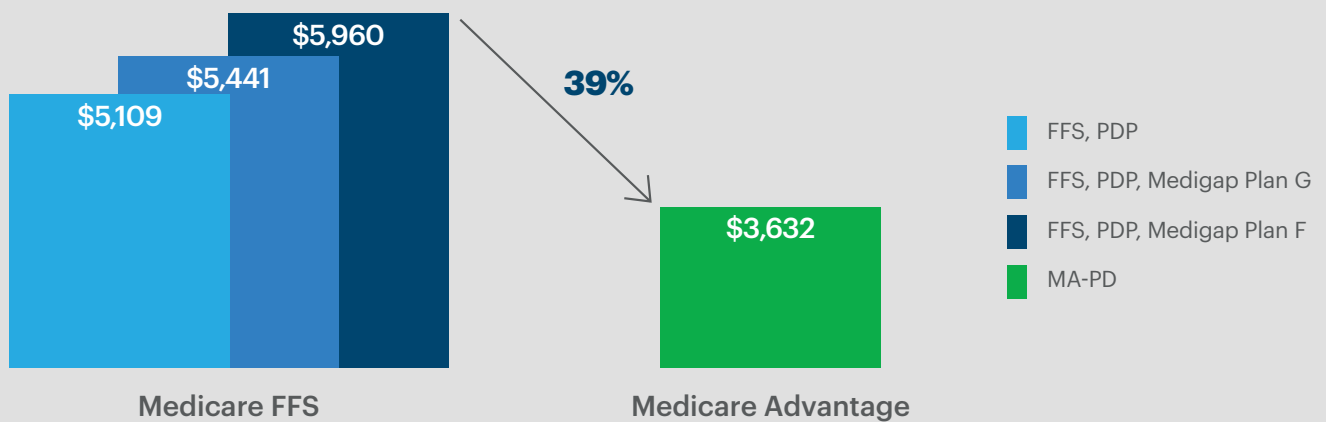
Beneficiaries in Medicare Fee-For-Service (FFS) receive coverage for hospital and physician office services and can purchase a prescription drug plan (PDP) for drug coverage. Medicare Advantage (MA) plans cover the same services as Medicare FFS and typically offer additional protections and services,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

## Differences in Benefits Covered By Medicare FFS and Medicare Advantage



The estimated health care costs for a beneficiary represent a key factor in the choice between MA and FFS coverage, especially since half of Medicare beneficiaries live on fixed annual incomes below \$27,000.<sup>3</sup> The annual health care costs<sup>a</sup> for a 72 year-old beneficiary of average health in MA (\$3,632) are as much as 39% less than for a comparable beneficiary in FFS.<sup>b,4</sup>

## Annual Health Care Costs for Comparable Beneficiaries, 2019



a The term "health care costs" is used throughout this brief to reflect a Medicare beneficiary's combined spending on individual premiums and out-of-pocket cost sharing for medical, pharmacy, and ancillary services. Unless otherwise stated, Medicare FFS member costs in this brief include premiums and cost sharing for FFS + Part D (PDP) coverage.

b The term "beneficiary" is used throughout this brief to reflect a Medicare-eligible senior of average age (72 years old) with average health.

c Unless otherwise noted, all analyses in this brief are based on the average Medicare-eligible beneficiary's health care utilization.

# Medicare Advantage Provides Better Value than Medicare FFS

MA plans are required to provide the same benefits as Medicare FFS; however, most MA plans provide additional high-value services that reduce health care costs for beneficiaries 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<sup>d</sup> 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.<sup>e</sup>



**MA premiums do not vary by age, gender, or health status** while Medigap premiums do. In 2018, the average premium for beneficiaries was:

- \$1,609 under MA, regardless of age;
- \$1,393 for age 65 and \$2,720 for age 85 under Medigap Plan G; and
- \$1,920 for age 65 and \$3,748 for age 85 under Medigap Plan F.



**MA plans have annual maximum out-of-pocket (MOOP) limits<sup>f</sup> for their beneficiaries** while Medicare FFS does not offer such spending limits.

- From 2015-2017, about 3.5% of Medicare FFS beneficiaries exceeded the \$6,700 MOOP limit established for MA beneficiaries and spent \$12,000 on average in out-of-pocket (OOP) costs.<sup>g</sup>

## Enhanced Services



### Lower Premiums

- MA Part B premiums are lower than those paid by Medicare FFS beneficiaries
- No (or low) cost prescription drug coverage under Part D is included with MA coverage (MA-PD)



### Reduced Cost Sharing

- Drug formularies have lower cost sharing than those offered by standalone Prescription Drug Plans (PDP)
- 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



### Care Management

- Care coordination provided to lower unnecessary hospital and emergency department visits
- Members have access to high-quality provider networks

**Collectively, these enhanced services lower annual health care costs for beneficiaries by nearly 30% to 40%.**

<sup>d</sup> Medicare beneficiaries with pre-existing ESRD cannot enroll in MA at this time.

<sup>e</sup> Loss of employer coverage is also considered a qualifying event to enroll in Medigap.

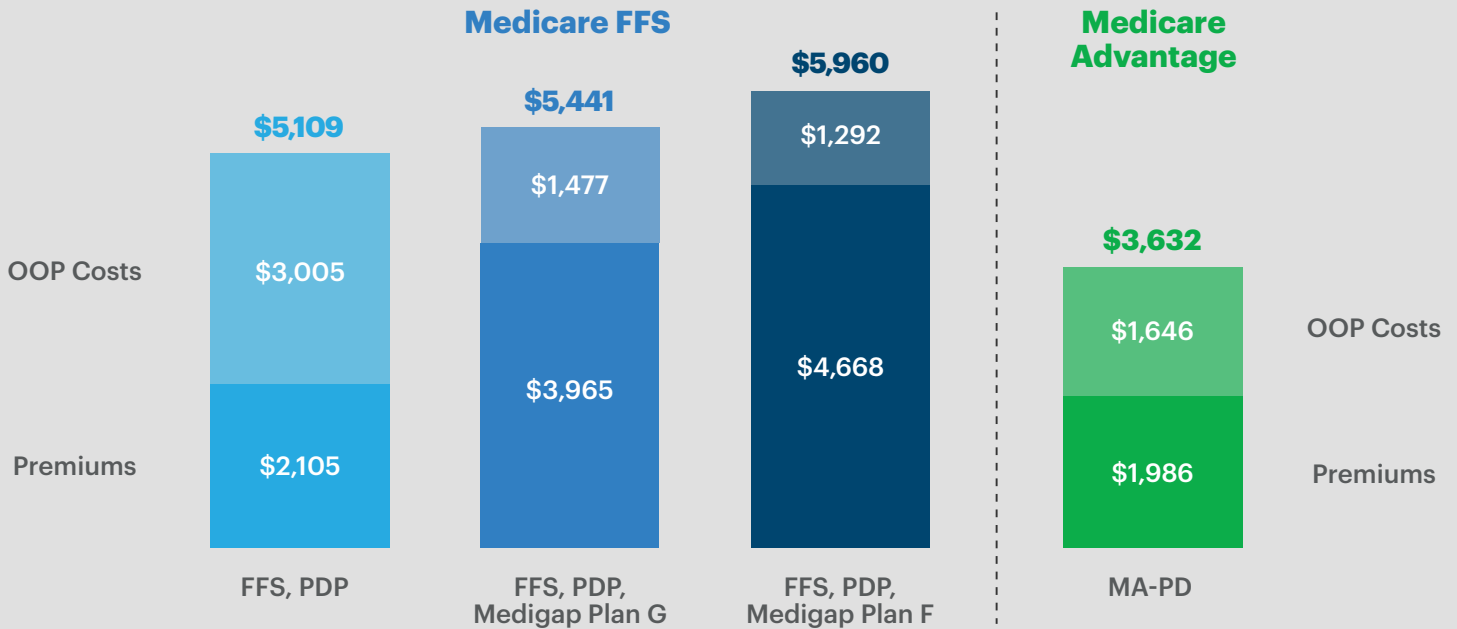
<sup>f</sup> While the regulatory maximum for MOOP is \$6,700, the average MOOP established by MA plans is just over \$5,000 in 2019.

<sup>g</sup> 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 F premiums average \$2,500 annually, which is lower than MA's MOOP.

# Beneficiaries in Medicare Advantage Experience Lower Health Care Costs

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

## Estimated Annual Health Care Costs for Comparable Beneficiaries in Medicare<sup>h</sup>



**A beneficiary enrolled in MA along with prescription drug coverage under Part D (MA-PD) spends:**

**\$1,477 Less**

than beneficiaries who enroll in traditional Medicare FFS and Part D coverage

**\$1,809 Less**

than beneficiaries who also purchase Medigap Plan G as supplemental coverage for medical out-of-pocket (OOP) costs

**\$2,328 Less**

than beneficiaries who instead purchase Medigap Plan F as supplemental coverage

**Regardless of age, a beneficiary who chooses an MA-PD plan pays:**



**\$1,265 to \$1,918 Less** than a 65-year old FFS beneficiary in average health



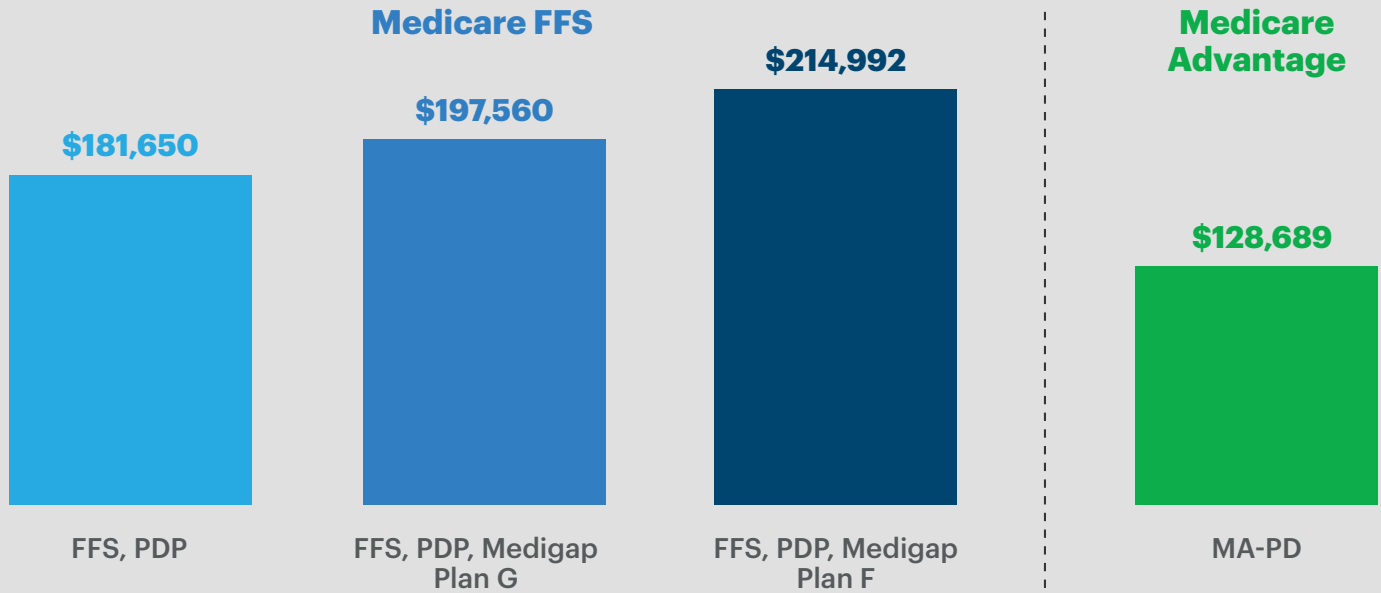
**\$1,893 to \$3,076 Less** than an 85-year old FFS beneficiary in average health

<sup>h</sup> In this brief, the sum of individual costs may not be equal to the total annual health care costs due to rounding.

# A Beneficiary in Medicare Advantage Can Save \$50,000 - \$85,000 Over Time

A 65-year old Medicare-eligible beneficiary will live, on average, for 21 more years.<sup>5</sup> During this time, the sizeable differences in a beneficiary's annual health care costs between MA-PD coverage and the three FFS coverage options can save a beneficiary in MA 40% in total health care costs.

## Estimated Total Health Care Costs for a 65-Year Old Beneficiary in Medicare



Over the years on Medicare, a beneficiary in an MA-PD plan can expect to spend:

**\$52,961 Less**

than those in FFS coverage

**\$68,871 Less**

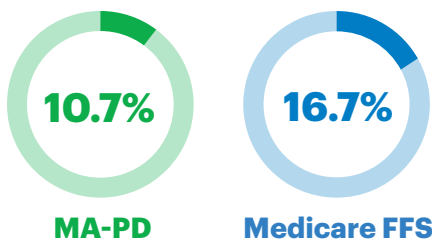
than Medigap Plan G beneficiaries

**\$86,303 Less**

than Medigap Plan F beneficiaries

## Beneficiaries in Medicare Advantage Experience Lower Cost Sharing

### Beneficiary's Cost Sharing



The differences in a beneficiary's annual health care costs between MA and FFS coverage demonstrate that, of total medical spending, **an MA-PD member pays 10.7 percent** in cost sharing, while across the three **Medicare FFS coverage options, a member pays 16.7 percent** through cost sharing.

Sources for citations are available at: [www.unitedhealthgroup.com](http://www.unitedhealthgroup.com).