

THE IMPORTANCE OF MEDICARE ADVANTAGE IN MEETING THE NEEDS OF OLDER AMERICANS

WHAT IS MEDICARE ADVANTAGE?

Americans eligible for Medicare benefits have the option of either enrolling in the federally-run traditional, fee-for-service (FFS) Medicare program or selecting a plan from Medicare Advantage (MA). Medicare Advantage, also known as Medicare Part C, provides comprehensive Medicare coverage through private health plans approved by Medicare, offering beneficiaries an alternative way to receive Medicare benefits.¹

Unlike traditional Medicare, where individuals pay separate monthly premiums for hospital visits, outpatient services, and prescription drugs, Medicare Advantage provides all Medicare services for a single monthly premium, often at lower costs to the enrollee.² In addition to providing all the services covered by traditional Medicare, MA plans also often include additional “supplemental benefits” not covered by FFS Medicare. Common supplemental benefits that may be provided by MA plans include³:

- **Dental coverage**
- **Hearing coverage**
- **Vision services**
- **Social work and nurse lines**
- **Transportation**
- **Care coordination**
- **Nutrition and meal services**
- **Wellness programs**
- **Fitness benefits**

WHO IS ELIGIBLE FOR MEDICARE ADVANTAGE?

Anyone who is eligible for traditional Medicare is eligible for Medicare Advantage. Eligibility for both traditional Medicare and MA plans is primarily age-based, and anyone 65 years or older is eligible for enrollment.⁴ If you are under 65, you may also be eligible if you have a qualifying disability or a specific condition such as End-Stage Renal Disease (ESRD) or Amyotrophic Lateral Sclerosis (ALS).⁵

WHO IS ENROLLED IN MEDICARE ADVANTAGE PLANS?

While traditional Medicare has been in place since 1965, Medicare Advantage was not created until 1997, and since its inception over 25 years ago, Medicare Advantage enrollment has steadily increased.⁶ According to the most recent data, over 33 million people are enrolled in a Medicare Advantage plan, accounting for over 50 percent of the Medicare-eligible population.⁷

Notably, those enrolled in Medicare Advantage plans represent diverse communities and populations, with 57 percent of Black, 59 percent of Hispanic and 44 percent of Asian and Pacific Islander Medicare-eligible adults enrolled in an MA plan. Racial minorities make up a larger share of the Medicare Advantage population than they do in FFS Medicare (29 percent vs. 19 percent).⁸ Additionally, the majority (60 percent) of individuals dually eligible for Medicaid and Medicare benefits, are enrolled in a Medicare Advantage plan.⁹

MA plans also have a higher percentage of enrollees ages 75 years and older (39 percent compared to 36 percent in traditional Medicare), represent a larger share of low-income enrollees, and 57 percent of MA beneficiaries are women (compared to 53 percent of traditional Medicare enrollees).¹⁰

HOW DOES MEDICARE ADVANTAGE UNIQUELY SUPPORT BENEFICIARIES?

Medicare Advantage serves as a vital safety net for millions of beneficiaries. While, traditional FFS Medicare and Medicare Advantage both offer critical health benefits to adults over the age of 65, the increasing popularity and growth of Medicare Advantage over the past several years suggests that these plans are meeting important needs for Medicare-eligible populations. Several key differentiators of MA may uniquely position MA plans to support beneficiaries including:

- **Lower costs and greater cost savings.** MA plans are able to offer more flexible cost and coverage policies

than traditional Medicare and unlike FFS Medicare, MA plans have an annual cap on OOP spending.¹¹ As a result, beneficiaries enrolled in MA plans save an average of \$2,500 annually on OOP costs and premiums, compared to their counterparts in FFS Medicare.¹²

- **Coverage of supplemental benefits.** Unlike traditional Medicare, nearly all (99 percent) of MA plans offer coverage of supplemental benefits not covered by traditional Medicare such as vision, dental, hearing, telehealth and/or wellness services.¹³
- **More coordinated and consistent access to care and medicines.** Compared to FFS Medicare beneficiaries, MA enrollees are more likely to have a usual source of care and to report receiving routine healthcare services, including mammograms, flu shots, blood pressure screenings, and cholesterol checks.¹⁴ For example, compared to the traditional Medicare population, those enrolled in MA plans have 49 percent and 11 percent higher vaccination rates for pneumonia and flu, respectively and among high-need, high-cost beneficiaries these gaps are even more pronounced.¹⁵
- **Improved health outcomes.** Research shows that Medicare Advantage outperforms traditional FFS Medicare across a range of health outcome metrics. For instance, MA was found to have a 43 percent lower rate of avoidable hospitalizations compared to FFS Medicare. Among groups with complex chronic conditions the gap was even higher, with MA's avoidable hospitalization rate being 57 percent lower than the same rate for traditional Medicare.¹⁶

WHY IS MEDICARE ADVANTAGE IMPORTANT TO THE HEALTH SYSTEM?

Medicare Advantage offers an integrated and cost-effective alternative to traditional Medicare, bundling coverage for hospital visits, outpatient medical care and prescription drugs into a single plan, and often offering coverage of a range of other supplemental benefits. This structure supports coordinated care, leading to better management of chronic conditions and preventive care and ultimately improving patient outcomes and helping beneficiaries save on OOP costs. Additionally, Medicare Advantage can also help contain costs for the broader health system. While traditional Medicare is a fee-for-service program, MA plans operate under a capitated payment system in which plans are paid a fixed, prospective amount every month to cover care for each beneficiary. This model helps contain healthcare costs by incentivizing providers to deliver efficient, high-quality care, thereby reducing hospital admissions and lowering overall healthcare expenditures.

WHY IS IT IMPORTANT TO ENSURE MEDICARE ADVANTAGE BENEFITS REMAIN PROTECTED?

As Medicare Advantage becomes an increasingly popular and prevalent coverage option among Medicare-eligible populations, it is critical that this essential coverage option remains protected. Today, Medicare Advantage plays a vital role for over 33 million beneficiaries, many of whom represent minority communities and vulnerable groups, such as low-income populations and those who classify as medically complex. This means that changes to the MA program have the potential to impact the millions of beneficiaries who rely on MA plans and may be disproportionately harmful to marginalized groups who already face notable health inequities and barriers to care.

Going forward, as decisionmakers consider changes to Medicare Advantage policies, it is critical that sufficient and thoughtful steps are taken to ensure that these changes in no way jeopardize the health of the millions of beneficiaries enrolled in MA plans or potentially worsen the significant health inequities that millions of Americans face today.

¹ <https://www.medicare.gov/health-drug-plans/health-plans/your-health-plan-options>

² <https://www.kff.org/medicare/issue-brief/medicare-advantage-in-2024-premiums-out-of-pocket-limits-supplemental-benefits-and-prior-authorization/>

³ <https://www.mealsonwheelsamerica.org/docs/default-source/conference/2019-session-materials-handouts/tuesday/930/new-opportunities-for-medicare-advantage-final.pdf>

⁴ <https://www.ssa.gov/pubs/EN-05-10043.pdf>

⁵ <https://www.medicare.gov/basics/get-started-with-medicare>

⁶ <https://www.statnews.com/2024/02/16/medicare-advantage-enrollment/>

⁷ <https://data.cms.gov/summary-statistics-on-beneficiary-enrollment/medicare-and-medicaid-reports/medicare-monthly-enrollment/>

⁸ <https://www.ahip.org/news/articles/more-diverse-groups-continue-to-choose-medicare-advantage-over-original-medicare>

⁹ https://ahiporg-production.s3.amazonaws.com/documents/202312-AHIP_MA-Demographics-Report-v05.pdf

¹⁰ <https://www.ahip.org/news/articles/more-diverse-groups-continue-to-choose-medicare-advantage-over-original-medicare>

¹¹ <https://atiadvisory.com/resources/https-atiadvisory-com-resources-wp-content-uploads-2023-03-ma-cost-protections-data-brief-2023-pdf/>

¹² <https://bettermedicarealliance.org/publication/medicare-beneficiary-spending-2024/>

¹³ <https://www.kff.org/medicare/issue-brief/medicare-advantage-in-2024-premiums-out-of-pocket-limits-supplemental-benefits-and-prior-authorization/>

¹⁴ <https://www.kff.org/medicare/report/beneficiary-experience-affordability-utilization-and-quality-in-medicare-advantage-and-traditional-medicare-a-review-of-the-literature/>

¹⁵ <https://www.fiercehealthcare.com/payer/medicare-advantage-plans-achieve-better-outcomes-than-traditional-medicare-bma-analysis-finds>

¹⁶ <https://www.healthaffairs.org/sponsored-content/value-of-medicare-advantage-5>