

Medicare Advantage Study: Major Benefit to Low-Income and Minority Beneficiaries and Savings for Medicaid

Kenneth Thorpe, Ph.D. and Adam Atherly, Ph.D.

Background: Medicare Advantage plans – private health plan options currently available to many Medicare beneficiaries – provide comprehensive health coverage to 5.1 million people. According to a new study by Kenneth Thorpe, Ph.D., professor and chair of the Department of Health Policy & Management, and Adam Atherly, Ph.D. at Emory University, Medicare Advantage serves as a “critical link” for accessing health care services, particularly for low-income and minority Medicare beneficiaries. By providing more comprehensive coverage, improving access to health care services as well as reducing beneficiary out-of-pocket spending, Medicare Advantage plans provide added value to Medicare beneficiaries.

Key Findings:

- **Medicare Advantage plans disproportionately cover low-income beneficiaries:** 35.6% of Medicare eligible beneficiaries with incomes below \$10,000 annually and 37.8% of those with incomes from \$10,000 to \$20,000 without Medicaid or employer coverage enroll in Medicare Advantage plans.
- **Medicare Advantage serves a high proportion of minority beneficiaries:** 40% of African American and 52.9% of Hispanic beneficiaries without Medicaid or employer coverage rely on Medicare Advantage, as compared with 32.7% of non-Hispanic, white beneficiaries.
- **Medicare Advantage lowers Medicaid costs by providing comprehensive coverage to low-income “dual eligible” beneficiaries.** According to the study, nearly 18% of all Medicaid eligibles enroll in a Medicare Advantage plan which, in turn, provides “substantial” savings to the Medicaid program. Without Medicare Advantage, **the study estimates that Medicaid costs would increase by \$792 million annually and roughly \$4 billion over 5 years.** This would place additional strains on a program that is already beset by budgetary and financial constraints.
- **Medicare Advantage provides value to Medicare beneficiaries by providing more comprehensive benefits and more financial protection than traditional Medicare coverage.** Medicare Advantage plans not only lower out-of-pocket costs for covered services, but also provide coverage for services not covered by traditional Medicare, including vision and dental coverage. According to the new study, **“Medicare Advantage will provide Medicare beneficiaries \$3.04 billion in supplemental benefits in 2005 at no cost to the beneficiary, or an annual average of \$615 per Medicare Advantage enrollee, net of premiums paid by beneficiaries.”**
- **Based on analysis of beneficiary purchasing of supplemental coverage, without Medicare Advantage, 2 million beneficiaries would lose supplemental coverage and would rely on Medicare alone for their health care coverage.** As a result, the percentage of beneficiaries without any supplemental coverage would increase by 32%. Ethnic minorities would be especially hard hit, as the number of African-Americans without any supplemental coverage would rise to 59%.

Conclusion: “Medicare Advantage plans provide **substantial value** to Medicare beneficiaries as well as savings to state Medicaid programs: MA plans will provide Medicare beneficiaries **\$3 billion in supplemental benefits in 2005**, or an annual average of **\$615 per Medicare Advantage enrollee**, while enrollment of Medicaid-eligible beneficiaries in MA plans **saves the Medicaid program an estimated \$792 million per year.**”