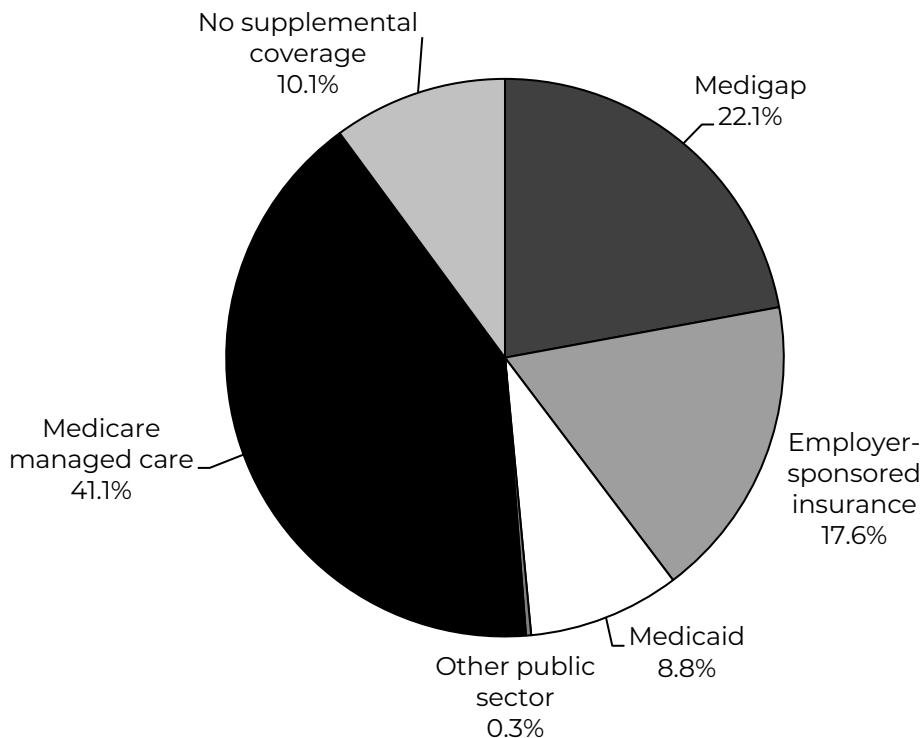


SECTION

3

**Medicare beneficiary and
other payer financial liability**

Chart 3-1. Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, 2019



Note: We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2019. They could have had coverage in other categories during 2019. "Other public sector" includes federal and state programs not included in other categories. This analysis includes only beneficiaries not living in institutions such as nursing homes. It excludes beneficiaries who were not in both Part A and Part B throughout their Medicare enrollment in 2019 or who had Medicare as a secondary payer. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Survey file 2019.

- Most beneficiaries living in the community (the noninstitutionalized) have coverage that supplements or replaces the Medicare benefit package. In 2019, 90 percent of beneficiaries had supplemental coverage or participated in Medicare managed care.
- About 40 percent of beneficiaries had private sector supplemental coverage such as Medigap (about 22 percent) or employer-sponsored retiree coverage (almost 18 percent).
- About 9 percent of beneficiaries had public sector supplemental coverage, primarily Medicaid.
- Forty-one percent of beneficiaries participated in Medicare managed care, which includes Medicare Advantage, health care prepayment, and cost plans. These types of arrangements generally replace Medicare's fee-for-service coverage and often provide more coverage.
- The numbers in this chart differ from those in Chart 2-5, Chart 4-1, and Chart 4-4 because of differences in the populations represented in the charts. This chart excludes beneficiaries in long-term care institutions, while Chart 2-5 and Chart 4-4 include all Medicare beneficiaries, and Chart 4-1 excludes beneficiaries in Medicare Advantage.

Chart 3-2. Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, by beneficiaries' characteristics, 2019

	Number of beneficiaries (thousands)	Employer-sponsored insurance	Medigap insurance	Medicaid	Medicare managed care	Other public sector	Medicare only
All beneficiaries	50,097	18%	22%	9%	41%	0%	10%
Age							
<65	6,799	9	3	34	38	0	16
65–69	11,082	16	26	5	41	0	12
70–74	12,493	19	26	5	41	0	9
75–79	9,004	20	24	4	43	0	8
80–84	5,515	22	23	5	43	0	7
85+	5,203	21	25	5	40	0	8
Income-to-poverty ratio							
≤1.00	7,751	3	6	38	44	0	9
1.00 to 1.20	3,156	3	9	23	52	0	13
1.20 to 1.35	1,973	6	17	12	43	1	21
1.35 to 2.00	8,095	11	21	5	48	1	14
>2.00	29,121	26	28	0	37	0	8
Eligibility status							
Aged	43,076	19	25	5	41	0	9
Disabled	6,712	9	3	33	39	0	16
ESRD	309	20	19	23	29	1	8
Residence							
Urban	40,469	17	21	8	44	0	9
Rural	9,628	18	27	12	28	0	14
Sex							
Male	22,465	18	21	8	40	0	12
Female	27,632	17	23	9	42	0	9
Health status							
Excellent/very good	23,630	20	27	4	40	0	9
Good/fair	23,415	16	19	12	42	0	11
Poor	2,846	12	12	24	39	0	13

Note: ESRD (end-stage renal disease). We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2019. They could have had coverage in other categories during 2019. “Medicare managed care” includes Medicare Advantage, cost, and health care prepayment plans. “Other public sector” includes federal and state programs not included in other categories. “Urban” indicates beneficiaries living in metropolitan statistical areas (MSAs) as indicated by core-based statistical areas. “Rural” indicates beneficiaries living outside MSAs, which includes both micropolitan statistical areas and rural areas as indicated by core-based statistical areas. Analysis excludes beneficiaries living in institutions such as nursing homes. Analysis also excludes beneficiaries who were not in both Part A and Part B throughout their Medicare enrollment in 2019 or who had Medicare as a secondary payer. The number of beneficiaries differs among boldface categories because we excluded beneficiaries with missing values. Numbers in some rows do not sum to 100 percent because of rounding. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of Medicare Current Beneficiary Survey (MCBS), Survey file 2019.

- Beneficiaries most likely to have employer-sponsored supplemental coverage are those who are age 65 or older, have income above twice the poverty level, and report excellent or very good health.
- Medigap is most common among those who are age 65 or older, have income higher than 1.35 times the poverty level, are eligible because of age, are rural dwelling, and report excellent or very good health.
- Medicaid coverage is most common among those who are under age 65, have income lower than 1.2 times the poverty level, are eligible because of disability, are rural dwelling, and report poor health.
- Lack of supplemental coverage (Medicare coverage only) is most common among beneficiaries who are under age 70, have income between 1.00 and 2.00 times the poverty level, are eligible because of disability, are rural dwelling, are male, and report poor health.

Chart 3-3. Covered benefits and enrollment in standardized Medigap plans, 2020

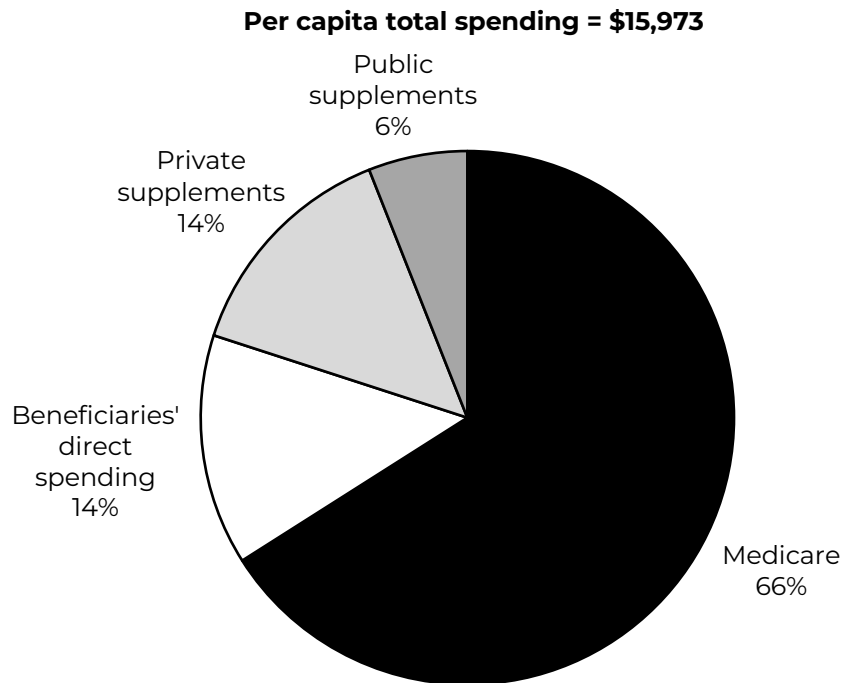
Benefit	Medigap standardized plan type										
	A	B	C*	D	F*	High-deductible F	G	K	L	M	N
Part A hospital costs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Part B cost sharing	✓	✓	✓	✓	✓	✓	✓	50%	75%	✓	\$20/\$50
Blood (first 3 pints)	✓	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Hospice cost sharing	✓	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
SNF coinsurance			✓	✓	✓	✓	✓	50%	75%	✓	✓
Part A deductible		✓	✓	✓	✓	✓	✓	50%	75%	50%	✓
Part B deductible			✓		✓	✓					
Part B excess charges					✓	✓	✓				
Foreign travel emergency			✓	✓	✓	✓	✓			✓	✓
Lives covered (in thousands)	100	182	542	126	6,243	360	3,743	76	39	4	1,363

Note: SNF (skilled nursing facility). Three states (Massachusetts, Minnesota, and Wisconsin) have different plan types and are not included in this chart. The ✓ indicates that the plan covers all cost sharing for that benefit. Percentages indicate that the plan covers that share of the total cost sharing. The "\$20/\$50" indicates that the plan covers all but \$20 for physician office visits and all but \$50 for emergency room visits. *Beginning in 2020, new policies for Plans C or F are not allowed to be sold. However, beneficiaries who purchased C plans or F plans before 2020 will be able to continue to purchase those plans.

Source: MedPAC analysis of National Association of Insurance Commissioners data, 2021.

- Medicare beneficiaries often purchase Medigap plans, also known as Medicare supplementary insurance plans, to cover fee-for-service Medicare cost sharing. Statute specifies 11 standardized plans. States enforce the standards based on model regulations developed by the National Association of Insurance Commissioners. Three states (Massachusetts, Minnesota, and Wisconsin) have waivers from these standards and have different standard plan types not included in this chart.
- Plan F, which covers all Medicare cost sharing, is the most popular plan, with 6.2 million enrollees. However, because the Congress was concerned about the overuse of Medicare services, legislation prohibits the sale of new Plan F policies as of 2020. As a result, insurers have begun to direct beneficiaries into other plan types, namely plans G, K, and N, which do not cover the Part B deductible.
- During 2020, 14 million beneficiaries enrolled in Medigap plans (including those in Massachusetts, Minnesota, and Wisconsin). Of all Medicare beneficiaries, about one-fifth were enrolled in Medigap plans.

Chart 3-4. Total spending on health care services for noninstitutionalized FFS Medicare beneficiaries, by source of payment, 2019

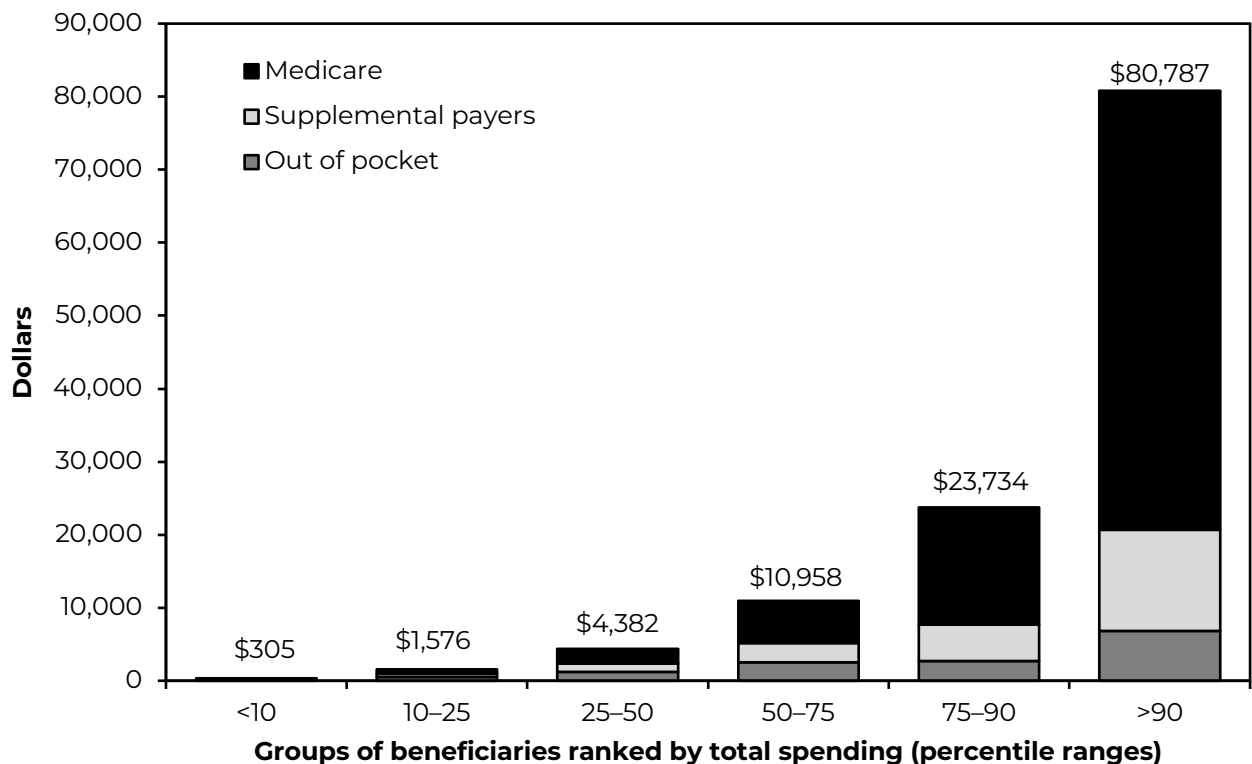


Note: FFS (fee-for-service). “Private supplements” includes employer-sponsored plans and individually purchased coverage. “Public supplements” includes Medicaid, Department of Veterans Affairs, and other public coverage. “Beneficiaries’ direct spending” includes Medicare cost sharing and spending on noncovered services, but not supplemental premiums. Analysis includes only FFS beneficiaries not living in institutions such as nursing homes. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost Supplement file, 2019.

- Among FFS beneficiaries living in the community (rather than in an institution), the total cost of health care services (beneficiaries’ direct spending as well as expenditures by Medicare, other public sector sources, and all private sector sources on all health care goods and services) averaged about \$16,000 in 2019. Medicare was the largest source of payment: It paid about 66 percent of the health care costs for FFS beneficiaries living in the community, an average of \$10,468 per beneficiary.
- Private sources of supplemental coverage—primarily employer-sponsored retiree coverage and Medigap—paid about 14 percent of beneficiaries’ costs, an average of \$2,225 per beneficiary.
- Beneficiaries paid about 14 percent of their health care costs out of pocket, an average of \$2,279 per beneficiary.
- Public sources of supplemental coverage—primarily Medicaid—paid about 6 percent of beneficiaries’ health care costs, an average of \$1,001 per beneficiary.

Chart 3-5. Distribution of per capita total spending on health care services among noninstitutionalized FFS beneficiaries, by source of payment, 2019

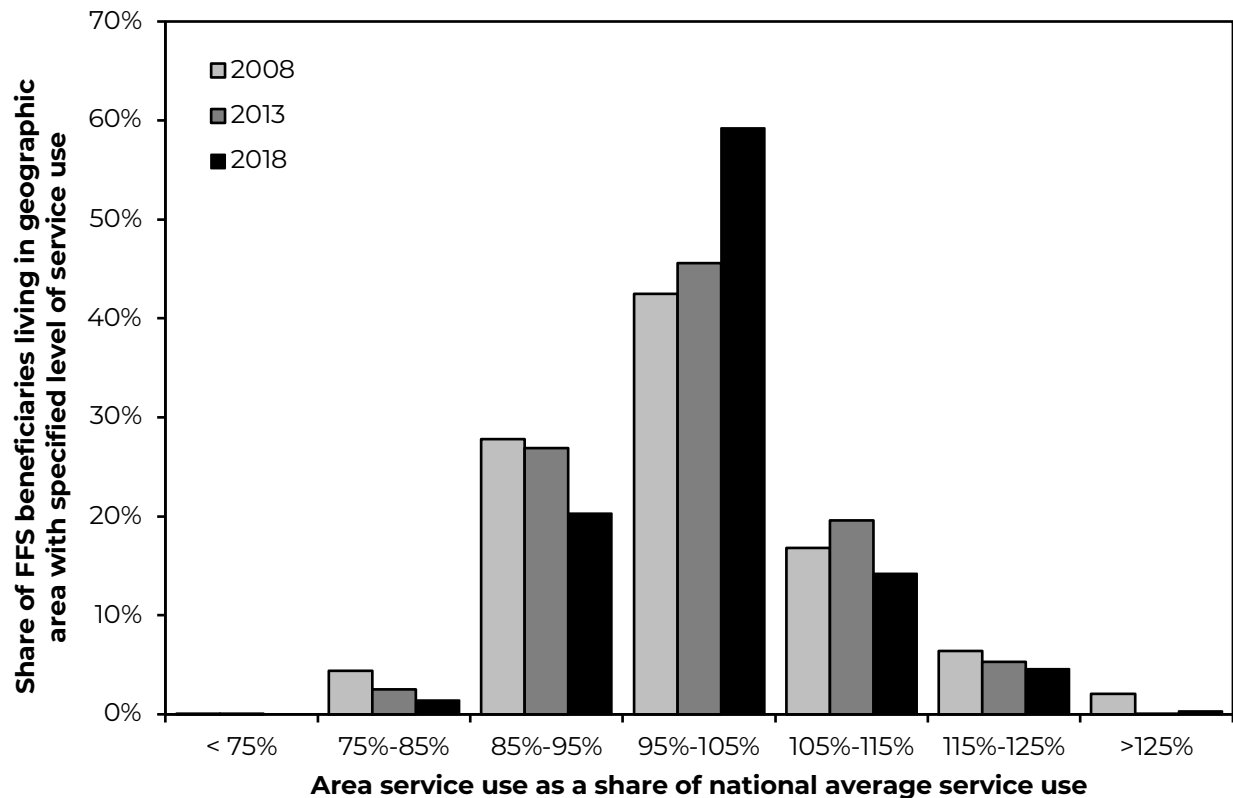


Note: FFS (fee-for-service). Analysis excludes those who are not in FFS Medicare and those living in institutions such as nursing homes. "Out-of-pocket" spending includes Medicare cost sharing and noncovered services, but not supplemental premiums. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of the Medicare Current Beneficiary Survey, Cost Supplement file, 2019.

- Total spending on health care services varied dramatically among FFS beneficiaries living in the community in 2019. Per capita spending for the 10 percent of beneficiaries with the highest total spending averaged nearly \$81,000. Per capita spending for the 10 percent of beneficiaries with the lowest total spending averaged \$305.
- Among FFS beneficiaries living in the community, Medicare paid a larger share and beneficiaries' out-of-pocket spending was a smaller share as total spending increased. For example, Medicare paid 66 percent of total spending for all beneficiaries, but paid 74 percent of total spending for the 10 percent of beneficiaries with the highest total spending (data not shown). Among all FFS beneficiaries living in the community, out-of-pocket spending amounted to 14 percent of total spending, but only 8 percent of total spending for the 10 percent of beneficiaries with the highest total spending (data not shown).

Chart 3-6. Geographic variation in use of services decreased among FFS Medicare beneficiaries, 2008–2018



Note: FFS (fee-for-service). “Service use” is per capita monthly Part A and Part B service use among FFS beneficiaries in each geographic area. We defined geographic areas as metropolitan statistical areas within each state for urban counties and rest-of-state nonmetropolitan areas for nonurban counties.

Source: MedPAC analysis of 2008, 2013, and 2018 beneficiary-level spending from the Medicare Beneficiary Summary Files and Medicare inpatient claims.

- FFS beneficiaries’ use of Medicare-covered services varies by geographic area, but that variation decreased from 2008 to 2018. The share of FFS beneficiaries living in geographic areas that had service use within 5 percent of the national average (95 percent to 105 percent) increased from 43 percent in 2008 to 59 percent in 2018. Also, the share of FFS beneficiaries living in geographic areas that had service use that was more than 25 percent higher than the national average (>125 percent) decreased from 2 percent in 2008 to almost 0 percent in 2018.
- The service sector that had the largest decrease in variation from 2008 to 2018 was post-acute care, especially home health care (data not shown). From 2008 to 2018, the variation in use of home health services across geographic areas declined by 24 percent.