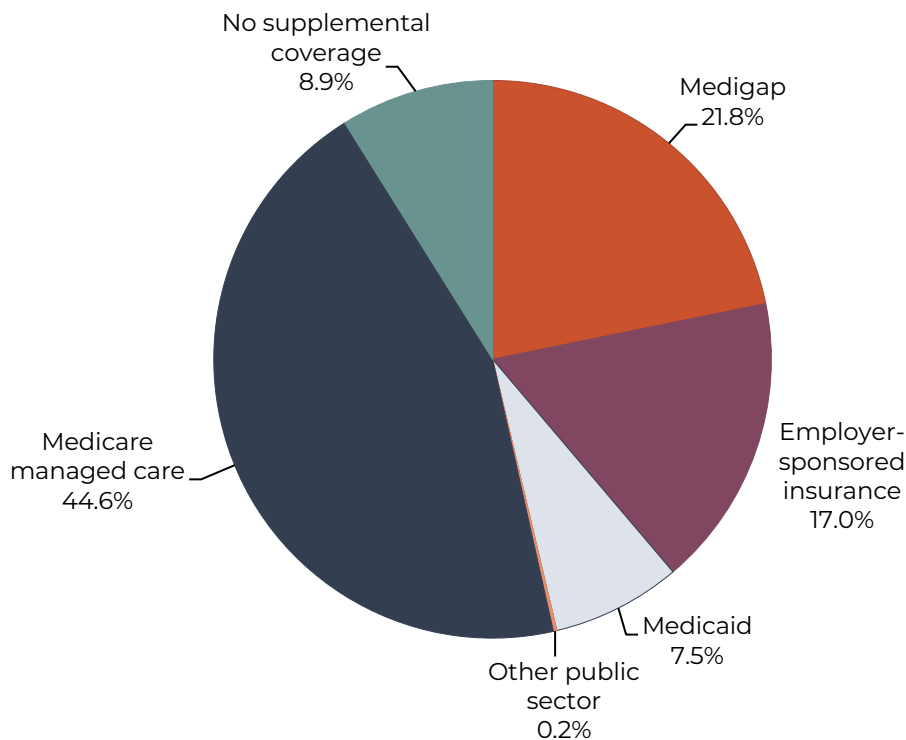


SECTION

3

Medicare beneficiary and other payer financial liability

Chart 3-1 Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, 2020



Note: We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2020. They could have had coverage in other categories during 2020. “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 Part A and Part B throughout their Medicare enrollment in 2020 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 2020.

- > Most beneficiaries living in the community (the noninstitutionalized) have coverage that supplements or replaces the Medicare benefit package. In 2020, 91 percent of beneficiaries had supplemental coverage or participated in Medicare managed care.
- > About 39 percent of beneficiaries had private sector supplemental coverage such as Medigap (about 22 percent) or employer-sponsored retiree coverage (about 17 percent).
- > About 8 percent of beneficiaries had public sector supplemental coverage, primarily Medicaid.
- > Forty-five 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, 2020

	Number of beneficiaries (thousands)	Employer-sponsored insurance	Medigap insurance	Medicaid	Medicare managed care	Other public sector	Medicare only
All beneficiaries	51,610	17%	22%	8%	45%	0%	9%
Age							
<65	6,639	7	3	29	45	1	15
65–69	11,549	16	25	5	45	0	9
70–74	12,941	18	24	3	46	0	9
75–79	9,211	20	26	4	43	0	7
80–84	5,755	21	24	4	43	0	7
85+	5,515	21	23	5	44	0	7
Income-to-poverty ratio							
≤1.00	7,656	3	6	33	52	0	7
1.00 to 1.25	3,659	4	11	17	55	0	12
1.25 to 1.50	3,681	8	15	9	53	0	14
1.50 to 2.00	6,169	12	20	4	51	0	13
>2.00	30,445	24	28	0	39	0	8
Eligibility status							
Aged	44,722	19	24	4	45	0	8
Disabled	6,475	7	3	29	46	0	15
ESRD	414	12	19	28	21	6	15
Residence							
Urban	42,260	17	20	7	47	0	8
Rural	9,350	17	28	10	33	0	12
Sex							
Male	23,079	18	21	7	44	0	10
Female	28,531	16	22	8	45	0	8
Health status							
Excellent/very good	25,339	19	26	3	43	0	8
Good/fair	23,356	16	18	10	46	0	9
Poor	2,6867	8	14	22	35	0	11

Note: ESRD (end-stage renal disease). We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2020. They could have had coverage in other categories during 2020. “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 defined by the Office of Management and Budget. “Rural” indicates beneficiaries living outside MSAs. Analysis excludes beneficiaries living in institutions such as nursing homes. Analysis also excludes beneficiaries who were not in Part A and Part B throughout their Medicare enrollment in 2020 or who had Medicare as a secondary payer. Within each supplemental coverage category, 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 2020.

- > 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 better than poor health.
- > Medigap is most common among those who are age 65 or older, have income higher than 1.50 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 1.25 times the poverty level, are eligible because of disability or ESRD, are rural dwelling, and report poor health.
- > Lack of supplemental coverage (Medicare coverage only) is most common among beneficiaries who are under age 65, have income between 1.00 and 2.00 times the poverty level, are eligible because of disability or ESRD, are rural dwelling, and report poor health.

Chart 3-3 Covered benefits and enrollment in standardized Medigap plans, 2021

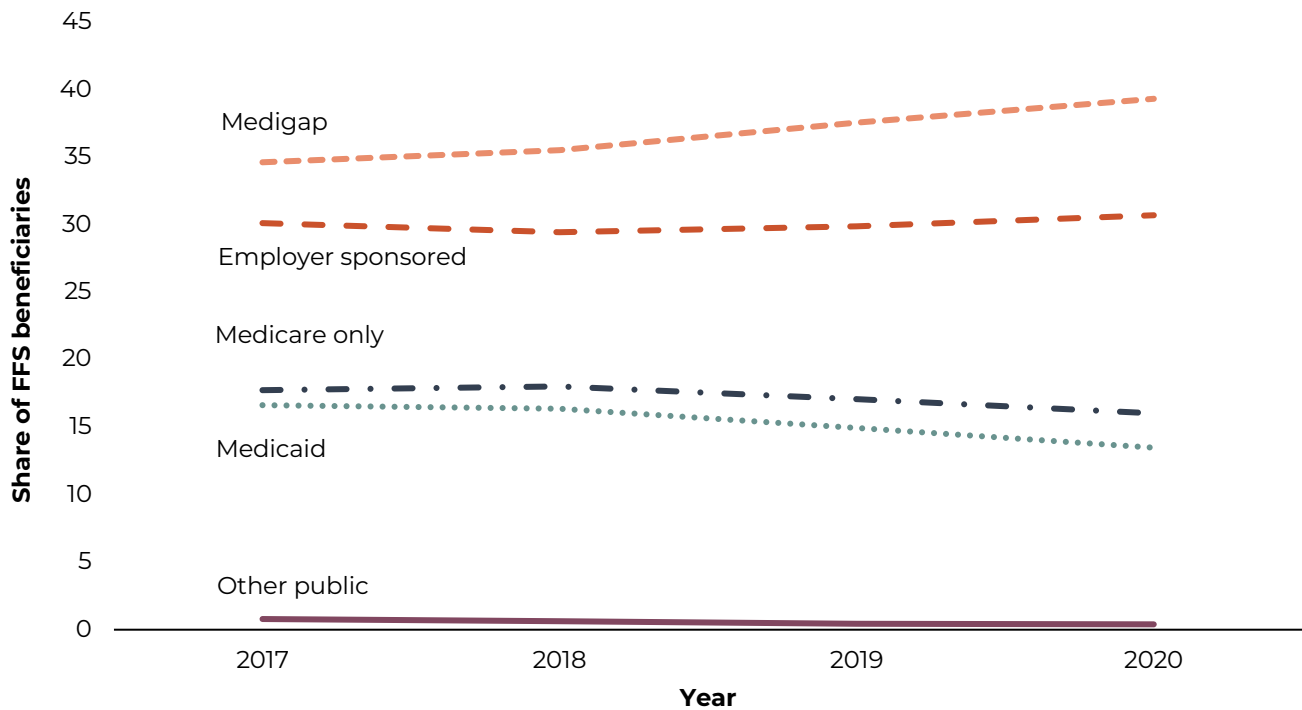
Benefit	Medigap standardized plan type										
	A	B	C*	D	F*	F	G	K	L	M	N
Part A hospital costs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Part B cost sharing	✓	✓	✓	✓	✓	✓	✓	50%	75%	✓	\$20/ \$50
Blood (first 3 pints)	✓	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Hospice cost sharing	✓	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
SNF coinsurance			✓	✓	✓	✓	✓	50%	75%	✓	✓
Part A deductible		✓	✓	✓	✓	✓	✓	50%	75%	50%	✓
Part B deductible			✓		✓	✓					
Part B excess charges					✓	✓	✓				
Foreign travel emergency			✓	✓	✓	✓	✓			✓	✓
Lives covered (in thousands)	94	150	395	123	5,290	182	4,812	64	31	2	1,367

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 can no longer 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, 2022.

- > 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 5.3 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 2021, 13 million beneficiaries enrolled in Medigap plans (including those in Massachusetts, Minnesota, and Wisconsin). Chart 3-2 indicates that about 11 million beneficiaries had Medigap coverage (22 percent of the 51.6 million beneficiaries included in that chart). The difference in Medigap enrollment between Chart 3-2 and Chart 3-3 is due to a difference in populations evaluated (Chart 3-2 excludes institutionalized beneficiaries, while Chart 3-3 includes them) and different years evaluated (Chart 3-2 is based on 2020 while Chart 3-3 is based on 2021).

Chart 3-4 The share of FFS beneficiaries who had Medigap coverage increased while the share who had Medicaid or no supplemental coverage decreased, 2017–2020



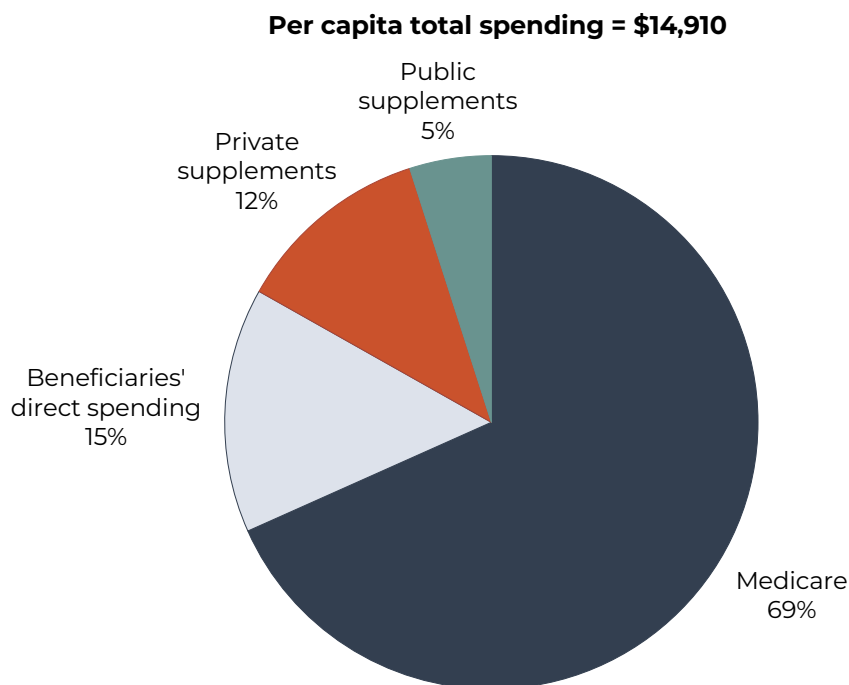
Note: FFS (fee-for-service). We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2020. They could have had coverage in other categories during 2020. “Other public” includes federal and state programs not included in other categories. This analysis includes only FFS beneficiaries not living in institutions such as nursing homes. It excludes beneficiaries who were not in Part A and Part B throughout their Medicare enrollment in 2020 or who had Medicare as a secondary payer. It also excludes beneficiaries in Medicare Advantage. 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 2020.

> From 2017 to 2020, the share of FFS beneficiaries who had Medigap supplement coverage rose from 35 percent to 39 percent. Over the same period, the share who had Medicaid coverage decreased from 17 percent to 13 percent, and the share who had no supplemental coverage dropped from 18 percent to 16 percent.

> These trends in FFS supplemental coverage could be due in part to beneficiaries with Medicaid coverage or no supplemental coverage opting to enroll in Medicare Advantage over FFS Medicare, while those who have Medigap coverage might choose to stay in FFS Medicare.

Chart 3-5 Total spending on health care services for noninstitutionalized FFS Medicare beneficiaries, by source of payment, 2020

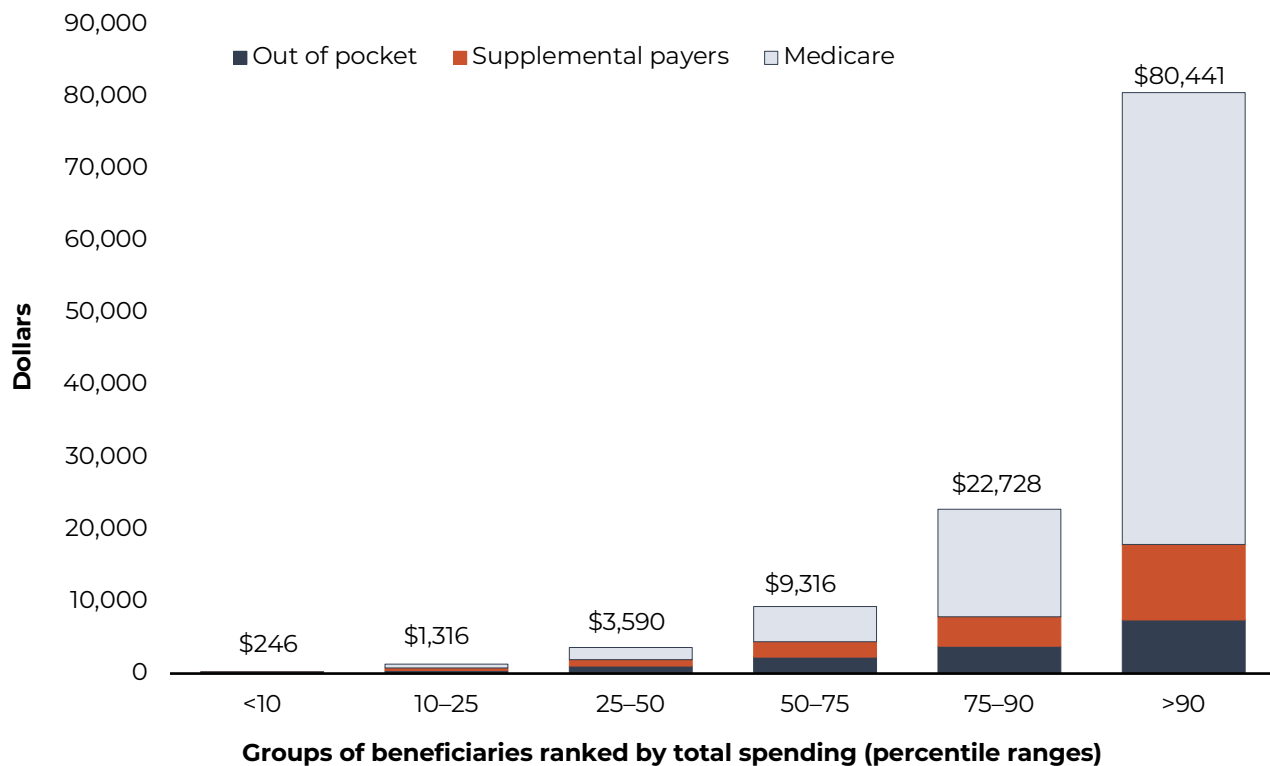


Note: FFS (fee-for-service). “Private supplements” includes employer-sponsored plans and individually purchased coverage. “Public supplements” includes Medicaid, Department of Veterans Affairs, and other public coverage. “Beneficiaries’ direct spending” includes Medicare cost sharing and spending on noncovered services, but not supplemental premiums. Analysis excludes those who are not in FFS Medicare and those 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, 2020.

- > 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 almost \$15,000 in 2020. Medicare was the largest source of payment: It paid about 69 percent of the health care costs for FFS beneficiaries living in the community, an average of \$10,210 per beneficiary.
- > Private sources of supplemental coverage—primarily employer-sponsored retiree coverage and Medigap—paid about 12 percent of beneficiaries’ costs, an average of \$1,758 per beneficiary.
- > Beneficiaries paid about 15 percent of their health care costs (not including supplemental insurance premiums) out of pocket, an average of \$2,218 per beneficiary.
- > Public sources of supplemental coverage—primarily Medicaid—paid about 5 percent of beneficiaries’ health care costs, an average of \$723 per beneficiary.
- > The aggregate per capital spending in this chart (\$14,910) was lower than the aggregate spending in 2019 (\$15,973) that we reported last year. The lower spending in 2020 reflects at least in part the lower service use that occurred during the early months of the coronavirus pandemic.

Chart 3-6 Distribution of per capita total spending on health care services among noninstitutionalized FFS beneficiaries, by source of payment, 2020



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, 2020.

> Total spending on health care services varied dramatically among FFS beneficiaries living in the community in 2020. Per capita spending for the 10 percent of beneficiaries with the highest total spending averaged \$80,441. Per capita spending for the 10 percent of beneficiaries with the lowest total spending averaged \$246.

> 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 69 percent of total spending for all beneficiaries, but paid 78 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 15 percent of total spending, but only 9 percent of total spending for the 10 percent of beneficiaries with the highest total spending (data not shown).