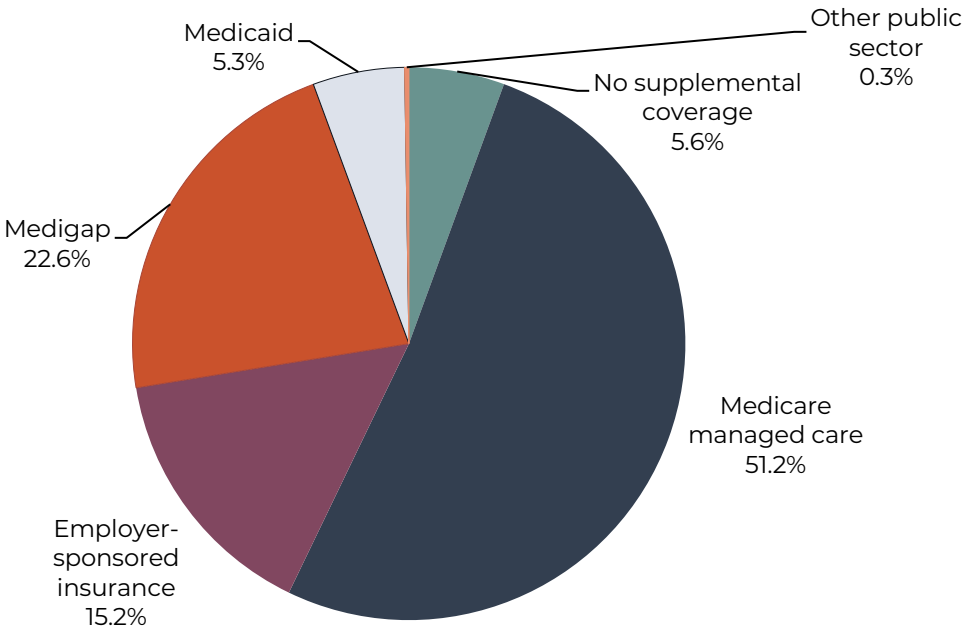
SECTION

3

Medicare beneficiary and other payer financial liability

Chart 3-1 Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, 2022



Note: We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2022. They could have had coverage in other categories during 2022. "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 2022 or who had Medicare as a secondary payer. The number of beneficiaries represented in this chart is 53.5 million. 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, 2022.

> Most beneficiaries living in the community (noninstitutionalized beneficiaries) have coverage that supplements or replaces the Medicare benefit package. In 2022, about 94 percent of beneficiaries had supplemental coverage or participated in Medicare managed care.

> About 38 percent of beneficiaries were enrolled in the Medicare fee-for-service (FFS) program and had private sector supplemental coverage such as Medigap (about 23 percent) or employer-sponsored retiree coverage (15 percent). Beneficiaries in the Medigap category either had Medigap coverage exclusively or had both Medigap and employer-sponsored coverage. Beneficiaries in the "employer-sponsored insurance" category had employer-sponsored retiree coverage as their only source of supplemental insurance.

> About 6 percent of beneficiaries were enrolled in the FFS program and had public sector supplemental coverage, primarily Medicaid.

> Fifty-one percent of beneficiaries participated in Medicare managed care, which includes Medicare Advantage, health care prepayment, and cost plans. That total includes beneficiaries who were enrolled in both Medicare managed care and Medicaid. These types of arrangements generally replace Medicare's FFS 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, 2022

	Number of beneficiaries (thousands)	Employer-sponsored insurance	Medigap insurance	Medicaid	Medicare managed care	Other public sector	Medicare only
All beneficiaries	53,491	15%	23%	5%	51%	0%	6%
Age							
<65	6,202	6	5	24	56	0	8
65–69	11,766	12	25	3	53	0	6
70–74	13,513	17	26	3	49	0	5
75–79	10,489	17	25	2	51	0	5
80–84	6,203	19	23	3	50	0	4
85+	5,318	20	23	4	48	0	5
Income-to-poverty ratio							
≤1.00	7,184	2	5	23	66	0	5
1.00 to 1.25	3,459	4	9	15	63	0	9
1.25 to 2.00	9,638	7	18	5	61	0	8
2.00 to 4.00	15,164	17	27	1	49	0	6
>4.00	18,045	26	31	0	40	0	4
Eligibility status							
Aged	46,984	16	25	3	50	0	5
Disabled	6,021	6	4	24	57	0	8
ESRD	485	6	17	31	39	0	7
Residence							
Urban	44,225	15	22	5	53	0	5
Rural	9,246	15	25	8	42	0	10
Sex							
Male	23,710	15	23	5	49	0	6
Female	29,781	15	22	5	53	0	5
Health status							
Excellent/ very good	26,841	18	26	3	48	0	6
Good/fair	23,773	13	19	7	54	0	6
Poor	2,706	8	13	16	57	0	6

Note: ESRD (end-stage renal disease). We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2022. They could have had coverage in other categories during that year. "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 2022 or who had Medicare as a secondary payer. The number of beneficiaries in the "Age" and "Sex" groupings do not sum to the totals because of rounding. The number of beneficiaries in the "Health status" grouping is less than the total because some beneficiaries had 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, Survey File, 2022.

> 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 the most common source of supplemental coverage for beneficiaries without Medicare managed care among those who are age 65 or older, have income higher than 1.25 times the poverty level, are eligible because of age, are rural dwelling, and report better than poor 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 (i.e., Medicare coverage only) is most common among beneficiaries who are under age 65, have income between 1.00 and 4.00 times the poverty level, are eligible because of disability, and are rural dwelling.

Chart 3-3 Covered benefits and enrollment in standardized Medigap plans, 2024

	Medigap standardized plan type											
						High deductible		High deductible				
Benefit	A	B	C*	D	F*	F	G	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)	109	134	405	146	4,932	152	40	5,069	69	28	1	1,321

Note: SNF (skilled nursing facility). Three states (Massachusetts, Minnesota, and Wisconsin) have different plan types and are not included in this chart. The second column of Plan F and the first column of Plan G are high-deductible versions of those plans. 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 Plan C or Plan 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.

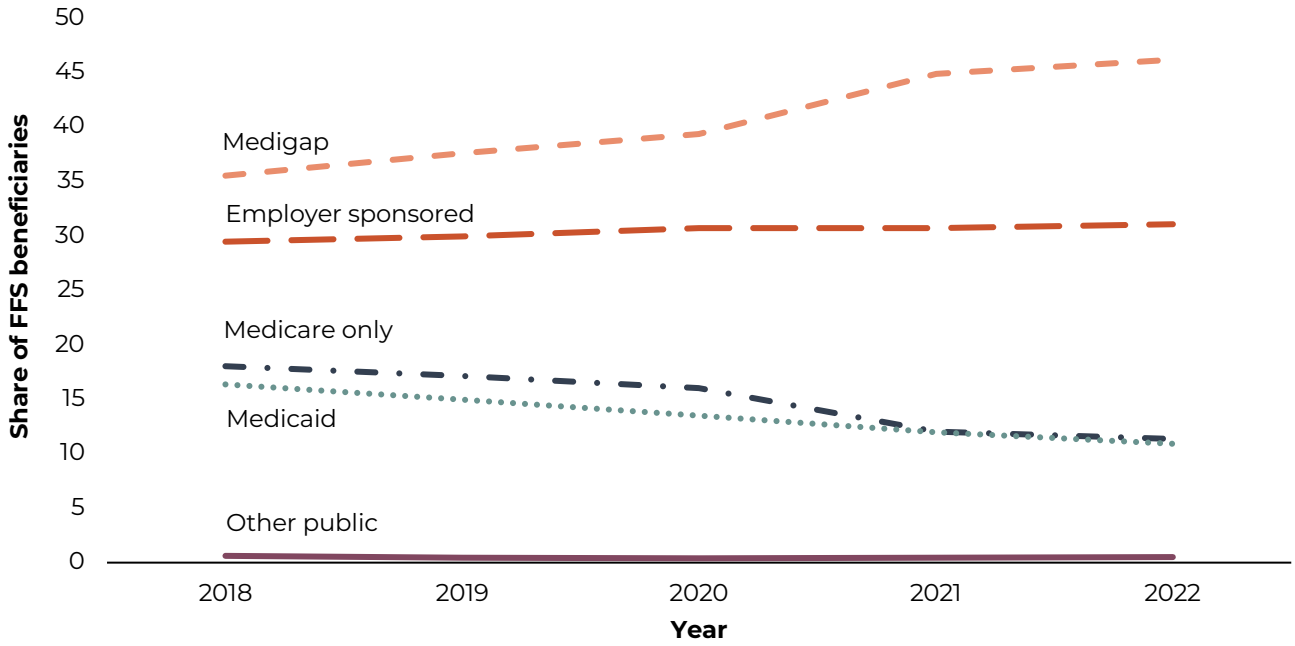
Source: MedPAC analysis of National Association of Insurance Commissioners data, 2024.

> Medicare beneficiaries often purchase Medigap plans, also known as Medicare supplementary insurance plans, to cover fee-for-service Medicare cost sharing. Statute specifies 12 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.

> The non-high-deductible version of Plan G, which covers all Medicare cost sharing except the Part B deductible, is the most popular plan, with almost 5.1 million enrollees. In previous years, Plan F had been the most popular. 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 G, K, and N plans, which do not cover the Part B deductible.

> During 2024, 12.4 million beneficiaries enrolled in Medigap plans (including those in Massachusetts, Minnesota, and Wisconsin). Chart 3-2 indicates that about 12.1 million beneficiaries had Medigap coverage (23.5 percent of the 53.5 million beneficiaries included in that chart). The variance 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 2022 data, while Chart 3-3 is based on 2024 data).

Chart 3-4 The share of FFS beneficiaries who had Medigap coverage increased, while the share who had Medicaid or had only Medicare coverage decreased, 2018–2022



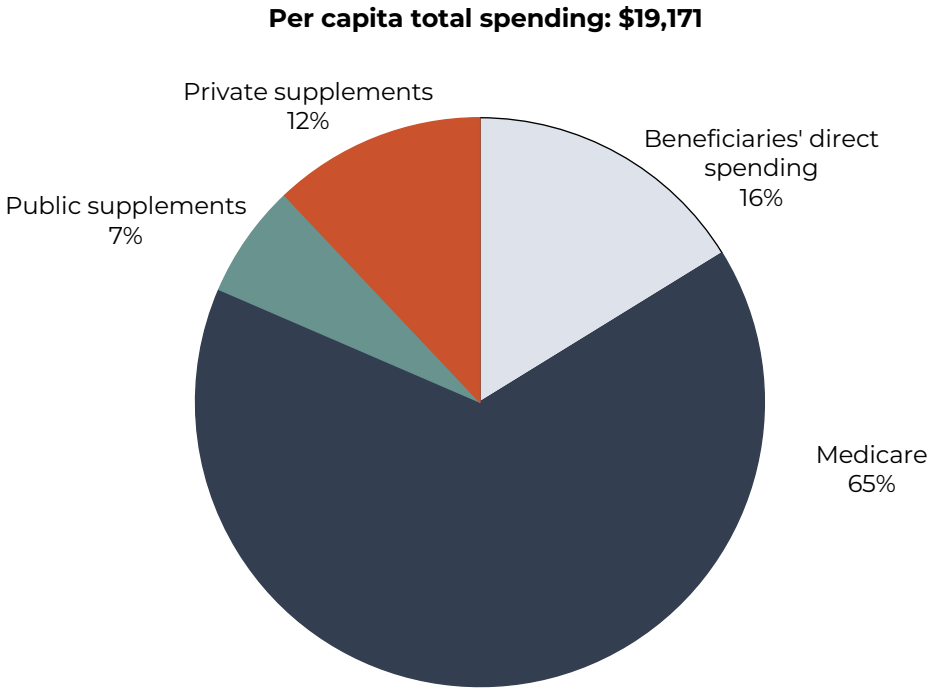
Note: FFS (fee-for-service). We assigned beneficiaries to the supplemental coverage category in which they spent the most time in 2022. They could have had coverage in other categories during that year. "Other public" includes federal and state programs not included in other categories. This analysis 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 2022 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, 2022.

> From 2018 to 2022, the share of FFS beneficiaries who had Medigap supplemental coverage rose from 36 percent to 46 percent. Over the same period, the share who had Medicaid coverage decreased from 16 percent to 11 percent, and the share who had no supplemental coverage ("Medicare only") dropped from 18 percent to 11 percent. The share with employer-sponsored supplemental coverage stayed nearly constant at around 30 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, 2022



Note: FFS (fee-for-service). "Per capita total spending" includes both health care services covered by Medicare (including hospital and physician care and prescription drugs) and services not covered by Medicare (such as dental care and over-the-counter medications). "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 beneficiaries who are not in FFS Medicare and those living in institutions such as nursing homes. The percentages do not sum to 100 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, Cost Supplement File, 2022.

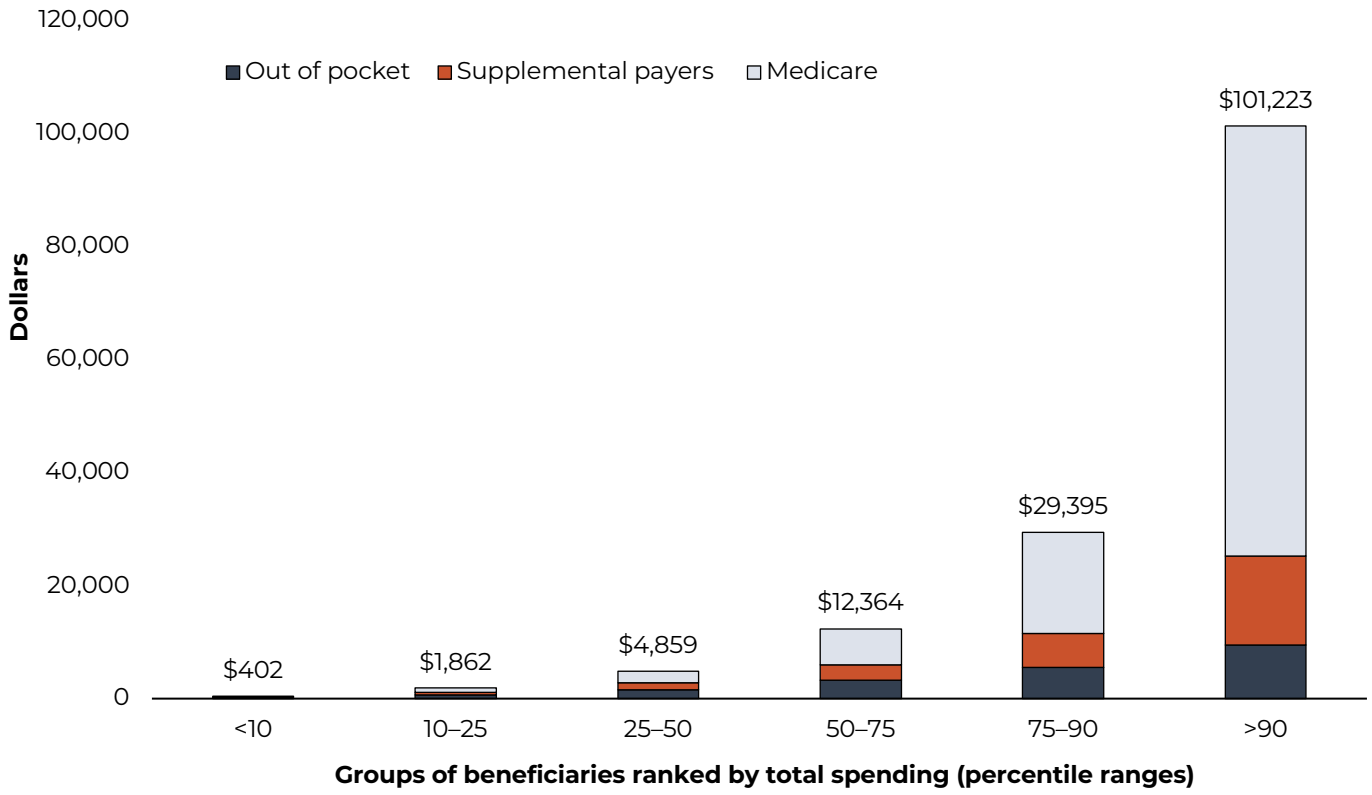
> Among FFS beneficiaries living in the community (rather than in an institution), the total cost of health care services (beneficiaries' direct spending as well as expenditures by Medicare, other public sector sources, and all private sector sources on all health care goods and services) averaged about $19,000 in 2022 . That total includes both health care services covered by Medicare (including hospital and physician care, and prescription drugs) and services not covered by Medicare (such as dental care and over-the-counter medications). Medicare was the largest source of payment: It paid 65 percent of the health care costs for FFS beneficiaries living in the community, an average of $12,513 per beneficiary.

> Private sources of supplemental coverage—primarily employer-sponsored retiree coverage and Medigap—paid about 12 percent of beneficiaries' costs, an average of $2,309 per beneficiary.

> Beneficiaries paid about 16 percent of their health care costs (not including supplemental insurance premiums) out of pocket, an average of $3,107 per beneficiary.

> Public sources of supplemental coverage—primarily Medicaid—paid less than 7 percent of beneficiaries' health care costs, an average of $1,240 per beneficiary.

Chart 3-6 Distribution of per capita total spending on health care services among noninstitutionalized FFS beneficiaries, by source of payment, 2022



Note: FFS (fee-for-service). Analysis excludes beneficiaries who are not in FFS Medicare and those living in institutions such as nursing homes. "Out-of-pocket" spending includes cost sharing for Medicare-covered services and spending on noncovered services but not premium payments for supplemental coverage. "Supplemental payers" spending includes both public and private forms of supplemental coverage spending such as employer-sponsored plans, individually purchased coverage, Medicaid, Department of Veterans Affairs, and other forms of public coverage. 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, 2022.

> Total spending on health care services varied dramatically among FFS beneficiaries living in the community in 2022. Per capita spending for the 10 percent of beneficiaries with the highest total spending averaged $101,223. Per capita spending for the 10 percent of beneficiaries with the lowest total spending averaged $402.

> 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 52 percent of total spending for beneficiaries in the 50th percentile to 75th percentile of total spending on health care services, while beneficiaries' out-of-pocket spending amounted to 27 percent of total spending for this group. Among FFS beneficiaries in the 90th percentile of total spending on health care services, Medicare paid for 75 percent of total spending, while out-of-pocket spending amounted to only 9 percent of total spending for this group.

Chart 3-7 Medicare Part A and Part B benefits and cost sharing per FFS beneficiary, 2021

	Average benefit in 2021 (in dollars)	Average cost sharing in 2021 (in dollars)
Part A	$5,207	$396
Part B	6,757	1,621

Note: FFS (fee-for-service). "Average benefit" represents amounts paid for covered services per FFS beneficiary and excludes administrative expenses. "Average cost sharing" represents the sum of deductibles, coinsurance, and balance billing paid for covered services per FFS beneficiary and excludes premiums.

Source: CMS, "Medicare Part A and Part B Summary Utilization, Program Payments, and Cost Sharing for All Original Medicare Beneficiaries, by Type of Coverage and Type of Service, Calendar Years 2016–2021," https://data.cms.gov/summary-statistics-on-use-and-payments/medicare-service-type-reports/cms-program-statistics-medicare-part-a-part-b-all-types-of-service.

> In 2021, the Medicare program paid $5,207 for Part A benefits and $6,757 for Part B benefits, on average, per FFS beneficiary.

> In 2021, FFS beneficiaries owed an average of $396 in cost sharing for Part A services (such as hospital fees) and $1,621 in cost sharing for Part B services (such as clinician services provided in any setting, including in hospitals). ("Cost sharing" in this chart does not include premiums.)

> To help cover cost-sharing obligations, 94 percent of noninstitutionalized beneficiaries had coverage that supplemented or replaced the Medicare benefit package in 2021, such as Medicare Advantage, Medigap coverage, supplemental coverage through a former employer, or Medicaid (data not shown; see Chart 3-1).

> The results in this chart are based on all Medicare FFS beneficiaries, while the results in Chart 3-5 and Chart 3-6 exclude the FFS Medicare beneficiaries who were living in institutions. Also, this chart includes only Medicare-covered services; Chart 3-5 and Chart 3-6 include both Medicare-covered services and services not covered under FFS Medicare.