

Medicare Advantage enrollment outpaces —and nearly overcomes— traditional Medicare

February 9 2023



Credit: Pixabay/CC0 Public Domain

Despite a dramatic increase in the size of the Medicare-eligible population due to an aging society, enrollment in traditional Medicare

declined by almost 3% since 2006. This was the result of a significant increase in the share of beneficiaries enrolling in Medicare Advantage plans, according to a new USC Schaeffer study published this week in the February 2023 issue of [Health Affairs](#).

Medicare Advantage (MA) allows enrollees to get their health and prescription coverage through plans administered by private insurance companies as an alternative to traditional Medicare.

"Private plan predecessors of MA were originally set up as a sort of experiment and, for a number of years, participation in these programs grew very slowly," says Paul Ginsburg, senior fellow at the USC Schaeffer Center and a co-author of the study. "In the last decade, the program has grown considerably, which has real implications for how we pay for it." Ginsburg is a professor of practice at the USC Price School of Public Policy.

Urban and rural areas see increased Medicare Advantage participation

The research team analyzed Medicare enrollment data from 2006 to 2022. Over this time, MA enrollment increased by 337% (22.2 million beneficiaries). This change was so rapid, that while the total number of Medicare beneficiaries grew from 41.8 million in 2006 to 63 million in 2022, enrollment in traditional Medicare actually declined by 1 million (-2.9%).

All told, in 2022 MA penetration reached 49.9% nationally, and 24% of Medicare beneficiaries with Parts A and B lived in a county with adjusted MA penetration equal to or exceeding 60%.

The authors point out that this trend is not confined to [urban areas](#): 31%

of rural counties had MA penetration of 45% or greater in 2022.

"Medicare beneficiaries are reforming the program with their feet," says Erin Trish, co-director of the Schaeffer Center and associate professor at the USC Mann School of Pharmacy and Pharmaceutical Sciences.

"Across the country, they are consistently choosing MA plans over traditional Medicare."

While beneficiaries are reforming Medicare through their choice of plan, MA payment policy hasn't kept up

This has important policy implications. MA payment policy was designed in an era when the bulk of enrollees were in traditional Medicare. The way plans are paid is a complicated formula, but the base of it is set by the average cost per beneficiary in traditional Medicare in each county. However, what becomes of that policy when a diminishing minority of Medicare enrollees are in traditional Medicare?

"We know that MA plans are getting overpaid relative to the costs of providing care to comparable beneficiaries in traditional Medicare, and this has contributed to the magnitude of extra benefits offered to MA enrollees," says Ginsburg. "While this is appealing to consumers, this is increasing [federal spending](#) and accelerating the rate at which the Medicare trust fund is being exhausted."

For policymakers grappling with the issues of Medicare's financial solvency and providing coverage for an [aging population](#), this paper highlights important trends that suggest MA's market share will continue to increase. Policy discussions about paying for the program need to recognize this. The researchers previously developed a [proposal](#) to move MA payment policy away from costs in traditional Medicare to

competitive-bidding benchmarks, which is one potential [policy](#) solution.

"We can't continue to think of Medicare Advantage as an appendage of the traditional Medicare program," Ginsburg says. "We are at a point where the tail is wagging the dog."

The study's co-authors also included the USC Schaeffer Center's Samuel Valdez, Samantha Randall and Steven M. Lieberman. This work was supported by a grant from Arnold Ventures.

More information: Erin Trish et al, Substantial Growth In Medicare Advantage And Implications For Reform, *Health Affairs* (2023). [DOI: 10.1377/hlthaff.2022.00668](https://doi.org/10.1377/hlthaff.2022.00668)

Provided by University of Southern California

Citation: Medicare Advantage enrollment outpaces —and nearly overcomes— traditional Medicare (2023, February 9) retrieved 4 June 2024 from <https://medicalxpress.com/news/2023-02-medicare-advantage-enrollment-outpaces-traditional.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.