

SECTION

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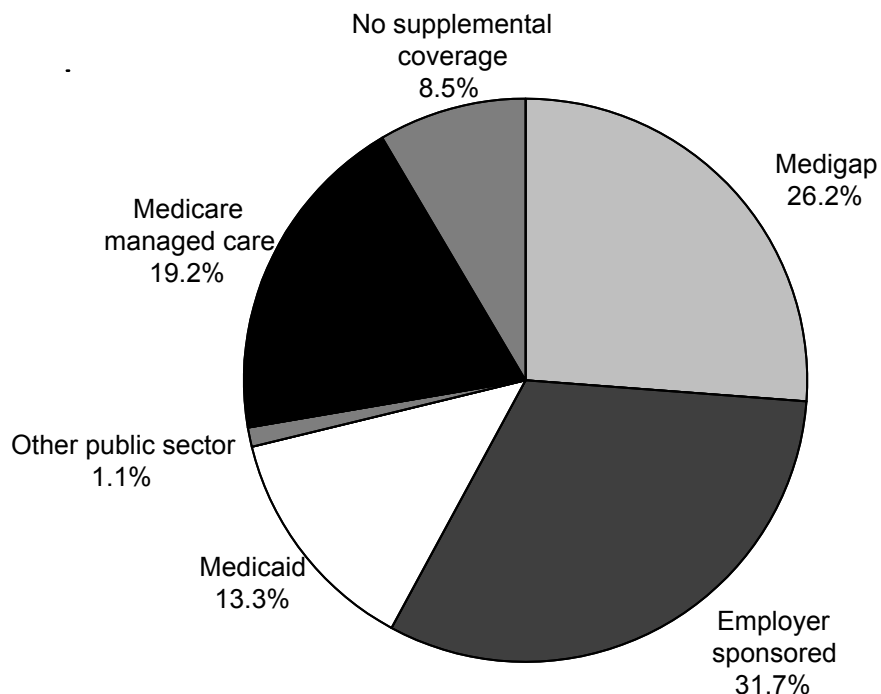
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**Medicare beneficiary and  
other payer financial liability**

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**Chart 6-1. Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, 2006**



Note: Beneficiaries are assigned to the supplemental coverage category that applied for the most time in 2006. They could have had coverage in other categories throughout 2006. Other public sector includes federal and state programs not included in other categories. 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 enrollment in 2006 or who had Medicare as a second payer.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2006.

- Most beneficiaries living in the community have coverage that supplements or replaces the Medicare benefit package. About 91 percent of beneficiaries have supplemental coverage or participate in Medicare managed care.
- About 58 percent have private-sector supplemental coverage such as medigap (about 26 percent) or employer-sponsored retiree coverage (about 32 percent).
- About 14 percent have public-sector supplemental coverage, primarily Medicaid.
- Nineteen percent participate in Medicare managed care. This includes Medicare Advantage, cost, and health care prepayment plans. These types of arrangements generally replace Medicare coverage and often add to it.
- The proportion of beneficiaries who have managed care enrollment on this diagram (about 19 percent) is much smaller than the proportion listed in Chapter 10 (23 percent). The difference is due to the fact that the results in this chart reflect 2006 data, and the results in Chapter 10 reflect 2009 data. Managed care enrollment grew substantially in the intervening years.

**Chart 6-2. Sources of supplemental coverage among noninstitutionalized Medicare beneficiaries, by beneficiaries' characteristics, 2006**

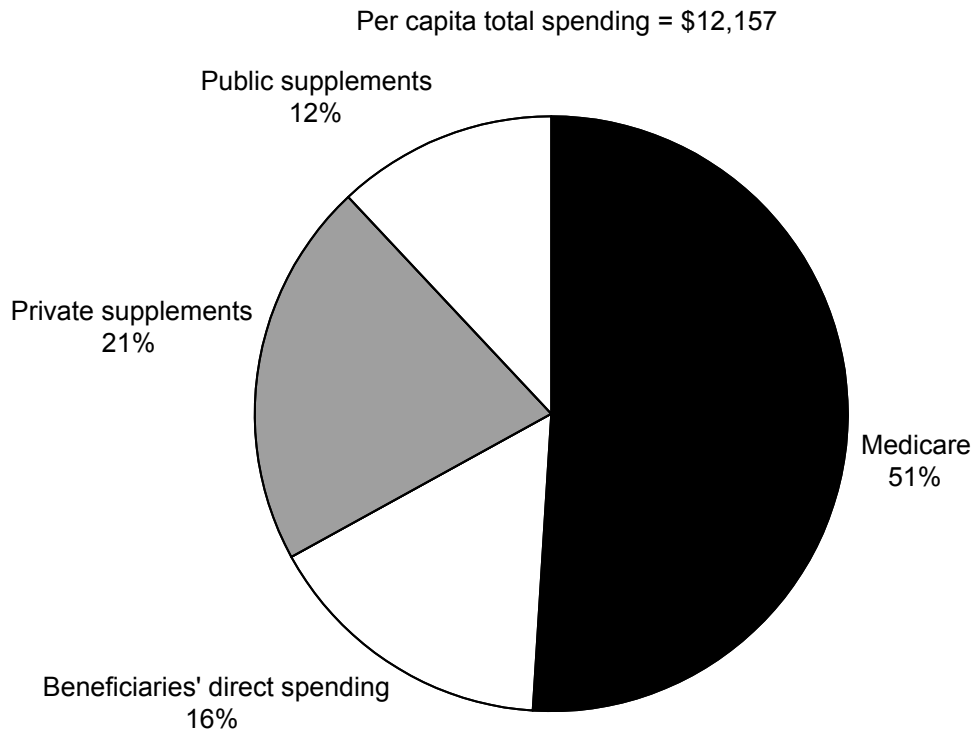
	Number of beneficiaries (thousands)	Employer-sponsored insurance	Medigap insurance	Medicaid	Medicare managed care	Other public sector	Medicare only
<b>All beneficiaries</b>	<b>37,916</b>	<b>32%</b>	<b>26%</b>	<b>13%</b>	<b>19%</b>	<b>1%</b>	<b>9%</b>
<b>Age</b>							
Under 65	5,725	20	5	41	12	1	20
65–69	8,428	38	25	8	19	1	9
70–74	7,593	33	29	9	22	1	6
75–79	6,829	32	31	8	22	1	5
80–84	5,192	33	33	7	21	1	5
85+	4,149	32	35	9	18	1	6
<b>Income status</b>							
Below poverty	6,203	11	11	49	17	1	11
100 to 125% of poverty	3,596	16	23	28	21	3	10
125 to 200% of poverty	7,636	25	27	10	22	2	14
200 to 400% of poverty	11,267	42	29	1	20	1	8
Over 400% of poverty	9,150	45	35	0	16	0	3
<b>Eligibility status</b>							
Aged	31,977	34	30	8	20	1	7
Disabled	5,505	19	5	42	13	1	21
ESRD	382	37	16	25	15	0	7
<b>Residence</b>							
Urban	28,717	32	25	12	24	1	7
Rural	9,197	32	31	17	5	1	14
<b>Sex</b>							
Male	16,774	33	24	12	19	1	11
Female	21,142	30	28	14	19	1	7
<b>Health status</b>							
Excellent/very good	15,635	35	31	6	20	1	7
Good/fair	18,925	30	24	17	19	1	9
Poor	3,128	28	13	30	13	2	14

Note: ESRD (end-stage renal disease). Beneficiaries are assigned to the supplemental coverage where they spent the most time in 2006. They could have had coverage in other categories throughout 2006. 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. In 2006, poverty was defined as \$9,669 for people living alone and \$12,186 for married couples. Urban indicates beneficiaries living in metropolitan statistical areas (MSAs). Rural indicates beneficiaries living outside MSAs. Analysis includes beneficiaries living in the community. Number of beneficiaries will differ between boldface categories because we exclude beneficiaries with missing values.

Source: MedPAC analysis of 2006 Medicare Current Beneficiary Survey, Cost and Use file.

- Beneficiaries most likely to have employer-sponsored supplemental coverage are those who are above age 64, higher income (above 200 percent of poverty), eligible due to age or end-stage renal disease (ESRD), male, and who report better than good health.
- Medigap is most common among those who are “older” aged (age 70 or older), middle or high income (above 125 percent of poverty), eligible due to age, rural dwelling, female, and who report excellent or very good health.
- Medicaid coverage is most common among those who are under 65, low income (below 125 percent of poverty), eligible due to disability or ESRD, rural dwelling, and who report poor health.
- Medicare managed care is most common among those who are age 65 or older, with income between 100 and 400 percent of poverty, eligible due to age, urban dwelling, and who report better than poor health.
- Lack of supplemental coverage (Medicare coverage only) is most common among beneficiaries who are under age 65, with income below 200 percent of poverty, eligible due to disability, rural dwelling, male, and who report poor health.

**Chart 6-3. Total spending on health care services for noninstitutionalized FFS Medicare beneficiaries, by source of payment, 2005**

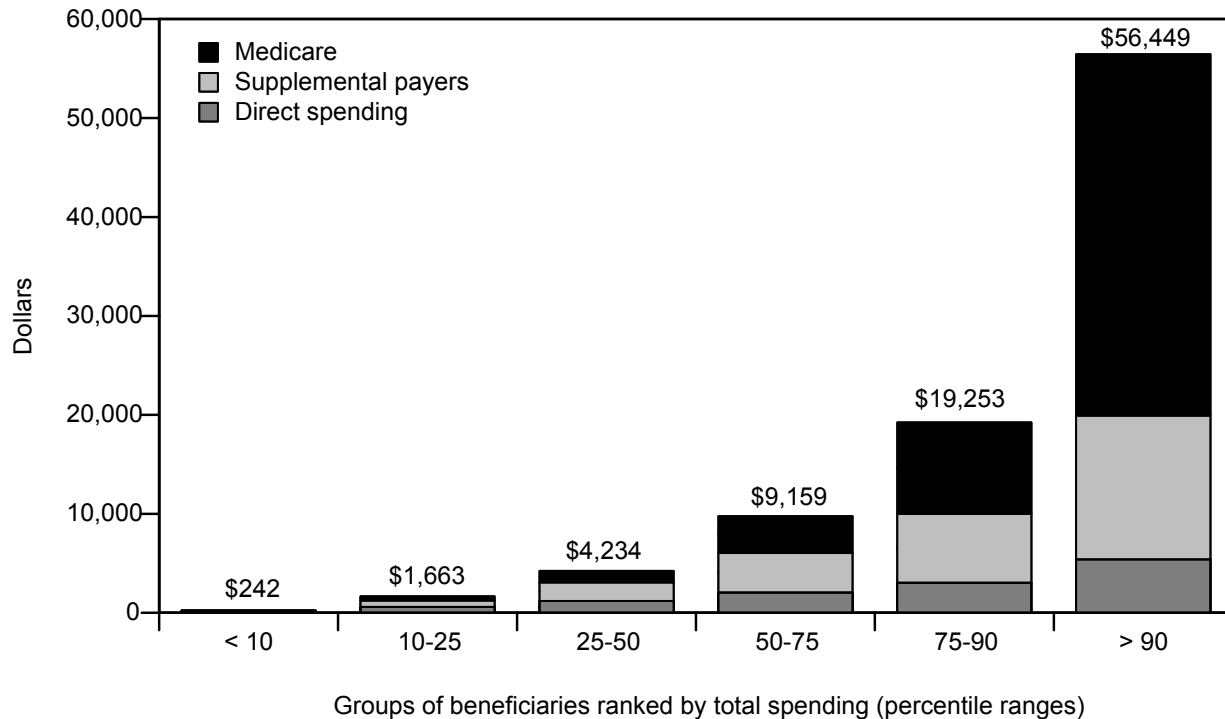


Note: FFS (fee-for-service). Private supplements include employer-sponsored plans and individually purchased coverage. Public supplements include Medicaid, Department of Veterans Affairs, and other public coverage. Direct spending is on Medicare cost sharing and noncovered services but not supplemental premiums. Analysis includes only FFS beneficiaries not living in institutions such as nursing homes.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2005.

- Among fee-for-service (FFS) beneficiaries living in the community, the total cost of health care services (defined as 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) averages \$12,157. Medicare is the largest source of payment; it pays 51 percent of the health care costs for FFS beneficiaries living in the community, or an average of \$6,180 per beneficiary.
- Private sources of supplemental coverage—primarily employer-sponsored retiree coverage and medigap—paid 21 percent of beneficiaries' costs, or an average of \$2,603 per beneficiary.
- Beneficiaries paid 16 percent of their health care costs out of pocket, or an average of \$1,910 of spending per beneficiary.
- Public sources of supplemental coverage—primarily Medicaid—paid 12 percent of beneficiaries' health care costs, or an average of \$1,463 per beneficiary.
- The effects of the prescription drug benefit established under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 are not reflected in these results or in Charts 6-4, 6-5, and 6-6.

**Chart 6-4. Per capita total spending on health care services among noninstitutionalized FFS beneficiaries, by source of payment, 2005**

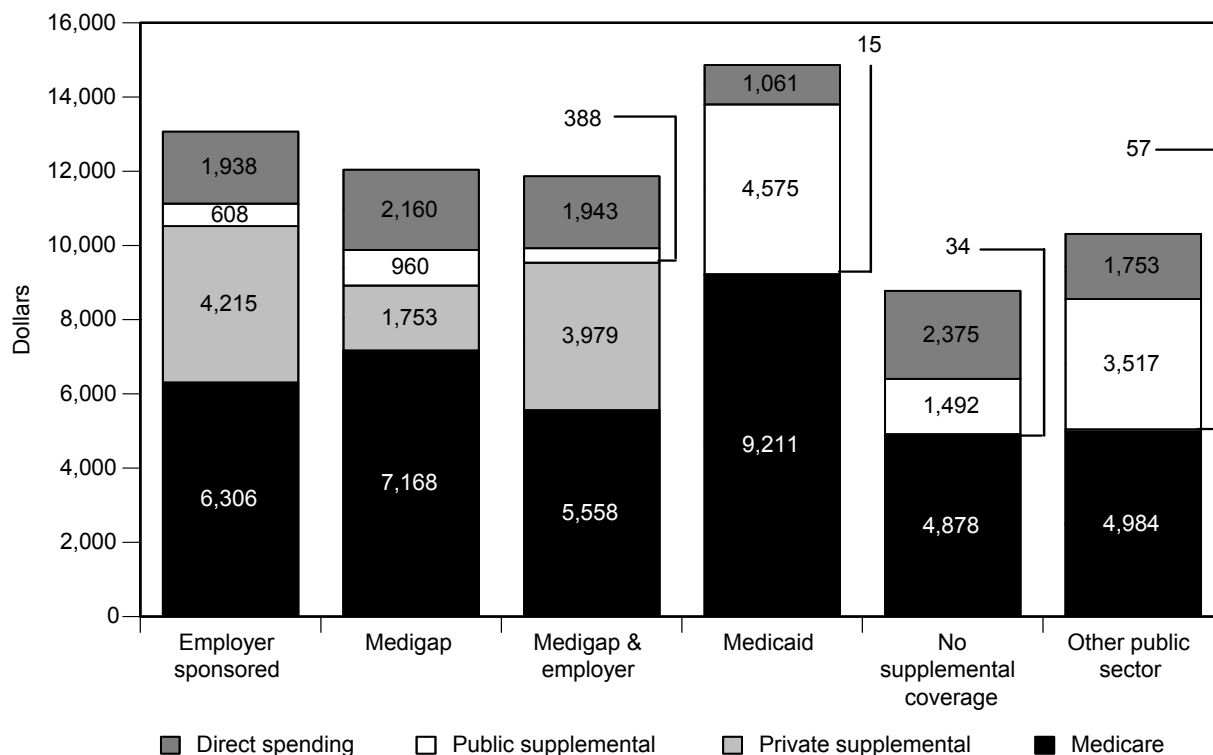


Note: FFS (fee-for-service). Analysis includes FFS beneficiaries not living in institutions such as nursing homes. Direct spending is on Medicare cost sharing and noncovered services.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2005.

- Total spending on health care services varies dramatically among fee-for-service (FFS) beneficiaries living in the community. Per capita spending for the 10 percent of beneficiaries with the highest total spending averages \$56,449. Per capita spending for the 10 percent of beneficiaries with the lowest total spending averages \$242.
- Among FFS beneficiaries living in the community, Medicare pays a larger percentage as total spending increases, and beneficiaries' direct spending is a smaller percentage as total spending increases. For example, Medicare pays 51 percent of total spending for all beneficiaries but pays 65 percent of total spending for the 10 percent of beneficiaries with the highest total spending. Beneficiaries' direct spending covers 16 percent of total spending for all beneficiaries but only 10 percent of total spending for the 10 percent of beneficiaries with the highest total spending.

**Chart 6-5. Variation in and composition of total spending among noninstitutionalized FFS beneficiaries, by type of supplemental coverage, 2005**

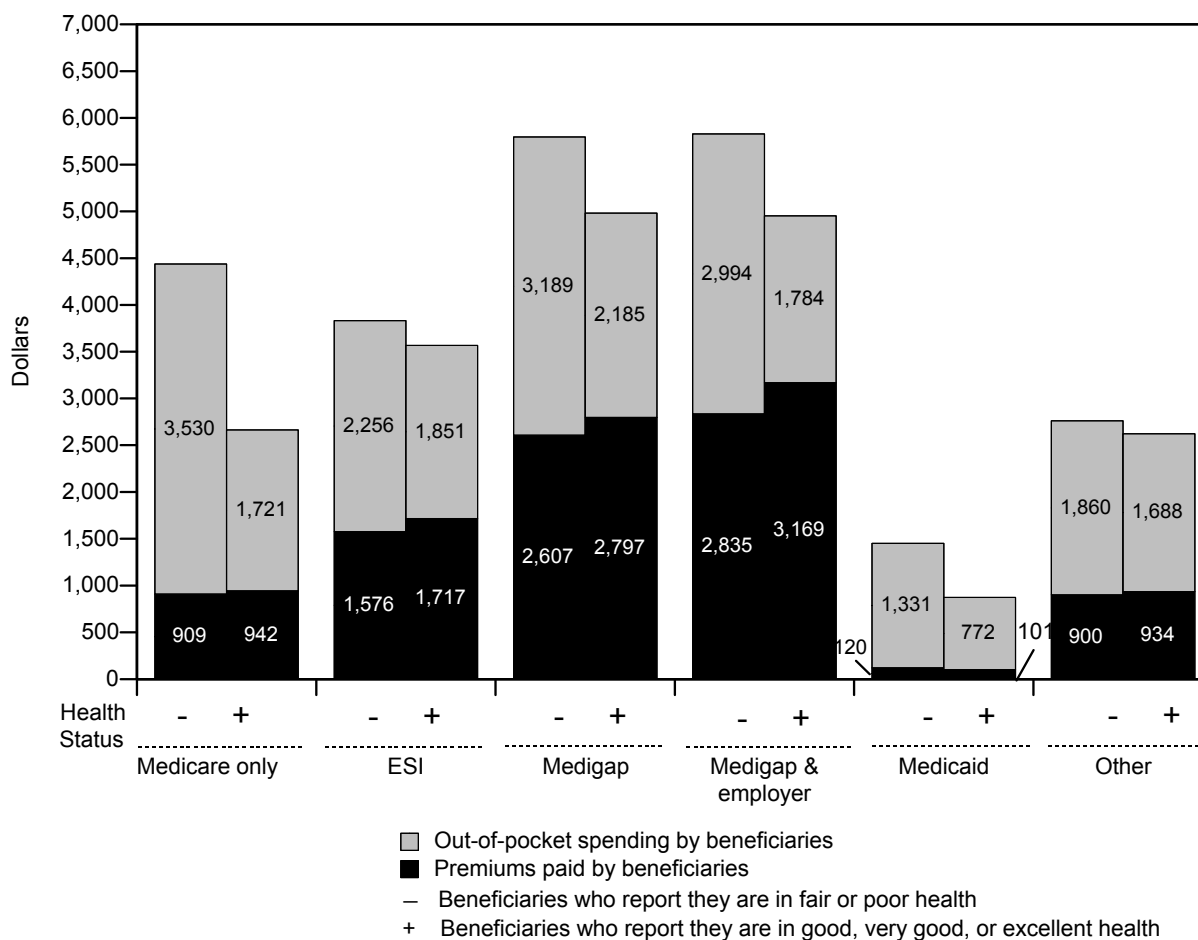


Note: FFS (fee-for-service). Beneficiaries are assigned to the supplemental coverage category that applied for the most time in 2005. They could have had coverage in other categories throughout 2005. Other public sector includes federal and state programs not included in the other categories. Private supplements include employer-sponsored plans and individually purchased coverage. Public supplements include Medicaid, Department of Veterans Affairs, and other public coverage. Analysis includes only FFS beneficiaries not living in institutions such as nursing homes. It excludes beneficiaries who were not in both Part A and Part B throughout their enrollment in 2005 or had Medicare as a second payer. Direct spending is on Medicare cost sharing and noncovered services but not supplemental premiums.

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2005.

- The level of total spending (defined as beneficiaries' out-of-pocket spending as well as expenditures by Medicare, other public-sector sources, and all private-sector sources on all health care goods and services) among fee-for-service beneficiaries living in the community varies by the type of supplemental coverage they have. Total spending is much lower for those beneficiaries with no supplemental coverage than for those beneficiaries who have supplemental coverage. Beneficiaries with Medicaid coverage have the highest level of total spending, 69 percent higher than those with no supplemental coverage.
- Medicare is the largest source of payment for beneficiaries in each supplemental insurance category, but the second largest source of payment differs. Among those with supplemental coverage, that coverage—public and private combined—is the second largest source of payment. However, among those with Medicare only, beneficiaries' direct spending is the second largest source of payment.

**Chart 6-6. Out-of-pocket spending for premiums and health services per beneficiary, by insurance and health status, 2005**



Note: ESI (employer-sponsored supplemental insurance).

Source: MedPAC analysis of Medicare Current Beneficiary Survey, Cost and Use file, 2005.

- This diagram illustrates out-of-pocket spending on services and premiums, by beneficiaries' supplemental insurance and health status. For example, beneficiaries who have only traditional Medicare coverage (Medicare only) and report fair or poor health had an average of \$909 in out-of-pocket spending on premiums and \$3,530 on services. Those who have Medicare-only coverage and report good, very good, or excellent health had an average of \$942 in out-of-pocket spending on premiums and \$1,721 on services.
- Insurance that supplements Medicare does not shield beneficiaries from all out-of-pocket costs. Beneficiaries who report being in fair or poor health spend more out of pocket for health services than those reporting good, very good, or excellent health, regardless of the type of coverage they have to supplement Medicare.
- Despite having supplemental coverage, beneficiaries who have employer-sponsored insurance (ESI) or medigap have out-of-pocket spending that is comparable to or larger than those who have only coverage under traditional Medicare (Medicare only). This likely reflects the fact that beneficiaries who have ESI or medigap have higher incomes and are likely to have stronger preferences for health care.
- What beneficiaries actually pay out of pocket varies by type of supplemental coverage. For those with medigap, out-of-pocket spending generally reflects the premiums and costs of prescription drugs and other services not covered by Medicare. Beneficiaries with ESI usually pay less out of pocket for prescription drugs than those with medigap, but may pay more in Medicare deductibles and cost sharing.

## **Web links. Medicare beneficiary and other payer financial liability**

- Chapter 1 of the MedPAC March 2009 Report to the Congress provides more information on Medicare program spending.  
[http://www.medpac.gov/chapters/Mar09\\_ch01.pdf](http://www.medpac.gov/chapters/Mar09_ch01.pdf).
- Chapter 1 of the MedPAC March 2008 Report to the Congress provides more information on Medicare program spending.  
[http://www.medpac.gov/chapters/Mar08\\_ch01.pdf](http://www.medpac.gov/chapters/Mar08_ch01.pdf)
- Chapter 1 of the MedPAC March 2007 Report to the Congress provides more information on Medicare program spending.  
[http://www.medpac.gov/chapters/Mar07\\_ch01.pdf](http://www.medpac.gov/chapters/Mar07_ch01.pdf)
- Chapter 1 of the MedPAC March 2006 Report to the Congress provides more information on Medicare program spending.  
[http://www.medpac.gov/publications/congressional\\_reports/Mar06\\_Ch01.pdf](http://www.medpac.gov/publications/congressional_reports/Mar06_Ch01.pdf)
- Chapter 1 of the MedPAC March 2005 Report to the Congress provides more information on Medicare program spending.  
[http://www.medpac.gov/publications/congressional\\_reports/Mar05\\_Ch01.pdf](http://www.medpac.gov/publications/congressional_reports/Mar05_Ch01.pdf)
- Appendix B of the MedPAC June 2004 Report to the Congress and Chapter 1 of the MedPAC June 2002 Report to the Congress provide more information on Medicare beneficiary and other payer financial liability.  
[http://www.medpac.gov/publications/congressional\\_reports/June04\\_AppB.pdf](http://www.medpac.gov/publications/congressional_reports/June04_AppB.pdf)  
[http://www.medpac.gov/publications/congressional\\_reports/Jun2\\_Ch1.pdf](http://www.medpac.gov/publications/congressional_reports/Jun2_Ch1.pdf)
- Chapter 1 of the MedPAC March 2004 Report to the Congress provides more information on beneficiary and Medicare program spending as well as information about supplemental insurance.  
[http://www.medpac.gov/publications/congressional\\_reports/Mar04\\_Ch1.pdf](http://www.medpac.gov/publications/congressional_reports/Mar04_Ch1.pdf)
- Chapter 1 of the MedPAC March 2003 Report to the Congress provides more information on beneficiary and program spending.  
[http://www.medpac.gov/publications/congressional\\_reports/Mar03\\_Ch1.pdf](http://www.medpac.gov/publications/congressional_reports/Mar03_Ch1.pdf)

