



Center for
Policy and
Research

LOW-INCOME & MINORITY BENEFICIARIES IN
MEDICARE
ADVANTAGE PLANS

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LOW-INCOME AND MINORITY BENEFICIARIES IN MEDICARE ADVANTAGE PLANS, 2004

SUMMARY

New data from the Medicare Current Beneficiary Survey (MCBS) show that Medicare Advantage plans, Medicare's private comprehensive health plans, were a vital source of coverage for low-income beneficiaries in 2004. Here are some key findings:

- Of Medicare beneficiaries living in areas with at least one Medicare Advantage plan with annual incomes between \$10,000 and \$20,000 in 2004, 25 percent chose Medicare Advantage for comprehensive benefits; 21 percent had employer-based coverage; and 19 percent had Medigap supplemental coverage. Nineteen percent of Medicare beneficiaries in this income category had no supplemental coverage.
- Of Medicare beneficiaries with incomes between \$10,000 and \$20,000 who were not enrolled in Medicaid or employer-based coverage, 40 percent chose Medicare Advantage plans. (In this report, we use the label "active choosers" to refer to beneficiaries who do not have Medicaid or employer-based coverage and who live in areas with at least one Medicare Advantage plan.)
- The two main reasons that beneficiaries cited for choosing Medicare Advantage plans in 2004 were: (1) Lower costs (cited by 34 percent), and (2) Better benefits and coverage (cited by 21 percent) than fee-for-service Medicare.
- Forty-nine percent of Medicare Advantage enrollees in 2004 had incomes less than \$20,000.
- Sixty-eight percent of all minority (non-White) beneficiaries enrolled in Medicare Advantage in 2004 had incomes below \$20,000; 70 percent of African-American and Hispanic Medicare Advantage beneficiaries had incomes below \$20,000.

The statistics in this report were calculated from the publicly available 2004 MCBS Access to Care files. We analyzed a subset of records for non-institutionalized (aged and disabled) beneficiaries; for specific calculations, we selected records of beneficiaries living in areas with at least one Medicare Advantage plan. For beneficiaries in the Medicare Advantage and Medicaid categories, June 2004 was the point in time for which beneficiary records were selected for inclusion.

MEDICARE ADVANTAGE COVERAGE BY INCOME

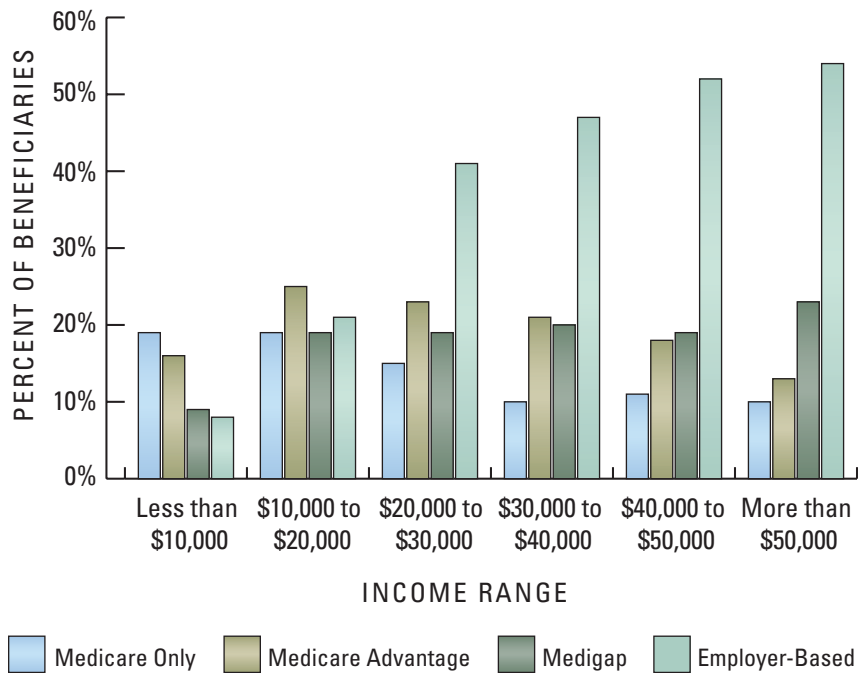
Nationwide, 13 percent of all non-institutionalized Medicare beneficiaries chose Medicare Advantage plans in 2004. However, for beneficiaries with annual incomes between \$10,000 and \$20,000, Medicare Advantage was the largest source of comprehensive coverage in areas with at least one Medicare Advantage plan (see Figure 1).

In 2004, 49 percent of Medicare Advantage enrollees had annual incomes of less than \$20,000; 33 percent had incomes between \$10,000 and \$20,000; and 16 percent had incomes below \$10,000.

Among Medicare beneficiaries with incomes between \$10,000 and \$20,000, 25 percent chose Medicare Advantage for comprehensive benefits, 21 percent had employer-based coverage, 19 percent had Medigap supplemental coverage, and 19 percent had no additional coverage (see Table 1).¹ Nineteen percent of Medicare beneficiaries in this income category had no additional coverage (see Table 1).²

By contrast, Medicare beneficiaries with higher incomes were more likely to have employer-based supplemental coverage. For example, 41 percent of beneficiaries with incomes between \$20,000 and \$30,000 had employer-based coverage. The proportion rises to 54 percent for those with incomes above \$50,000.

FIGURE 1. Private Supplemental Coverage Of Medicare Beneficiaries, By Income Level (2004)



Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)

Note: Calculations based on responses by non-institutionalized beneficiaries living in areas with at least one Medicare Advantage plan.

TABLE 1.
Income Range Of Medicare Beneficiaries Living In Areas With At Least One Medicare Advantage Plan, By Coverage Type (2004)

	All Income Ranges	Less than \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	More than \$50,000
MEDICARE ADVANTAGE	20%	16%	25%	23%	21%	18%	13%
MEDICAID	12%	44%	13%	1%	1%	**	**
EMPLOYER-BASED	33%	8%	21%	41%	47%	52%	54%
MEDIGAP	18%	9%	19%	19%	20%	19%	23%
OTHER PUBLIC	1%	2%	3%	1%	**	0%	**
MEDICARE ONLY	16%	20%	19%	15%	10%	11%	10%
TOTAL	100%	100%	100%	100%	100%	100%	100%

Source: Medicare Current Beneficiary Survey Access to Care files, 2004 (CMS).

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries living in areas with at least one Medicare Advantage plan.

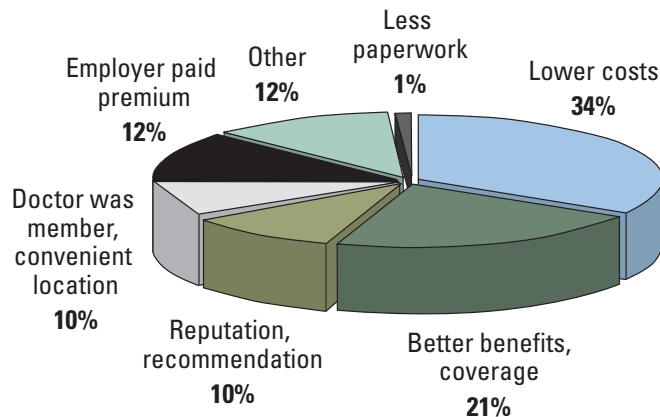
** Less than 1 percent

The percentages in this table may not sum to 100 due to rounding.

REASONS FOR CHOOSING MEDICARE ADVANTAGE COVERAGE

Most Medicare beneficiaries choosing Medicare Advantage coverage cited lower costs (34 percent) and better benefits and coverage (21 percent) than Medicare alone. Other reasons included: good recommendation and/or good reputation; having a doctor who participated in the plan; convenient location; having the Medicare Advantage premium paid by one’s employer; and having less paperwork than Medicare fee-for-service (see Figure 2). The reasons cited for choosing Medicare Advantage coverage were very similar to those cited in an earlier analysis performed by CMS based on the 2000 Medicare Current Beneficiary Survey.³

FIGURE 2.
Beneficiaries’ Reasons For Choosing Medicare Advantage (2004)



Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries.

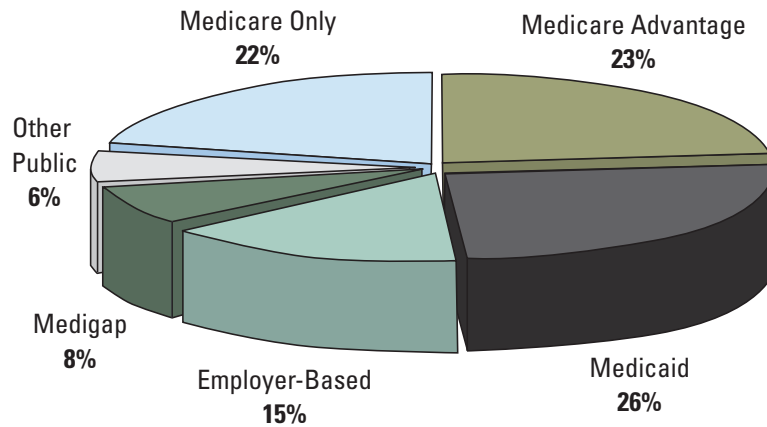
MINORITY BENEFICIARIES

Twenty-three percent of minority (non-White) Medicare beneficiaries with incomes between \$10,000 and \$20,000 were enrolled in Medicare Advantage plans in areas where at least one Medicare Advantage plan was offered. Twenty-six percent were enrolled in Medicaid, and smaller percentages had employer-based supplemental coverage (15 percent) and Medigap coverage (8 percent).⁴ Twenty-two percent of non-White Medicare beneficiaries in this income range had no supplemental coverage (see Figure 3).

Low-income minority beneficiaries are most likely to choose Medicare Advantage plans (see Figure 4).

- Among African-American beneficiaries enrolled in Medicare Advantage, 70 percent had incomes below \$20,000. Thirty-five percent of African-American Medicare Advantage enrollees had incomes between \$10,000 and \$20,000, and 35 percent had incomes under \$10,000.
- Among Asian beneficiaries enrolled in Medicare Advantage, 64 percent had incomes below \$20,000. Thirty-six percent of Asian Medicare Advantage enrollees had incomes between \$10,000 and \$20,000, and 28 percent had incomes under \$10,000.
- Among Hispanic beneficiaries enrolled in Medicare Advantage, 70 percent had incomes below \$20,000. Thirty-three percent of Hispanic Medicare Advantage enrollees had incomes between \$10,000 and \$20,000, and 37 percent had incomes under \$10,000.
- Among beneficiaries classified as other races enrolled in Medicare Advantage, 55 percent had incomes below \$20,000. Forty-four percent of Medicare Advantage enrollees classified as other races had incomes between \$10,000 and \$20,000, and 11 percent had incomes under \$10,000.
- Among White beneficiaries enrolled in Medicare Advantage, 45 percent had incomes below \$20,000. Thirty-three percent of White Medicare Advantage enrollees had incomes between \$10,000 and \$20,000, and 12 percent had incomes under \$10,000.

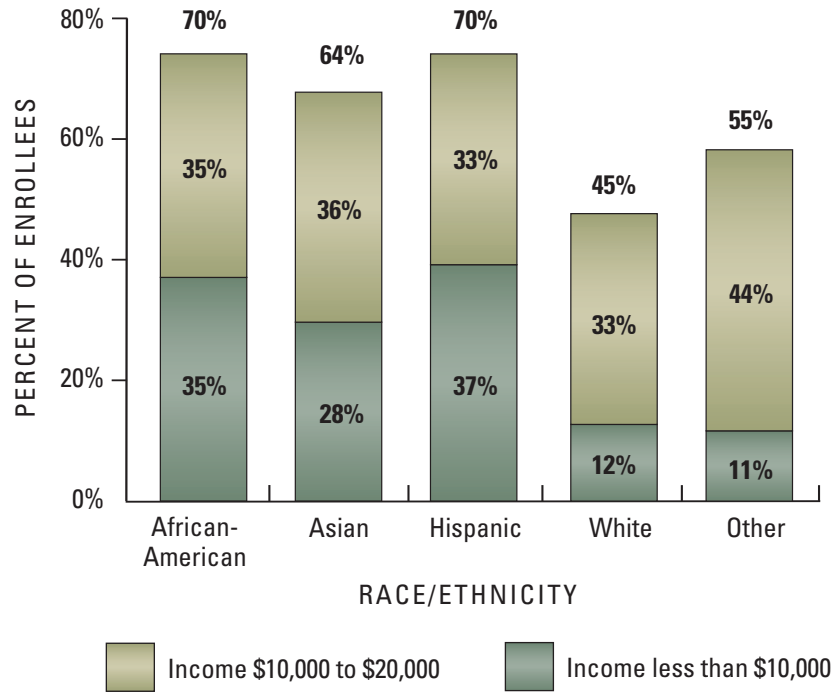
FIGURE 3.
Non-White Medicare Enrollees With Incomes Of \$10,000 To \$20,000,
By Coverage Type (2004)



Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries living in areas with at least one Medicare Advantage plan.

FIGURE 4.
 Medicare Advantage Enrollees With Annual Incomes Less Than \$20,000,
 By Race/Ethnicity (2004)



Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)

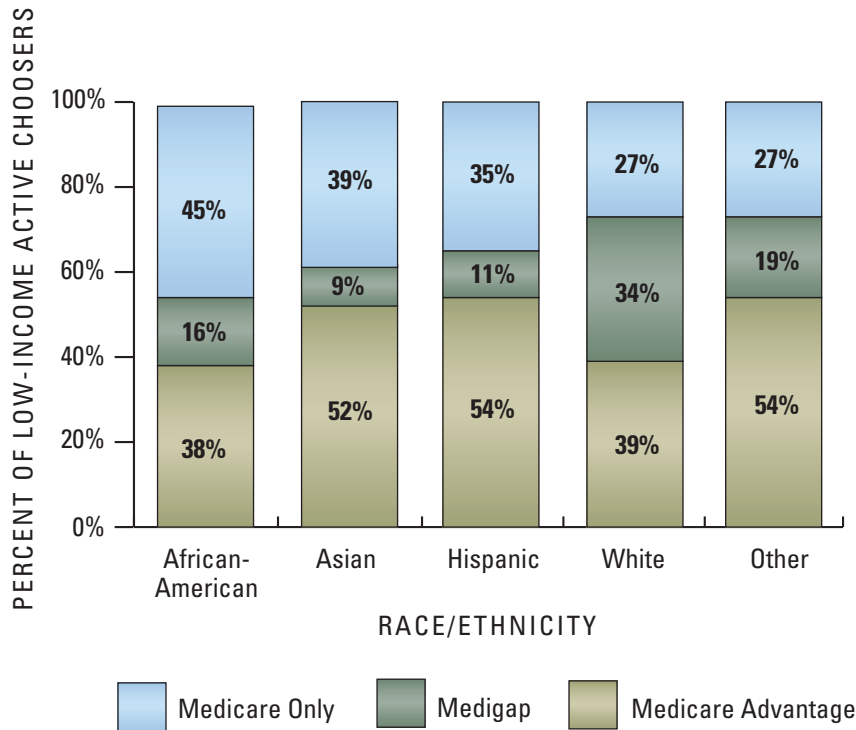
Note: Calculations based on responses by non-institutionalized Medicare beneficiaries living in areas with at least one Medicare Advantage plan.

“ACTIVE CHOOSER” MEDICARE BENEFICIARIES

Medicare beneficiaries who were living in areas with at least one Medicare Advantage plan and who did not have employer-based or Medicaid coverage in 2004 can be described as “active choosers.” These beneficiaries could choose either Medicare Advantage or a Medigap supplemental policy for their coverage, or they could choose Medicare alone. Of low-income active choosers with incomes between \$10,000 and \$20,000, 40 percent were enrolled in Medicare Advantage plans, 30 percent purchased Medigap policies, and 30 percent were covered by Medicare alone.

The number of active choosers who select Medicare Advantage plans differs among White and minority beneficiaries. Among African-American low-income active choosers, 38 percent were enrolled in Medicare Advantage plans, 16 percent purchased Medigap policies, and 45 percent were covered by Medicare alone. Fifty-four percent of Hispanic low-income active choosers were enrolled in Medicare Advantage plans; 11 percent purchased Medigap policies; and 35 percent were covered by Medicare alone. Among White low-income active choosers, 39 percent were enrolled in Medicare Advantage plans, 34 percent purchased Medigap policies, and 27 percent were covered by Medicare alone (see Figure 5).

FIGURE 5.
Coverage Type Of Low-Income (\$10,000 To \$20,000) Medicare Beneficiaries, Active Choosers, By Race/Ethnicity (2004)



Source: Medicare Current Beneficiary Survey Access to Care files, 2004. (CMS)

Note: Calculations based on responses by non-institutionalized Medicare beneficiaries living in areas with at least one Medicare Advantage plan.

ADDITIONAL INFORMATION

This overview is based on a report by Karen Heath, Policy Analyst. The full report, including all tables and a description of methodology, is available at www.ahipresearch.org. The data cited in the report and overview provide an update to AHIP's 2005 publication, *Low-Income and Minority Beneficiaries in Medicare Advantage Plans, 2002*, authored by Teresa Chovan, Director, and Jeff Lemieux, Senior Vice President, of AHIP's Center for Policy and Research.

¹ Persons with both employer-based and Medigap coverage were categorized as having employer-based coverage.

² An additional 13 percent of beneficiaries in this income range had Medicaid coverage, and another 3 percent had coverage classified as "other public," which includes military or veterans' coverage. The percentages listed in this report may not always sum to 100 because for some statistics, this report does not display the information for Medicaid and the "other public" category and because we rounded to the nearest whole number.

³ CMS Office of Research, Development, and Information. Data from the Medicare Current Beneficiary Survey 2000 Access to Care files.

⁴ Minority (non-White) beneficiaries were defined using Medicare Current Beneficiary Survey data based on administrative records for the Medicare program. The non-White category is comprised of: Asian, African-American, Hispanic, North American Native, and Other Race/Ethnicity.