



**MEMORANDUM**

May 2, 2014

**To:** House Energy & Commerce Committee  
[REDACTED]

**From:** Scott Talaga, Analyst in Health Care Financing, [REDACTED]

**Subject:** **Distribution of Medicare Advantage and Medicare Fee-for-Service Enrollment for Beneficiaries in the Community by Race/Ethnicity and Income**

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You requested a memorandum that compared the distribution of enrollment in Medicare Advantage (MA) and Medicare fee-for-service (FFS) for beneficiaries residing in the community by race/ethnicity and by income. This memorandum provides a brief overview of Medicare enrollment, an overview of previous analyses conducted on the subject of race/ethnicity and income distribution in MA and Medicare FFS, our analysis of the breakdown in enrollment you requested, as well as some conclusions and limitations of our analysis.

## Medicare Eligibility and Enrollment

Medicare is a federal program that pays for covered health care services for qualified beneficiaries. In general, individuals 65 and older and persons who receive Social Security Disability Insurance benefits or have been diagnosed with end-stage renal disease (ESRD) are eligible to enroll in Medicare. Upon eligibility, beneficiaries are entitled to Medicare Part A (hospital insurance or HI). Individuals who are entitled to and enrolled in Part A may also purchase Medicare Part B (supplementary medical insurance, SMI). Medicare Parts A and B represent Medicare fee-for-service (FFS). Beneficiaries who enroll in Part A and B may receive covered benefits from any qualified provider who participates in the Medicare program. In addition to Medicare FFS, beneficiaries may purchase a Medicare Part D prescription drug plan to receive coverage for outpatient prescription drugs.

As an alternative to Medicare FFS, beneficiaries who are entitled to and enrolled in Medicare Parts A and B may choose to enroll in a Medicare private plan, under Part C of Medicare – the Medicare Advantage (MA) program. In general, MA plans offer additional benefits or require smaller copayments or deductibles than Medicare FFS but such differences vary by plan type (e.g., health maintenance organization, preferred provider organization) and geography. Beneficiaries may pay for these additional benefits through a higher monthly premium or such additional benefits may be financed through plan savings.

## Previous Analyses on Distribution of Race/Ethnicity and Income by Enrollment in MA and FFS

The distribution of race/ethnicity and income between MA and FFS has been examined by researchers with varying conclusions. Some researchers have suggested that analyses of Medicare enrollment show low-income and non-white beneficiaries are more likely to be enrolled in an MA plan when compared to FFS.<sup>1</sup> Such analyses use the term “active choosers” to focus on the population of beneficiaries who enroll in either MA or FFS which excludes beneficiaries that receive Medicaid coverage and beneficiaries that receive employer-sponsored health insurance. These groups are excluded from the analyses under the assumption that if a beneficiary has either employer-sponsored health insurance or Medicaid (dual eligible) as a supplement to Medicare the beneficiary is unlikely to enroll in MA. Other researchers criticize narrowing the beneficiary population to “active choosers” as it eliminates the low income FFS dual eligible population and represents a distorted picture of FFS enrollment by both race/ethnicity and income.<sup>2</sup>

Previous analyses that examined the distribution of race/ethnicity and income by enrollment analyzed data from the MCBS – a multipurpose longitudinal survey of Medicare beneficiaries that has been conducted since 1991. The MCBS Access to Care file includes a nationally representative sample of data on beneficiary demographic and socioeconomic characteristics, health status and functioning, among other characteristics.

## Distribution of Race/Ethnicity and Income by Enrollment in MA and FFS

You requested that we compare beneficiaries living in the community and enrolled in MA to beneficiaries living in the community and enrolled in FFS by race/ethnicity and income. To perform this analysis we used Medicare Current Beneficiary Survey (MCBS) Access to Care data from the most recent year available (2011) and removed results for beneficiaries who were residents of a facility (e.g., nursing facility residents) at the time of the survey. The results of our analysis are provided in **Table 1** and **Table 2**. **Table 1** provides the distribution of beneficiaries enrolled in FFS and MA by race/ethnicity and **Table 2** provides the distribution of beneficiaries enrolled in FFS and MA by income group.

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<sup>1</sup> Adam Atherly and Kenneth E. Thorpe, *Value of Medicare Advantage to Low-Income and Minority Medicare Beneficiaries*, Blue Cross and Blue Shield Association, September 20, 2005.

<sup>2</sup> Robert Greenstein and Edwin Park, *Low-Income and Minority Beneficiaries Do Not Rely Disproportionately on Medicare Advantage Plans*, Center on Budget and Policy Priorities, April 12, 2007, <http://www.cbpp.org/cms/?fa=view&id=237>.

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**Table 1. Distribution of Race/Ethnicity by Enrollment in MA and FFS in 2011**

Excludes Beneficiaries That Are Residents of a Facility

Race/Ethnicity	FFS			MA			Total
	Estimated Beneficiaries	% of FFS	% of Total	Estimated Beneficiaries	% of MA	% of Total	Estimated Beneficiaries
Black non-Hispanic	2,753,081	9.2%	6.4%	1,352,201	10.1%	3.1%	4,105,282
Hispanic	2,122,558	7.1%	4.9%	1,880,220	14.1%	4.3%	4,002,778
Other race	1,500,129	5.0%	3.5%	595,222	4.5%	1.4%	2,095,351
White non-Hispanic	23,546,467	78.5%	54.2%	9,534,888	71.2%	22.0%	33,081,355
Nonresponsive	83,371	0.3%	0.2%	36,318	0.3%	0.1%	119,689
Total	30,005,606	100.0%	69.1%	13,398,849	100.0%	30.9%	43,404,455

**Source:** CRS analysis of 2011 MCBS Access to Care data.

**Notes:** Beneficiaries that identified themselves as Hispanic, regardless of other race identification, were grouped as Hispanic. Beneficiaries that are grouped as other race includes beneficiaries that identified themselves as: American Indian or Alaska Native, Asian, Native Hawaiian or Pacific Islander, more than one race, and other race. Nonresponsive represents national estimates of surveyed beneficiaries that did not know or refused to provide their race/ethnicity. The estimated total number of beneficiaries that are nonresponsive to race/ethnicity is 119,689 in 2011. Of these beneficiaries, 70% are estimated to be enrolled in FFS and 30% enrolled in MA.

**Table 2. Distribution of Income Groups by Enrollment in MA and FFS in 2011**

Excludes Beneficiaries That Are Residents of a Facility

Income Group	FFS			MA			Total
	Estimated Beneficiaries	% of FFS	% of Total	Estimated Beneficiaries	% of MA	% of Total	Estimated Beneficiaries
Less than \$5,000	835,126	2.8%	1.9%	303,176	2.3%	0.7%	1,138,302
\$5,000 - \$9,999	2,758,125	9.2%	6.4%	1,074,924	8.0%	2.5%	3,833,049
\$10,000 - \$14,999	3,420,151	11.4%	7.9%	1,636,698	12.2%	3.8%	5,056,849
\$15,000 - \$19,999	2,130,376	7.1%	4.9%	1,384,826	10.3%	3.2%	3,515,202
\$20,000 - \$24,999	2,142,307	7.1%	4.9%	1,248,550	9.5%	2.9%	3,420,857
\$25,000 - \$29,999	1,953,737	6.5%	4.5%	1,030,124	7.7%	2.4%	2,983,861
\$30,000 - \$39,999	3,261,369	10.9%	7.5%	1,622,321	12.1%	3.7%	4,883,690
\$40,000 - \$49,999	2,610,048	8.7%	6.0%	1,223,463	9.1%	2.8%	3,833,511
\$50,000 +	6,353,902	21.2%	14.6%	2,054,165	15.3%	4.7%	8,408,067
Nonresponsive	4,540,465	15.1%	10.5%	1,790,602	13.4%	4.1%	6,331,067
Total	30,005,606	100.0%	69.1%	13,398,849	100.0%	30.9%	43,404,455

**Source:** CRS analysis of 2011 MCBS Access to Care data.

**Notes:** Income groupings were constructed by survey questionnaire. Nonresponsive includes nationally representative estimates of beneficiaries that did not know or refused to provide a survey response to income. Nonresponsive also includes estimates for beneficiaries that did not indicate a specific income group but instead indicated their income as either less than \$25,000 or greater than \$25,000 due to inconsistency with the majority of responses. The estimated total number of beneficiaries nonresponsive to which income group he/she is categorized in is 6,331,067. Of these beneficiaries, 72% are estimated to be enrolled in FFS and 28% enrolled in MA.

## Conclusions

As shown in both **Table 1** and **Table 2**, the majority of beneficiaries are enrolled in FFS. Roughly 69% of beneficiaries living in the community are enrolled in FFS while roughly 31% are enrolled in MA.<sup>3</sup> Across each race/ethnicity category and by any income group(s), these beneficiaries are more likely to be enrolled in FFS rather than MA. When comparing the race/ethnicity distribution of enrollees within FFS and within MA, after excluding beneficiaries that are residents of a facility, there is a larger proportion of non-white beneficiaries enrolled in MA when compared to FFS, as shown in **Table 1**. Additionally, when comparing the income group distribution of enrollees within FFS and within MA, after excluding beneficiaries that are residents of a facility, there is a slightly larger proportion of FFS enrollees with incomes below \$15,000 (23.4%) and above \$49,999 (21.2%) when compared to MA enrollees with incomes below \$15,000 (22.5%) and above \$49,999 (15.3%), as shown in **Table 2**. Conversely, the proportion of beneficiaries among MA enrollees with incomes between \$15,000 and \$50,000 (62.2%) is larger than proportion of beneficiaries among FFS enrollees with incomes between \$15,000 and \$50,000 (55.4%).

## Limitations

It is important to note limitations to the results provided in **Table 1** and **Table 2**. The distributions and estimated number of individuals represent an “always-enrolled” population. This type of estimation reflects the distribution and estimated number of individuals at a given point in time in contrast to an “ever-enrolled” estimation which would provide data across an entire calendar year. An “ever-enrolled” estimation would provide a larger number of total beneficiaries in a given year due to the inclusion of decedents and new enrollees that are not obtained in an always-enrolled estimation method.

Additionally, the race/ethnicity categories provided in **Table 1** may be defined differently by other researchers. For the purposes of this analysis, **Table 1** provides a list of categories that are meant to be mutually exclusive, such that an individual may be identified as either black non-Hispanic, Hispanic, other race, or white non-Hispanic. An individual that identified themselves as both black non-Hispanic and white non-Hispanic would be categorized as “other race”. Other researchers may provide different definitions of such race/ethnicity categories which would change the distribution and estimated number of individuals by each race/ethnicity category to a small degree; however, such differences in categorical definitions would not cause the overall enrollment distribution of non-white beneficiaries to be greater in MA than FFS.

Lastly, since the MCBS only reflects a sample of the Medicare population, **Table 1** and **Table 2** are estimates of the Medicare population at a certain point in time. Each estimate is accompanied by a standard error (omitted for the purposes of this analysis) that measures the uncertainty of an estimate and also provides a degree of confidence that the actual value is within a range of estimated values. While the actual proportion of beneficiaries by race/ethnicity and/or income may be slightly different than the estimates provided, at a 95% confidence interval, the majority of beneficiaries across race/ethnicity categories and income groups are enrolled in FFS.

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<sup>3</sup> Actual MA enrollment in 2011 was roughly 25% of all Medicare beneficiaries. The difference in the survey estimate of MA enrollment could be attributed to excluding beneficiaries who are residents of a facility. The difference may also be attributed to the weights used to modify the sample survey responses and construct a nationally representative, “always-enrolled” population distribution.