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Medicare Works: Public Program Continues to Outperform Private Insurance in Ensuring Access to Care and Providing Financial Protection

By Karen Davis and Kristof Stremikis

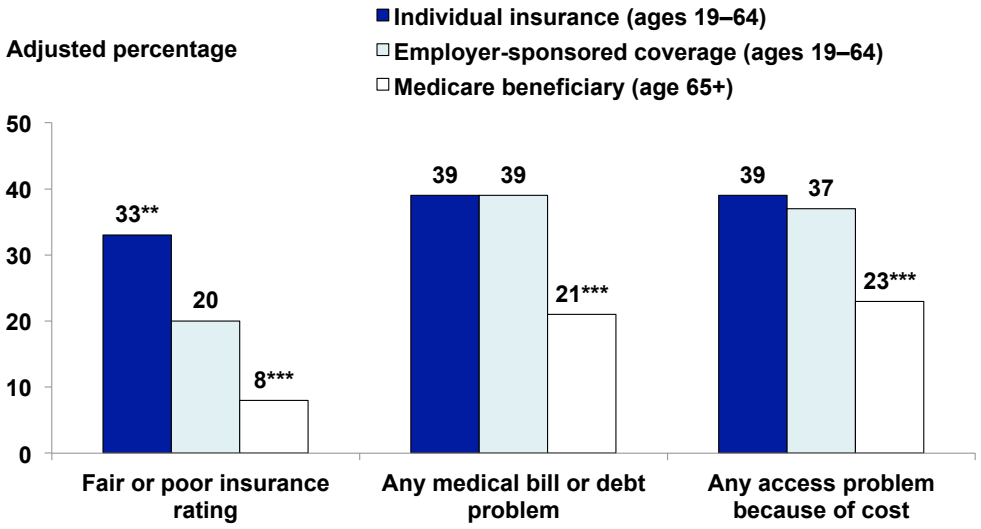
The Medicare program continues to do better than private coverage for working-age adults when it comes to fulfilling the main purposes of health insurance—providing access to care and adequate financial protection from burdensome medical bills, according to Commonwealth Fund research published July 18 in the health policy journal *Health Affairs*. The study also found that elderly beneficiaries who opted for private Medicare Advantage coverage over traditional Medicare plans were significantly more likely to experience problems accessing care and to give their plan a fair or poor rating.

In addition, elderly Medicare beneficiaries with either traditional or private coverage gave higher ratings to their insurance plans than people with employer or individual insurance. After adjusting for income, health status, and the presence of chronic conditions, we found that only 8 percent of Medicare beneficiaries age 65 and older rated their insurance as fair or poor, compared with 20 percent of adults with employer insurance and 33 percent of those who purchased insurance on their own (Exhibit 1). Adults with employer-based insurance or individual insurance reported medical bill problems at almost double the rate of Medicare beneficiaries. And about one-fourth of Medicare beneficiaries went without needed care because of costs, compared with 37 percent of adults with employer coverage and 39 percent of those with individual coverage.

Within Medicare, satisfaction rates differed depending on whether beneficiaries were enrolled in traditional plans or Medicare Advantage plans offered by private insurance companies. Fifteen percent of elderly people with Medicare Advantage rated their insurance as fair or poor, compared with just 6 percent of those with traditional Medicare coverage (Exhibit 2). We also found that 32 percent of Medicare Advantage beneficiaries reported at least one access problem because of cost, compared with 23 percent of those with traditional coverage. This may, in part, reflect Medicare Advantage beneficiaries' experiences with private HMO plans that offer lower premiums in return for limited access to a smaller network of providers.

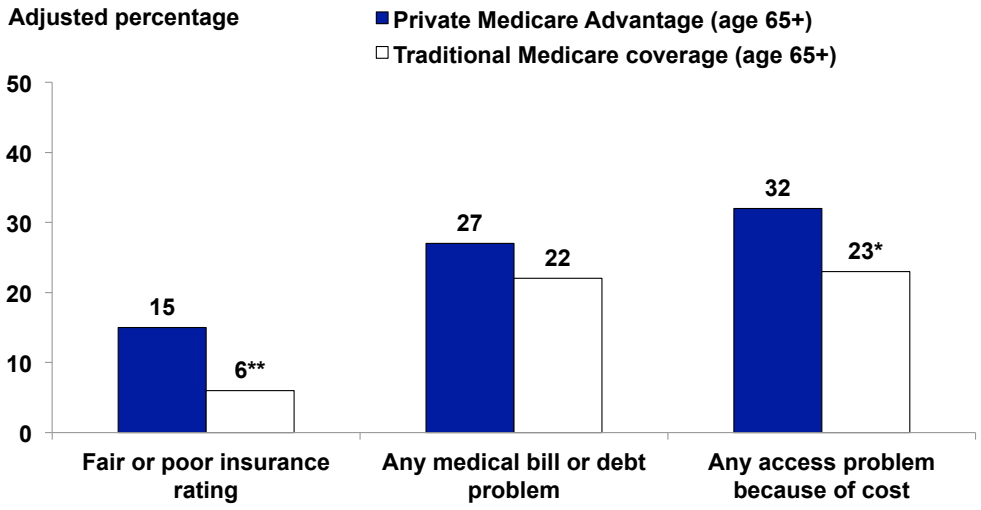
There was no significant difference in rates of medical bill or debt problems between beneficiaries in traditional Medicare and those in private Medicare Advantage plans. However, Medicare Advantage beneficiaries were less likely to spend more than 10 percent of their income on premiums and out-of-pocket costs, in part because the federal government has long provided greater premium subsidies to Medicare Advantage plans than to traditional plans. In 2009 such payments to Medicare Advantage plans were

Elderly Medicare Beneficiaries More Satisfied with Insurance, Less Likely to Experience Cost- or Access-Related Problems



Notes: Medical bill problems include: not able to pay bills, contacted by a collection agency for unpaid medical bills only, had to change way of life because of medical bills, or have medical bills or debt being paid off over time. Access problems include: did not fill prescription, did not get needed specialist care, skipped recommended test or follow-up, had medical problems but did not visit doctor. Indicates significant difference from employer insurance: ** p<0.01, *** p<0.001.
Source: K. Davis, K. Stremikis, M. M. Doty, and M. A. Zezza, "Medicare Beneficiaries Less Likely to Experience Cost- and Access-Related Problems than Adults with Private Coverage," *Health Affairs* Web First, published online July 18, 2012.

Beneficiaries with Traditional Coverage More Satisfied, Less Likely to Experience Access Problems Than Those with Medicare Advantage



Notes: Medical bill problems include: not able to pay bills, contacted by a collection agency for unpaid medical bills only, had to change way of life because of medical bills, or have medical bills or debt being paid off over time. Access problems include: did not fill prescription, did not get needed specialist care, skipped recommended test or follow-up, had medical problems but did not visit doctor. Indicates significant difference from Medicare Advantage: * p<0.05, ** p<0.01.
Source: K. Davis, K. Stremikis, M. M. Doty, and M. A. Zezza, "Medicare Beneficiaries Less Likely to Experience Cost- and Access-Related Problems than Adults with Private Coverage," *Health Affairs* Web First, published online July 18, 2012.

13 percent higher than per-beneficiary payments for traditional Medicare plans. These extra payments are now being phased out.

Policymakers should exercise caution in considering proposals to convert traditional Medicare coverage to a voucher program to subsidize the purchase of private insurance. Our findings suggest that such a policy might reduce beneficiaries' satisfaction with their coverage—and make it harder for them to obtain needed care. In fact, the comparatively better performance of Medicare relative to individual private coverage suggests that it may be desirable to open up the program to people buying insurance through the state exchanges—especially to older adults (ages 60–64) who will soon qualify for Medicare. Offering a choice of traditional Medicare and Medicare Advantage plans to the nonelderly population would build on the program's wide provider network and experience in making care available to more Americans at lower costs.

More generally, as the debate continues on how to reduce health care costs and put the federal budget on a sustainable track, it is critical to realize that the problems faced by the health care system are not limited to Medicare. In fact, expanding Medicare may help stabilize benefit levels and bolster the confidence of working adults in their health insurance coverage.