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# COVID-19 and Quality Care: How Medicare Advantage Performed

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## KEY TAKEAWAYS

While Medicare patients are at greater risk of COVID-19 complications, early evidence suggests that Medicare Advantage outperforms the traditional Medicare program.

Seniors enrolled in Medicare Advantage had fewer hospitalizations and fewer deaths, as well as a greater ability to receive treatment for routine medical conditions.

This performance further supports the case that any Medicare reforms should build on the Medicare Advantage model.

The impact of COVID-19 on patients is determined by several variables, including immune strength, the presence of comorbidities, and age.[1] In terms of severe illness, hospitalization, and death, the most severe and dangerous cases are among those ages 65 and older.

Medicare-eligible citizens comprised the overwhelming number of Americans who have been hospitalized or have died because of COVID-19. Almost all Americans 65 years and older receive care through the Medicare program, and almost half of all Medicare beneficiaries get their care through Medicare Advantage, Medicare's alternative system of competing private health plans.

While Medicare beneficiaries remain disproportionately affected by COVID-19, evidence suggests that Medicare Advantage (MA) out-performed

traditional Medicare in delivering high-quality care to enrollees during the pandemic. This performance supports the case for modeling Medicare reform on the MA system.

## The Unique Features of Medicare Advantage

Certain structural features of MA have contributed to its success. In contrast to traditional Medicare fee-for-service plans, where the government pays on a service-by-service basis, MA's key feature is that it is a defined-contribution program, where the federal government pays an annual amount to a comprehensive private plan of the Medicare beneficiary's choice. Plans compete directly to provide coverage based on quality, price, benefits, and service.

**Broad Plan Choice and Flexible Benefits.** Plan choices include health maintenance organization (HMO) and preferred provider organization (PPO) plans, private fee-for-service (PFFS) plans, medical savings account (MSA) plans, and Special Needs Plans (SNPs), which provide coverage to the chronically ill and patients with complex medical conditions. This year, 2022, the average Medicare beneficiary has a choice of 39 plans nationwide.[2]

Unlike traditional Medicare plans, MA plans are able to offer supplemental benefits to their enrollees. This benefit flexibility proved to be a major advantage during the pandemic. As Health Management Associates (HMA) analysts observed, "The flexibility of Medicare Advantage plans to offer benefits beyond FFS Medicare was critical during the COVID-19 pandemic and distinguished Medicare Advantage plans from FFS Medicare."[3]

According to HMA's analysts, MA's capitated payment system combined with supplemental benefits (such as home deliveries of drugs, groceries, and services) proved profoundly advantageous in giving medical professionals the needed flexibility to treat Medicare patients, including the use of virtual services.[4] Specifically, according to the HMA report,

> Providers consistently stated that when available, supplemental benefits such as those above [the services] made it easier to serve beneficiaries in their homes and reduced the need to bring them into the clinical office setting, which was limited and considered a risk to their health during the pandemic.[5]

Furthermore, "several providers stated that Medicare Advantage plans were often quicker than FFS Medicare to cover and/or provide clear guidance about the coverage of audio-only telehealth visits and coverage of other forms of virtual care services (e.g. virtual check-ins, online portal visits, and

remote patient monitoring)."[6] And, by targeting patients determined to be at elevated risk, the plans were able to prioritize care management for those most in need of services related to the pandemic.[7]

**Building on Success.** Medicare beneficiaries are voting with their feet. A total of 28 million beneficiaries are enrolled in MA this year: 45 percent of Medicare's total enrollment.[8] For several years, MA has been growing faster than traditional Medicare. Notably, MA enrollees are more likely to be low income, minorities, and have complex medical conditions.[9]

Given recent enrollment trends, total MA enrollment could reach 50 percent of the entire Medicare program as early as 2025.[10] The increasing popularity of the program among seniors has been routinely exceeding the official projections of the Medicare Board of Trustees.[11]

MA's performance, especially over the past two years, on several quality metrics holds an important lesson for future Medicare reform. Specifically, a consumer-driven competitive system, financed on a defined-contribution basis and governed by a targeted and flexible set of rules for consumer protection, can deliver high-quality care at reasonable costs and secure better outcomes for Medicare patients, including low-income and minority enrollees.

## COVID-19: The Medicare Stress Test

The onset of COVID-19, the novel, highly contagious, and potentially deadly coronavirus taxed the capacity of hospitals, clinics, nursing homes, physicians, and other medical professionals in almost every state of the union. Meanwhile, hospital and other medical restrictions, as well as patient fear of infection, disproportionately affected older Americans, who use inpatient and outpatient medical services at much higher rates than younger and healthier citizens.[12]

In response to the pandemic, the Trump Administration took aggressive deregulatory action—suspending rules, granting waivers, and modifying existing regulations—to provide doctors and other medical professionals with the crucial flexibility required to meet the national medical emergency.

**Medicare Policy Changes.** Between March 2020 and January 2021, the Department of Health and Human Services issued approximately 250 Medicare waivers for federal rules and regulations.[13] While this waiver authority was mostly focused on FFS Medicare, it also encompassed MA and was particularly valuable in giving MA plans greater flexibility in providing virtual services, broader scope of practice for medical professionals, and more flexible hospital payment rates.

The Centers for Medicare and Medicaid Services (CMS) quickly made several administrative changes to both Medicare FFS and to MA to facilitate beneficiary access to COVID-19 benefits and services during the pandemic. Among these was to make the provision of diagnostic tests, anti-body tests, monoclonal antibody treatments, and COVID-19 vaccines free of charge to all Medicare beneficiaries. The CMS also required MA plans to provide the same COVID-19-related benefits and allowed them to relax prior authorization requirements, but prohibited them from charging copayments, deductibles, or coinsurance for diagnostic COVID-19 tests.[14]

MA plans also used new regulatory flexibility to upgrade their supplemental benefit offerings. For example, there was a notable increase in telehealth benefits, jumping from 59 percent of all plans offering the benefit in 2020 to 94 percent in 2021.[15] Beyond that, 34 percent of MA plans offer COVID-19-specific benefits, including care-relief packages, and reduced cost-sharing for COVID-19 treatments, testing, and personal protective equipment.[16]

The MA plans were quick to act even before these legislative and regulatory changes took effect. For example, independent of CMS directives, several plans "voluntarily waived" beneficiary co-payments for COVID-19 hospitalizations, as well as out-of-pocket costs for vaccines and COVID-19 tests.[17]

## Medicare Advantage Performance Results

Based on the data, MA enrollees generally fared better during the pandemic than those enrolled in traditional Medicare. The accumulated data show that compared to enrollees in traditional Medicare, during the COVID-19 pandemic, MA enrollees experienced fewer hospitalizations, fewer deaths, greater ability to get diagnostics and treatments for ongoing medical conditions, and greater access to telehealth services, and MA enrollees complied better with preventive health recommendations.[18]

A large quantitative analysis of Medicare data conducted by ATI Advisory, an independent health research firm, found significant differences in performance between MA plans and traditional Medicare.

**Hospitalizations.** MA enrollees experienced fewer hospitalizations: 664 MA hospitalizations per 100,000 beneficiaries, compared to 778 enrollees per 100,000 in traditional Medicare.[19] Based on data from January 2020 to November 2020, while 60 percent of all Medicare beneficiaries were

enrolled in traditional Medicare, they accounted for 64 percent of COVID-19 hospitalizations, and though 40 percent were enrolled in MA, they accounted for only 36 percent of Medicare beneficiary hospitalizations.[20]

**COVID-19 Mortality.** Based on data from January 2020 to November 2020, 22 percent of hospitalized enrollees in traditional Medicare died compared to 15 percent of MA enrollees over the same period.[21]

Dr. Elena Rios, president of the National Hispanic Medical Association, and Martin Hamlette, executive director of the National Medical Association, an African American professional medical society, observed that MA served, and continues to serve, black and Latino beneficiaries particularly well with a wide array of preventive medical services. "And," they say, "as the COVID-19 pandemic persists—acutely impacting communities of color—additional research shows that Medicare Advantage saw lower COVID-19 related hospitalization and mortality rates than FFS Medicare."[22]

**Access to Routine Services.** During the pandemic, particularly in spring 2020, a crucial problem was the inability of patients to secure routine access to medical care unrelated to COVID-19.[23] MA beneficiaries, however, were more (70 percent) able to get treatment for an "ongoing condition" than traditional Medicare enrollees (66 percent); they were also more likely to secure diagnostic services (73 percent) than traditional enrollees (69 percent). Both cohorts of Medicare enrollees had similar access to telehealth services—50 percent of MA enrollees and 48 percent of traditional Medicare enrollees.[24]

## A Path to Medicare Reform

Early evidence indicates that MA outperformed traditional Medicare during the pandemic, adding to the large and growing body of the professional literature that MA outperforms traditional Medicare in general.[25]

Therefore, it is no surprise that year by year more Medicare patients are voting with their feet, and enrollment in MA's comprehensive, private-plan options is rapidly outpacing enrollment in traditional Medicare. Perhaps a critical reason for this shift is that the plans deliver superior quality of care.

Yet, Senator Bernie Sanders (I–VT) and his liberal colleagues would scrap this proven model in favor of a single-payer, government-run program of complex and detailed central planning and government price controls that would abolish the popular MA plans as well as most other public programs, along with virtually all private and employer-sponsored health insurance.[26]

While MA needs certain improvements,[27] its defined-contribution system, where the federal government contributes to a health plan chosen by the beneficiary, secures a relatively broad range of choices in a competitive

environment that can stimulate innovation in care delivery, improves outcomes, and secures better value for patients' dollars. With certain reforms, MA can be a model for broader Medicare reform in the future under the current system.

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## Endnotes

1. By March 2021, with one year's worth of data, the Centers for Disease Control and Prevention (CDC) reported that persons over the age of 65 accounted for 80 percent of COVID-19 deaths. See Centers for Disease Control and Prevention, "COVID-19: People with Certain Medical Conditions," updated May 2, 2022, https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/people-with-medical-conditions.html (accessed August 12, 2022).
2. Steven Findlay, Gretchen Jacobson, and Aimee Cicchiello, "Medicare Advantage: A Policy Primer," The Commonwealth Fund, May 3, 2022, https://www.commonwealthfund.org/publications/explainer/2022/may/medicare-advantage-policy-primer#:~:text=How%20much%20choice%20and%20competition,double%20the%20number%20in%202017 (accessed August 12, 2022).
3. Health Management Associates, "The COVID-19 Response: Differences in Medicare Advantage and Fee-for Service Medicare in Meeting Beneficiary and Provider Needs," *White Paper*, November 2021, p. 3, https://bettermedicarealliance.org/wp-content/uploads/2021/11/BMA-HMA-COVID-Response-Project_FIN.pdf (accessed August 12, 2022). The study is based on a literature review of more than 70 publications, as well as provider interviews, and funded by the Better Medicare Alliance.
4. Ibid., p. 10.
5. Ibid., p. 13.
6. Ibid., p. 3.
7. Ibid., p. 8.
8. Nick Herro and Julianna Wokurka, "Medicare Advantage Enrollment Continues to Surge in an Increasingly Complex and Competitive Landscape," The Chartis Group, February 25, 2022, https://www.chartis.com/insights/medicare-advantage-enrollment-continues-surge-increasingly-complex-and-competitive (accessed August 12, 2022).
9. Wafa Tarazi, et al., "Medicare Beneficiary Enrollment Trends and Demographic Characteristics," U.S Department of Health and Human Services, Assistant Secretary for Planning and Evaluation, Office of Health Policy *Issue Brief*, March 2, 2022, p. 5, https://aspe.hhs.gov/sites/default/files/documents/f81aafbba0b331c71c6e8bc66512e25d/medicare-beneficiary-enrollment-ib.pdf (accessed August 26, 2022).
10. Ibid.
11. In their 2021 report, for example, the Medicare Trustees projected that MA enrollment would reach 49 percent of total Medicare enrollment by 2030. See *2021 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, August 31, 2021, p. Table IV.C1., p. 157, https://www.cms.gov/files/document/2021-medicare-trustees-report.pdf (accessed August 12, 2022).
12. Among Medicare patients enrolled in traditional Medicare, there was a significant decrease in utilization in spring 2020 compared to the same period in 2019. Based on an Avalere analysis of the data, outpatient claims declined by 51 percent from the previous year, and professional claims decreased by 42 percent. Interestingly, the largest utilization decreases were found among Asian and white beneficiaries, and fewer among black and Hispanic beneficiaries. See Emily Gillen et al., "Medicare FFS Utilization Decreased During the COVID-19 Pandemic," Avalere Health, February 9, 2021, https://avalere.com/insights/medicare-ffs-utilization-decreased-during-the-covid-19-pandemic (accessed August 12, 2022).
13. Health Management Associates, "The COVID-19 Response," p. 7.
14. Centers for Medicare and Medicaid Services, "Coronavirus Disease 2019 (COVID-19) Tests," https://www.medicare.gov/coverage/coronavirus-disease-2019-covid-19-tests (accessed August 12, 2022).
15. Tom Kornfield, Joanna Young, and Shruthi Donthi, "MA Enrollees Can Access COVID-19 Supplemental Benefits in 2021," Avalere Health, October 19, 2020, https://avalere.com/insights/ma-enrollees-can-access-covid-19-supplemental-benefits-in-2021 (accessed August 12, 2022).
16. Ibid.
17. Health Management Associates, "The COVID-19 Response," p. 7.
18. ATI Advisory, "Data Brief: Medicare Advantage Sees Fewer COVID-19 Hospitalizations in Beneficiaries and Offers Greater Access to In-Person and Telehealth Non-COVID Care During Pandemic," analysis for Better Medicare Alliance, October 2021, https://bettermedicarealliance.org/publication/data-brief-medicare-advantage-sees-fewer-covid-19-hospitalizations-in-beneficiaries-and-offers-greater-access-to-in-person-and-telehealth-non-covid-care-during-pandemic/ (accessed August 12, 2022).
19. Ibid., p. 4.
20. Ibid., p. 5.
21. Ibid.
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23. Amy Anderson and Daniel H. Johnson, Jr., "A New Strategy for Equipping Medical Providers to Cope with the Next Pandemic or Infectious-Disease Outbreak," Heritage Foundation *Backgrounder* No. 3502, June 18, 2020, p. 4, https://www.heritage.org/public-health/report/new-strategy-equipping-medical-providers-cope-the-next-pandemic-or-infectious.

24. ATI Advisory, "Medicare Advantage Sees Fewer COVID-19 Hospitalizations," p. 11.
25. See Rajender Agarwal et al., "Comparing Medicare Advantage and Traditional Medicare: A Systematic Review," *Health Affairs*, Vol. 40, No. 6 (June 2021), https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2020.02149 (accessed August 12, 2022); news release, "Medicare Advantage Achieves Better Health Outcomes and Lower Utilization of High-Cost Services Compared to Fee-for-Service Medicare," Avalere, July 11, 2018, https://avalere.com/press-releases/medicare-advantage-achieves-better-health-outcomes-and-lower-utilization-of-high-cost-services-compared-to-fee-for-service-medicare (accessed August 12, 2022); Justin W. Timbie et al., "Medicare Advantage and Fee-for Service Performance on Clinical Quality and Patient Experience Measures: Comparisons from Three Large States," *Health Services Research*, Vol. 52, No. 6 (December 2017), p. 2038, https://www.ncbi.nlm.nih.gov/pubmed/29130269 (accessed August 12, 2022); and Better Medicare Alliance, "Positive Outcomes for High Need, High Cost Beneficiaries in Medicare Advantage Compared to Traditional Fee-for-Service Medicare," data analysis by Avalere Health, December 2020, https://bettermedicarealliance.org/wp-content/uploads/2020/12/BMA-High-Need-Report.pdf (accessed August 12, 2022).
26. Natalie Shure, "Bernie Sanders Is Right, and Joe Biden Is Wrong. We Still Need Medicare for All," *Jacobin*, January 22, 2021, https://jacobinmag.com/2021/01/bernie-sanders-biden-administration-medicare-for-all-covid-19 (accessed August 12, 2022). The Medicare for All Act of 2022 (S. 4204), as well as a similar House bill (H.R. 1129), 117th Congress, would create a government-run national health insurance program, while abolishing all private and employer-sponsored health insurance and most public health programs.
27. Robert E. Moffit, Heritage Foundation *Backgrounder* on MA reforms, forthcoming.