

# Understanding the Medicare Advantage Program

October 2017

## OVERVIEW

**Medicare Advantage (MA) plans offer beneficiaries a valuable alternative to fee-for-service (FFS) Medicare. By providing out-of-pocket cost protections, offering additional benefits, and employing innovative strategies for care management and coordination, MA is leading to lower costs and improved care across the Medicare program.**

Nearly one-third of Medicare beneficiaries (approximately 19 million people) receive their benefits through an MA plan rather than traditional FFS. Though MA payments are, on average, equivalent to FFS costs, the manner in which MA plans are paid—via monthly capitated payments—differs significantly from FFS. The capitated model inherently incentivizes MA plans to keep enrollees healthy, prevent avoidable complications of disease, and prioritize value over volume of services.

MA plans' efforts to improve care influence the way in which providers deliver care to *all* of their Medicare patients. These positive “spillover effects” have contributed to improvements in healthcare service use and, importantly, a slowdown in overall Medicare spending.

### Topics

- Types of MA plans
- Comparison of MA and FFS
- Value of MA for enrollees
- MA plan payment
- Risk adjustment
- Oversight of MA plans and payments

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