

Know Your Facts Part 2

Understanding Medicare Advantage

Savings in your retirement years sound appealing until you are faced with denials and limited choices.



Medicare Advantage (Medicare Part C) is an alternative way to receive your Medicare Part A and Part B benefits through a Medicare-approved private insurance plan.

When you enroll in Medicare Advantage, you remain enrolled in Medicare Parts A and B, but receive your Medicare-covered benefits through a private Medicare Advantage plan rather than Original Medicare. The private health plan manages how you receive your Medicare Part A and Part B benefits.

Medicare Advantage lets members choose a private plan to cover their Medicare Part A and Part B health care expenses instead of Original Medicare. Some Medicare Advantage plans provide additional benefits compared to the coverage under the Original Medicare program. Individuals with Original Medicare may choose to purchase a Medicare Supplement (Medigap) policy from a private insurer to help pay certain deductibles, coinsurance and other out-of-pocket costs. Members can select a new Medicare Advantage plan or switch between Medicare Advantage and Original Medicare each year. Before dropping Medigap coverage to enroll in Medicare Advantage, understand your rights to purchase Medigap later. If you return to Original Medicare, you may not always have a guaranteed right to purchase the Medigap policy you want.

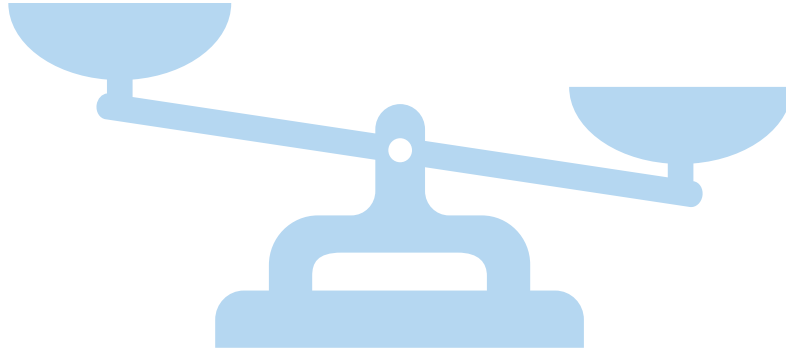
Medicare Advantage may appeal to Medicare-eligible individuals because some plans have low or \$0 additional plan premiums and may include prescription drug coverage and supplemental benefits. However, these added benefits come with trade-offs, and individuals need to be aware of them. Beneficiaries generally must continue paying their Medicare Part B premium.

When you agree to a Medicare Advantage plan, you remain enrolled in Medicare A and B but receive your Medicare benefits through a private health plan (referred to as Medicare Part C).

In this issue ...

Understanding Medicare Advantage

How Medicare Advantage plans are reimbursed



PROS OF MEDICARE ADVANTAGE

- May provide additional services beyond traditional Medicare such as vision, hearing and dental without a supplemental Medigap plan.
- Medicare Advantage plans have an annual maximum out-of-pocket limit for covered Part A and Part B services. Original Medicare does not have an annual out-of-pocket maximum unless the beneficiary has supplemental coverage.
- Many Medicare Advantage plans include Part D prescription drug coverage along with Part A and Part B benefits. With Original Medicare, beneficiaries generally obtain prescription drug coverage through a separate Part D plan.

CONS OF MEDICARE ADVANTAGE

- May provide additional services beyond traditional Medicare such as vision, hearing and dental without a supplemental Medigap plan.
- Medicare Advantage plans have an annual maximum out-of-pocket limit for covered Part A and Part B services. Original Medicare does not have an annual out-of-pocket maximum unless the beneficiary has supplemental coverage.
- Many Medicare Advantage plans include Part D prescription drug coverage along with Part A and Part B benefits. With Original Medicare, beneficiaries generally obtain prescription drug coverage through a separate Part D plan.

How Are Medicare Advantage Plans Reimbursed?

Medicare Advantage plans receive monthly payments from Medicare for each enrolled beneficiary. Payments vary based on factors including the plan's bid, the Medicare benchmark for the area and the health status and expected costs of enrolled beneficiaries.

Medicare Advantage is not currently cheaper than Original Medicare. In 2025, Medicare paid \$534 billion to private health plans to fund Medicare Advantage. That amount represented 53 percent of total Medicare spending that year – up from 27 percent in 2015. The cost of Medicare is increasing, but Medicare Advantage plans' share of total Medicare spending is growing even faster. In 2025, Medicare Advantage plans received payments from CMS that were 120 percent of spending for similar beneficiaries in Original Medicare. On average, that translated to an estimated \$84 billion in higher spending.

SOURCES

[Key Facts About Medicare Spending Trends and Projections from the 2026 Medicare Trustees Report | KFF](#)
[MedPAC March 2025 report to the Congress](#)