

Medicare Advantage 101

2025

What is Medicare?

Medicare is a federal healthcare program for qualified individuals administered by the Centers for Medicare and Medicaid Services (CMS). This differs from Medicaid, which provides health coverage to low-income individuals as well as people with disabilities and is administered at the state level. Individuals can be eligible for both Medicare and Medicaid.

Medicare beneficiaries have two options for receiving their Medicare benefits – Fee-for-Service Medicare or Medicare Advantage. Medicare Advantage is the managed care option in Medicare and is a public-private partnership, meaning benefits are offered by private health plans and approved by the government.

Who is eligible for Medicare?

- People who are 65 or over
- Certain people with disabilities who are under 65, after having disability benefits for 25 months
- People of any age living with End-Stage Renal Disease, which is a condition of permanent kidney failure requiring dialysis or a kidney transplant
- People may be eligible for both Medicare and Medicaid and are considered dual eligible beneficiaries

There are 4 parts to Medicare¹

- Part A: Hospital Insurance/Inpatient Care
- Part B: Medical Insurance/Outpatient Care
 - Covers items such as doctors' services and preventive services
 - Standard 2025 premium is \$185.00
- Part C: Medicare Advantage
- Part D: Prescription Drug Coverage
 - Optional coverage and available to MA and Fee-for-Service beneficiaries
 - 67% of all MA Part D plans in 2025 will change no premium (other than the Part B premium)

Pathways to Receive Medicare Benefits

Fee-for-Service Medicare

- Coverage for Parts A and B services
- CMS pays providers directly for health care costs
- Beneficiaries may see any provider who accepts Medicare
- No out-of-pocket limit for beneficiaries
- Medigap policies are available to reduce beneficiary out-of-pocket costs



Medicare Advantage

- Coverage for Parts A and B services, inclusive of all services provided under Fee-for-Service Medicare, and may include additional benefits in the form of cost sharing and premium buy-downs and supplemental benefits
- Benefits are administered by private health plans that contract with CMS
- Most Medicare Advantage plans include integrated Part D drug coverage (MA-PD plan)
- Health plans may not provide identical access to providers in Fee-for-Service Medicare
- Cost sharing may be above or below Fee-for-Service Medicare, but must be actuarially equivalent
- Annual out-of-pocket limit for beneficiaries



Private Plan Administers Benefit



Government Pays Private Plan

Government Contracts with Private Plan

Snapshot of the Medicare Advantage Population²

34 MILLION beneficiaries choose Medicare Advantage

30.8% of Medicare Advantage enrollees are Black, Latino, or Asian compared to 18.4% of Fee-for-Service enrollees

55% of the Medicare population chooses Medicare Advantage

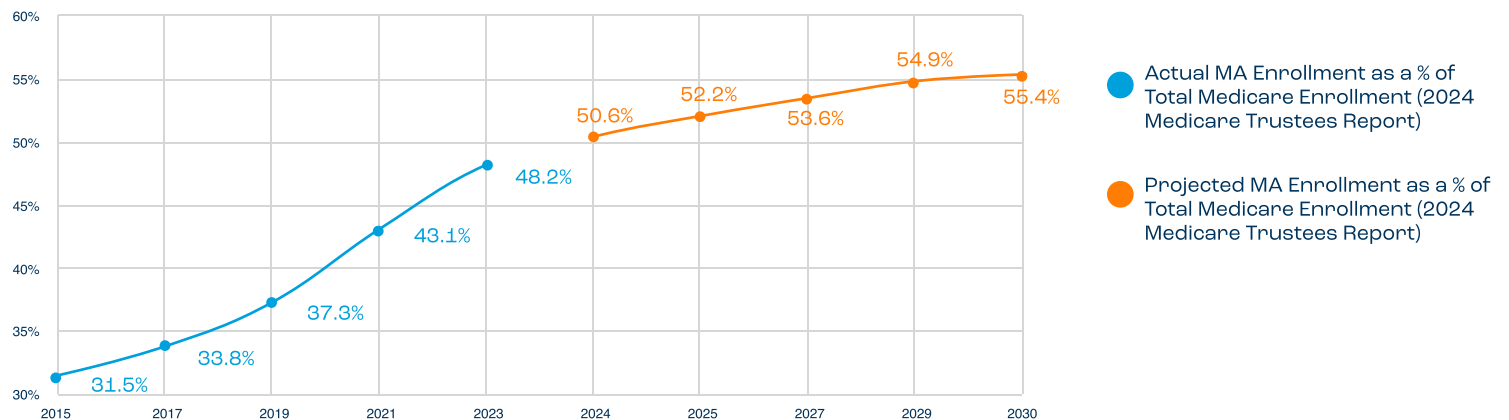
23.5% of Medicare Advantage enrollees are dually eligible for Medicare and Medicaid

52.7% of Medicare Advantage beneficiaries live on less than \$25,000 annually

1.8M beneficiaries in rural counties choose Medicare Advantage, 40% of eligible beneficiaries in rural counties

Enrollment in Medicare Advantage is Projected to Continue its Steady Growth

Medicare Advantage Enrollment and Growth Projections, 2015-2030



Overview of Medicare Advantage Payment

Medicare Advantage plans are paid a monthly capitated rate per beneficiary enrolled in the health plan. This payment is based, in part, on a county benchmark, which is based on the average spending in Fee-for-Service Medicare in that county. Health plans bid against the county benchmark.

- If a health plan submits a bid that is above the benchmark, beneficiaries will pay a premium for the difference between the plan bid and the benchmark.
- If a health plan submits a bid that is below the benchmark, the plan receives a percentage of the savings - a rebate - and the rebate must be used to offer additional, supplemental benefits or lower beneficiary cost sharing or premiums.

Example of Plan Payment

Benchmark - \$1,000



Types of Medicare Advantage Plans

Individual Plans

Medicare Advantage offers several individual plan options that have various types of access to provider networks, including Preferred Provider Organizations (PPO) and Health Maintenance Organizations (HMO)

Special Needs Plans (SNP)

SNPs enroll beneficiaries who are dually eligible for Medicaid (D-SNP), require institutional level care (I-SNP), or have a specific chronic condition (C-SNP)

Employer Group Waiver Plans (EGWP)

EGWPs are offered by some employers to provide health care coverage to retirees through Medicare Advantage and accounts for nearly 20% of Medicare Advantage enrollment

Part D prescription drug coverage can typically be added to all of the above options

Most Medicare Advantage Beneficiaries Have Access to Supplemental Benefits³

97% of beneficiaries have access to some dental, vision, and hearing benefits

72% of plans offer coverage for over-the-counter items

65% of plans offer meal benefits, such as meal delivery

Medicare Advantage Empowers Beneficiaries to Choose Health Care Coverage that Best Meets Their Needs⁴

99% of Medicare beneficiaries have access to at least one Medicare Advantage plan in their county

99% of Medicare beneficiaries have access to a health plan with prescription drug coverage with no monthly premium

The Star Rating System Incentivizes High Quality

- Star Ratings measure a health plan's quality of health management and outcomes
- Ratings range from 1-star (lowest quality) to 5-stars (highest quality), based on how health plans perform on average across Part C and D measures, with health plans achieving 4+ star ratings receiving bonus payments
- Current ratings are based on 38 individual measures ranging from clinical performance to consumer experience
- Health plans are rated at the contract level, not the individual plan or county level
- Almost three-fourths of beneficiaries selected a 4+ star plan in 2024³



1. KFF, Medicare Advantage 2025 Spotlight: A First Look at Plan Premiums and Benefits, November 15, 2024.
2. Analysis of CMS State and County Enrollment File, June 2024; ATI Advisory, Comparing Medicare Advantage and FFS Medicare Across Race and Ethnicity, July 2023.; Exploring Rural Beneficiary Experiences Across Medicare Advantage and FFS Medicare, May 2024. Kaiser Family Foundation, "Medicare Advantage and FFS Medicare, January 2024.; Kaiser Family Foundation, "Medicare Advantage Enrollment, Plan Availability and Premiums in Rural America," September 7, 2023.
3. KFF, "Medicare Advantage 2025 Spotlight: A First Look at Plan Premiums and Benefits," November 15, 2024.
4. Kaiser Family Foundation, Medicare Advantage 2025 Spotlight: First Look at Plan Premiums and Benefits, November 15, 2024.