BETTER MEDICARE ALLIANCE

Medicare Advantage 101

2026

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 Medicare[1]

- Part A: Hospital Insurance/Inpatient Care
- Part B: Medical Insurance/Outpatient Care
  - Covers items such as doctors' services and preventive services
  - Standard 2026 premium is $202.90
- Part C: Medicare Advantage
- Part D: Prescription Drug Coverage
  - Optional coverage and available to Medicare Advantage and Fee-for-Service beneficiaries
  - 67% of all Medicare Advantage Prescription Drug (MA-PD) plans in 2026 will charge no premium (other than the Part B premium) — unchanged from 2025

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

Government Administers Benefit

Medicare Beneficiary

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 Population[2]

More than **35 MILLION** beneficiaries choose Medicare Advantage

55% of the Medicare population chooses Medicare Advantage

36% of Medicare Advantage members have annual incomes of less than $25,000

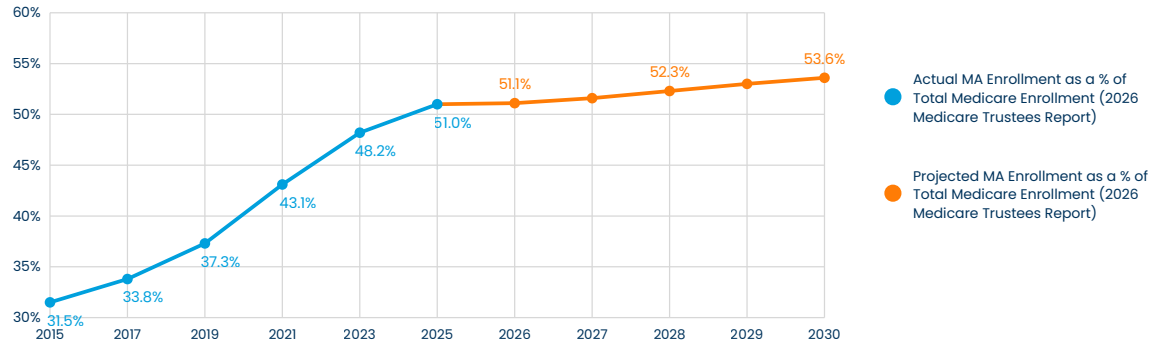
31.6% of Medicare Advantage enrollees are Black, Latino, or Asian compared to 18.4% of Fee-for-Service enrollees

23% of Medicare Advantage enrollees are dually eligible for Medicare and Medicaid

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



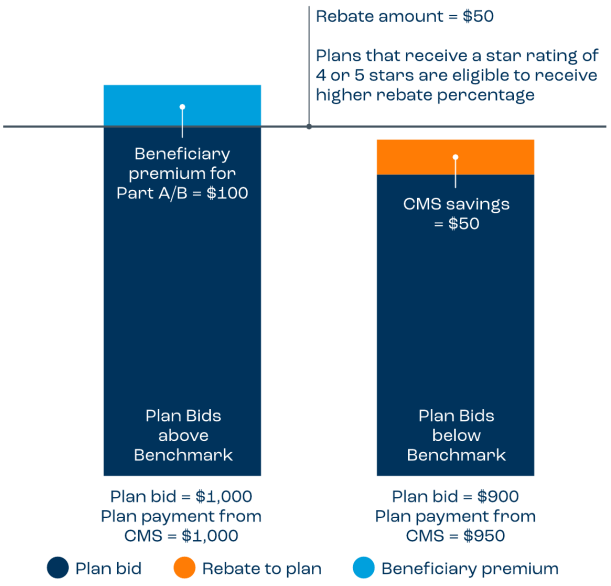
Overview of Medicare Advantage Payment

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). The majority of these plans integrate Part D coverage.

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). SNPs have driven nearly all recent Medicare Advantage enrollment growth and now account for close to a quarter of total Medicare Advantage enrollment — up from a smaller share in 2025. SNPs all provide Part D coverage.

Employer Group Waiver Plans (EGWP)

EGWPs are offered by some employers and unions to provide health care coverage to retirees through Medicare Advantage and account for approximately 16.3% of Medicare Advantage enrollment. EGWPs may provide Part D coverage.

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

Most Medicare Advantage Beneficiaries Have Access to Supplemental Benefits[3]

95%+ of plans offer dental (98%), vision (more than 99%) and hearing (95%) benefits

68% 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 Needs[4]

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

98% 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 payment.
- Current ratings are based on 43 individual measures ranging from clinical performance to consumer experience.
- Health plans are rated at the contract level, not the individual plan or county level.
- Roughly six in ten (64%) Medicare Advantage enrollees are in a plan rated 4 stars or higher for the 2026 Star Ratings.

1. Kaiser Family Foundation, Medicare Advantage 2026 Spotlight: A First Look at Plan Premiums and Benefits, December 9, 2025. Available at: https://www.kff.org/medicare/medicare-advantage-2026-spotlight-a-first-look-at-plan-premiums-and-benefits/
2. Analysis of the Centers for Medicare & Medicaid Services Monthly Enrollment Files, December 2025; 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 Enrollment, Plan Availability and Premiums in Rural America," September 7, 2023.
3. Kaiser Family Foundation, Medicare Advantage in 2026: Premiums, Out-of-Pocket Limits, Supplemental Benefits, and Prior Authorization, June 2026.
4. Kaiser Family Foundation, Medicare Advantage in 2026: Premiums, Out-of-Pocket Limits, Supplemental Benefits, and Prior Authorization, June 2026.