

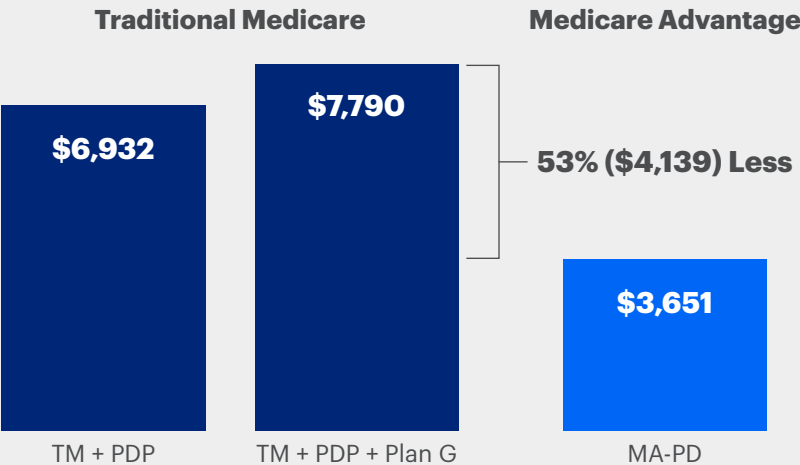
# Beneficiaries in Medicare Advantage Receive Better Value and Spend 53% Less than Beneficiaries in Traditional Medicare

Beneficiaries in Traditional Medicare receive coverage for hospital and physician office services and can purchase a prescription drug plan (PDP) for drug coverage under Part D; nearly 90% of Traditional Medicare beneficiaries rely on supplemental coverage for Medicare-covered services.<sup>1</sup> Medicare Advantage-Prescription Drug (MA-PD) plans cover the same services as Traditional Medicare, include drug coverage, and typically offer additional protections and services, not covered by Traditional Medicare, that support beneficiaries in staying healthy, improving care outcomes, and limiting the impact of unforeseen medical costs. Compared to Traditional Medicare, MA beneficiaries with chronic conditions receive more preventive care and have fewer emergency department visits and hospital admissions.<sup>2,3</sup>

Differences in Benefits Covered by Traditional Medicare and Medicare Advantage <sup>4</sup>		
Traditional Medicare	VS.	Medicare Advantage
<p><b>Covers 85.6% of costs for:</b></p> <p><b>Part A</b> Hospital services</p> <p><b>Part B</b> Physician office services</p> <p><b>Part D</b> Prescription drug coverage</p> <p>Beneficiary responsibility = <b>14.4% of costs</b></p> <p>Nearly 90% of Traditional Medicare beneficiaries rely on supplemental medical coverage to manage these costs</p>		<div><div><p><b>Covers 92.2% of costs for:</b></p><p><b>Traditional Medicare</b></p><p><b>Part A</b> Hospital services</p><p><b>Part B</b> Physician office services</p><p><b>Part D</b> Prescription drug coverage</p><p>Beneficiary responsibility = <b>7.8% of costs</b></p></div><div><p><b>Additional Services May Include</b></p><p>Dental, vision, and hearing coverage</p><p>Care coordination</p><p>Transportation</p><p>Nutrition and OTC cards</p><p><b>Financial Protections</b></p><p>Reduced cost sharing</p><p>Lower premiums</p><p>Caps on annual out-of-pocket costs</p></div></div>

A beneficiary’s estimated health care spending is a key factor in the choice between MA and Traditional Medicare coverage, especially because half of Medicare beneficiaries live on fixed incomes below \$43,200 annually.<sup>5</sup> Health care spending—defined to include individual premiums and out-of-pocket (OOP) cost sharing for medical, pharmacy, and ancillary services—by an MA-PD beneficiary of average age (75 years old) and average health is 53% lower (\$3,651 vs. \$7,790 annually) than for a comparable beneficiary in Traditional Medicare with a PDP and Medigap Plan G,<sup>6</sup> the most comprehensive supplemental coverage available to new Medicare beneficiaries to reduce OOP spending.<sup>7</sup>

Estimated Annual Health Care Spending by Comparable Beneficiaries, 2025<sup>8</sup>



TM = Traditional Medicare

# Medicare Advantage Provides Better Value than Traditional Medicare

MA plans are required to provide the same benefits as Traditional Medicare; however, MA plans provide additional high-value services that reduce beneficiaries’ health care spending and protect beneficiaries when health status changes unexpectedly.

## Financial Protections



**Medicare beneficiaries can select MA at any age and will be guaranteed coverage regardless of health status or medical history.** In contrast, Medigap plans can require underwriting if beneficiaries do not enroll in Medigap plans when they become newly eligible.



**MA plans have annual maximum out-of-pocket (MOOP) limits for their beneficiaries,** while Traditional Medicare does not.

- The average MOOP limit established by MA plans (about \$4,900 in 2025)<sup>9</sup> is well below the regulatory maximum (\$9,350 in 2025).<sup>10</sup>



**MA premiums are significantly lower than Medigap premiums.**

Average 2025 Medicare Beneficiary Premiums<sup>11</sup>

	Annual		Monthly	
	TM + PDP + Plan G	MA-PD	TM + PDP + Plan G	MA-PD
65-to-70-Year Olds	\$2,929	\$112	\$244	\$9
80-to-85-Year Olds	\$4,662	\$231	\$388	\$19

- Part B premiums are lower on average for MA beneficiaries than for Traditional Medicare beneficiaries.
- MA-PD beneficiaries typically have no-cost or low-cost prescription drug coverage, whereas Traditional Medicare beneficiaries generally must purchase a standalone PDP.



## Reduced Cost Sharing

- MA-PD drug formularies have lower cost sharing than those offered by standalone PDPs.
- MA beneficiary cost sharing is reduced for the use of high-value medical services, such as preventive care.

## Additional Services not Included in Traditional Medicare



### Supplemental Benefits

- Dental, vision, and hearing services, over-the-counter (OTC) cards, and transportation to provider visits—which are not covered by Traditional Medicare—are often included in MA plans for no additional premium and minimal beneficiary cost sharing.
- MA plans are addressing social determinants of health by connecting beneficiaries to government and community-based programs that provide financial supports, nutrition and meal delivery, and housing assistance.



### Care Management

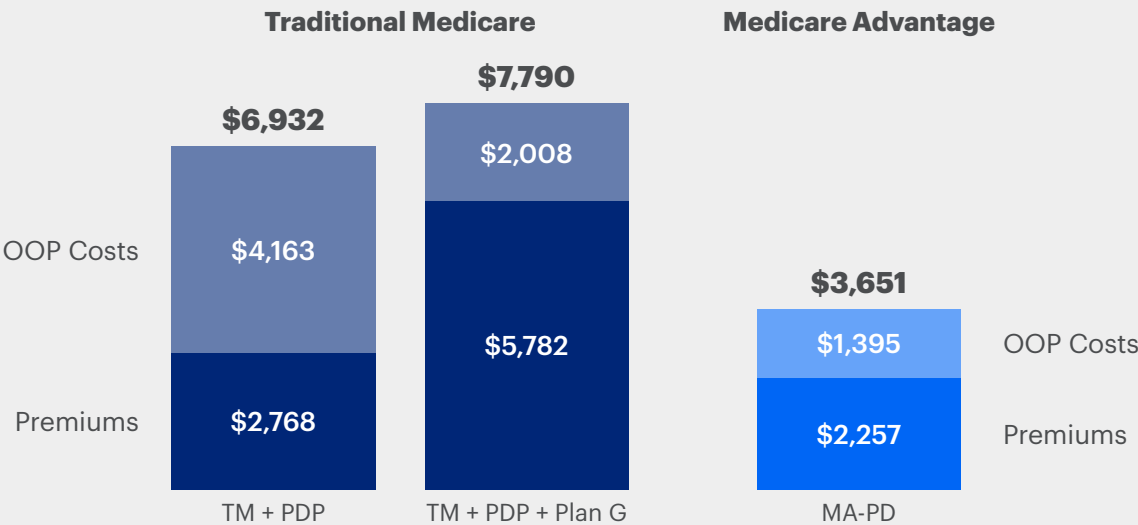
- MA plans provide care coordination to assess health risks, identify preventive care opportunities, support care delivery, and reduce hospital admissions and emergency department visits.
- MA beneficiaries have access to high-quality provider networks.

**With these financial protections and additional services, an average MA-PD beneficiary spends 53% (\$4,139) less on premiums and cost sharing than a comparable beneficiary in Traditional Medicare with a PDP and Plan G.<sup>12</sup>**

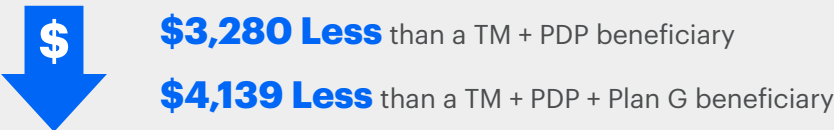
# Beneficiaries in Medicare Advantage Experience Lower Health Care Spending

A beneficiary’s own health care spending varies significantly by choice of health coverage.

Estimated Annual Health Care Spending by Comparable Beneficiaries, 2025<sup>13</sup>



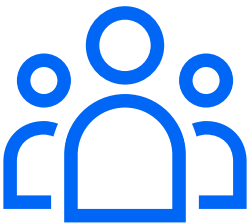
A 75-year-old MA-PD beneficiary in average health spends:



Note: The sum of individual components in this figure may not equal the total due to rounding.

A 65-to-70-year-old MA-PD beneficiary  
in average health spends:<sup>14</sup>

**\$2,827 Less**  
than a TM + PDP beneficiary  
**\$3,809 Less**  
than a TM + PDP + Plan G beneficiary

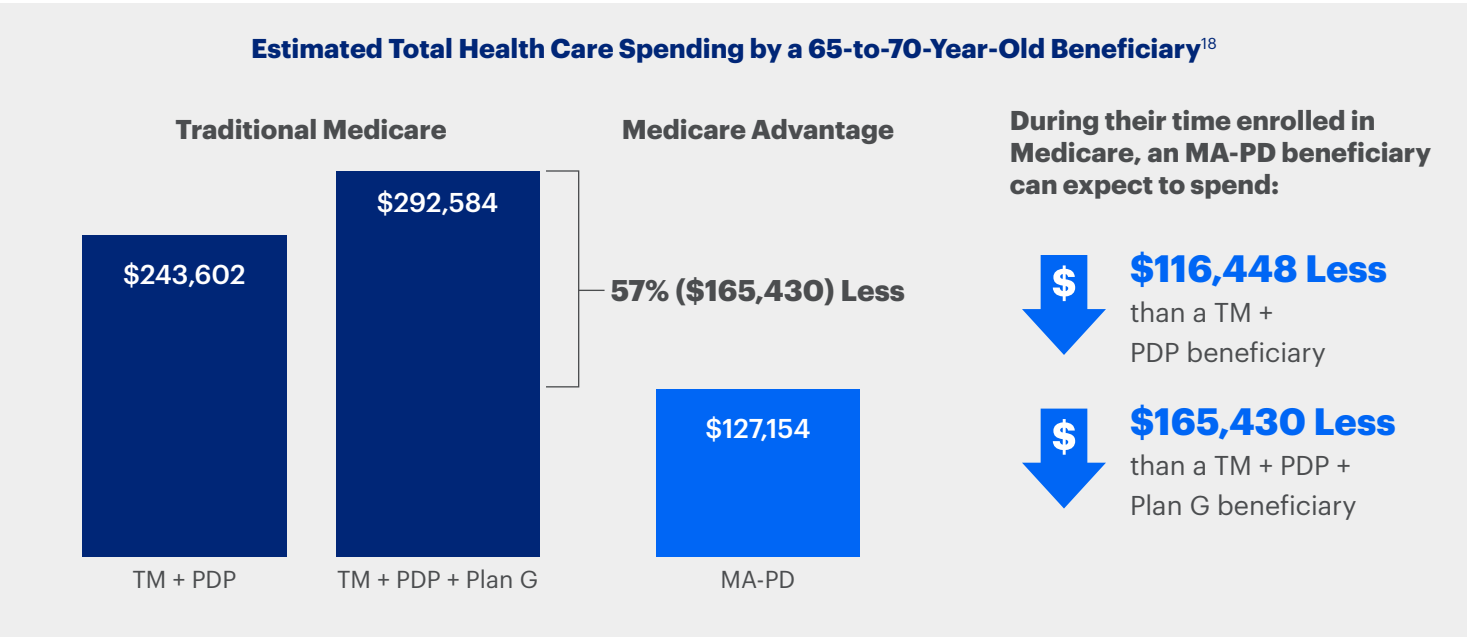


An 80-to-85-year-old MA-PD beneficiary  
in average health spends:<sup>15</sup>

**\$3,791 Less**  
than a TM + PDP beneficiary  
**\$4,920 Less**  
than a TM + PDP + Plan G beneficiary

# A Beneficiary in Medicare Advantage Can Save \$116,000 to \$165,000

A 65-to-70-year-old Medicare beneficiary will live, on average, for 18.5 more years.<sup>16</sup> During this time, total health care spending by an MA-PD beneficiary will be 57% lower than for a Traditional Medicare beneficiary with a PDP and Plan G.<sup>17</sup>



## Citations and Notes

<sup>1</sup> KFF, "A Snapshot of Sources of Coverage Among Medicare Beneficiaries," September 2024.  
<https://www.kff.org/medicare/a-snapshot-of-sources-of-coverage-among-medicare-beneficiaries/>  
The most common sources of supplemental coverage are individually purchased Medicare Supplement plans, employer-sponsored plans, and Medicaid.

<sup>2</sup> Avalere Health, "Comparing Detection, Treatment, Outcomes, and Spending for Patients with Type 2 Diabetes Between Medicare Advantage and Fee-For-Service Medicare," January 2023.  
<https://avalere.com/wp-content/uploads/2023/01/Diabetes-Progression-Whitepaper.pdf>

<sup>3</sup> Avalere Health, "Medicare Advantage Achieves Better Health Outcomes and Lower Utilization of High-Cost Services Compared to Fee-for-Service Medicare," July 2018.  
<https://advisory.avalerehealth.com/press-releases/medicare-advantage-achieves-better-health-outcomes-and-lower-utilization-of-high-cost-services-compared-to-fee-for-service-medicare>

<sup>4</sup> Milliman, "Comparison of Annual Beneficiary Health Care Costs Across Medicare Coverage Options, 2025," January 2026, p. 10.  
<https://www.milliman.com/en/insight/2025-beneficiary-value-unitedhealth>  
The total costs under MA-PD assume 100% Traditional Medicare fee schedules, and do not reflect specific provider arrangements.

<sup>5</sup> KFF, "Income and Assets of Medicare Beneficiaries in 2024," August 2025.  
<https://www.kff.org/medicare/income-and-assets-of-medicare-beneficiaries/>

<sup>6</sup> Milliman, January 2026, p. 10.

<sup>7</sup> Centers for Medicare & Medicaid Services, "Compare Medigap Plan Benefits," Accessed October 21, 2025.  
<https://www.medicare.gov/health-drug-plans/medigap/basics/compare-plan-benefits>

<sup>8</sup> Milliman, January 2026, p. 10.

<sup>9</sup> Milliman, January 2026, p. 11.  
Beneficiaries who expect to spend over \$3,270 annually in OOP costs for Part A and Part B services over multiple years may incur lower OOP costs with Traditional Medicare + PDP + Plan G than with MA-PD. However, this is highly dependent on the MA-PD plans available in the service area, as very low MOOP plans may be available, and the beneficiary's Medigap premium, as this could be rated based on age, gender, and underlying conditions.

<sup>10</sup> KFF, "Medicare Advantage in 2025: Premiums, Out-of-Pocket Limits, Supplemental Benefits, and Prior Authorization," July 2025.  
<https://www.kff.org/medicare/medicare-advantage-premiums-out-of-pocket-limits-supplemental-benefits-and-prior-authorization/>

<sup>11</sup> Milliman, January 2026, p. 13, 15.  
The premiums shown in this table do not include Part B premiums.

<sup>12</sup> Milliman, January 2026, p. 10.

<sup>13</sup> Milliman, January 2026, p. 10.

<sup>14</sup> Milliman, January 2026, p. 14.

<sup>15</sup> Milliman, January 2026, p. 15.

<sup>16</sup> Milliman, January 2026, p. 14.

<sup>17</sup> Milliman, January 2026, p. 14.

<sup>18</sup> Milliman, January 2026, p. 14.