Beneficiaries in Medicare Advantage Receive Better Value and Spend 51% 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.[1] 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.[2,3]

Differences in Benefits Covered by Traditional Medicare and Medicare Advantage[4]

Traditional Medicare

Covers 85.5% of costs for:

Part A Hospital services

Part B Physician office services

Part D Prescription drug coverage

Beneficiary responsibility = **14.5% of costs**

Nearly 90% of Traditional Medicare beneficiaries rely on supplemental medical coverage to manage these costs

vs.

Medicare Advantage

Covers 91.7% of costs for:

Traditional Medicare

Part A Hospital services

Part B Physician office services

Part D Prescription drug coverage

+

Additional Services May Include

Dental, vision, and hearing coverage

Care coordination

Transportation

Nutrition and OTC cards

Financial Protections

Reduced cost sharing

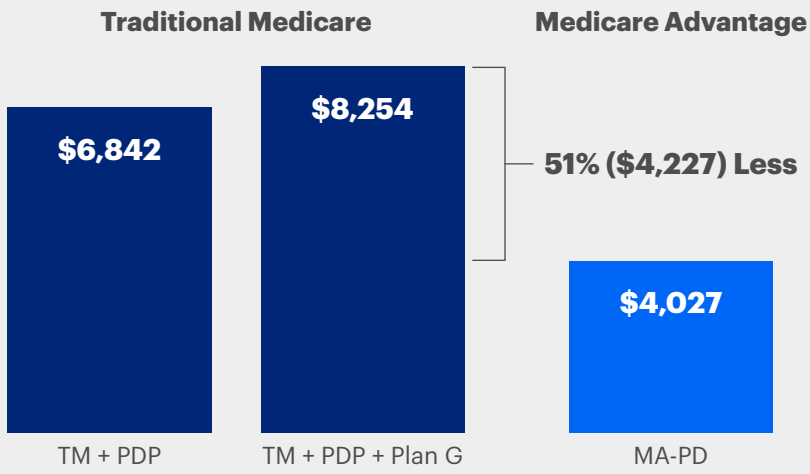
Lower premiums

Caps on annual out-of-pocket costs

Beneficiary responsibility = **8.3% of costs**

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.[5] 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 51% lower ($4,027 vs. $8,254 annually) than for a comparable beneficiary in Traditional Medicare with a PDP and Medigap Plan G,[6] the most comprehensive supplemental coverage available to new Medicare beneficiaries to reduce OOP spending.[7]

Estimated Annual Health Care Spending by Comparable Beneficiaries, 2026[8]



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 $5,440 in 2026)[9] is well below the regulatory maximum ($9,250 in 2026).[10]

MA premiums are significantly lower than Medigap premiums.

Average 2026 Medicare Beneficiary Premiums[11]

	Annual		Monthly	
	TM + PDP + Plan G	MA-PD	TM + PDP + Plan G	MA-PD
65-to-70-Year Olds	$3,487	$130	$291	$11
80-to-85-Year Olds	$5,103	$250	$425	$21

- 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

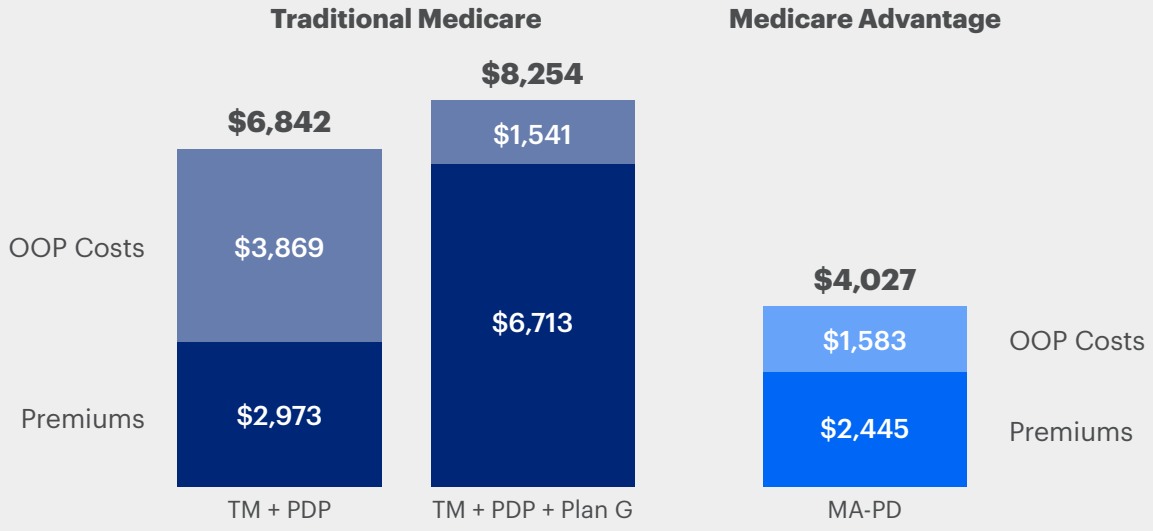
- MA plans provide care coordination to assess health risks, identify preventive care opportunities, support care delivery, and reduce hospital admissions and emergency department visits.
- MA beneficiaries have access to high-quality provider networks.

With these financial protections and additional services, an average MA-PD beneficiary spends 51% ($4,227) less on premiums and cost sharing than a comparable beneficiary in Traditional Medicare with a PDP and Plan G.[12]

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, 2026[13]



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

$2,816 Less than a TM + PDP beneficiary

$4,227 Less than a TM + PDP + Plan G beneficiary

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:[14]

$2,351 Less
than a TM + PDP beneficiary

$3,789 Less
than a TM + PDP + Plan G beneficiary

An 80-to-85-year-old MA-PD beneficiary in average health spends:[15]

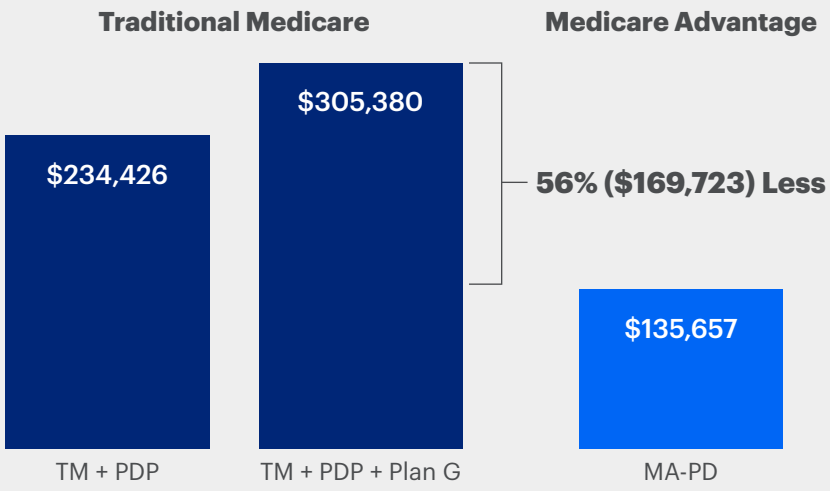
$3,341 Less
than a TM + PDP beneficiary

$4,678 Less
than a TM + PDP + Plan G beneficiary

A Beneficiary in Medicare Advantage Can Save $99,000 to $170,000

A 65-to-70-year-old Medicare beneficiary will live, on average, for 18.7 more years.[16] During this time, total health care spending by an MA-PD beneficiary will be 56% lower than for a Traditional Medicare beneficiary with a PDP and Plan G.[17]

Estimated Total Health Care Spending by a 65-to-70-Year-Old Beneficiary[18]



During their time enrolled in Medicare, an MA-PD beneficiary can expect to spend:

$98,769 Less than a TM + PDP beneficiary

$169,723 Less than a TM + PDP + Plan G beneficiary

Citations and Notes

1 KFF, "A Snapshot of Sources of Coverage Among Medicare Beneficiaries," December 2025. 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.

2 Avalere Health, "Comparing Detection, Treatment, Outcomes, and Spending for Patients with Type 2 Diabetes Between Medicare Advantage and Fee-For-Service Medicare," October 2023. https://bettermedicarealliance.org/wp-content/uploads/2023/01/Avalere-Diabetes-Progression-Whitepaper_1.10.23.pdf

3 Avalere Health, "Analysis of Medicare Advantage Enrollee Demographics, Utilization, Spending, and Quality Compared to Fee-for-Service Medicare Among Enrollees with Chronic Conditions," June 2023. https://bettermedicarealliance.org/wp-content/uploads/2023/06/BMA-MA_FFS-Outcomes-Among-Beneficiaries-with-Chronic-Conditions_FIN-1.pdf

4 Milliman, "Comparison of Annual Beneficiary Health Care Spending Across Medicare Coverage Options, 2026," November 2026, p. 9. https://www.milliman.com/en/insight/beneficiary-spending-medicare-coverage-options-2026
The total costs under MA-PD assume 100% Traditional Medicare fee schedules, and do not reflect specific provider arrangements.

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

6 Milliman, November 2026, p. 8–9.

7 Centers for Medicare & Medicaid Services, "Compare Medigap Plan Benefits," Accessed September 24, 2026. https://www.medicare.gov/health-drug-plans/medigap/basics/compare-plan-benefits

8 Milliman, November 2026, p. 9.

9 Milliman, November 2026, p. 9, 15.
Beneficiaries who expect to spend over $4,023 annually in total OOP costs for Part A and Part B services for consecutive years may have lower total medical OOP costs with Traditional Medicare + PDP + Plan G than with MA-PD. However, the relative financial cost 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.

10 KFF, "Medicare Advantage in 2026: Premiums, Out-of-Pocket Limits, Supplemental Benefits, and Prior Authorization," June 2026. https://www.kff.org/medicare/medicare-advantage-in-2026-premiums-out-of-pocket-limits-supplemental-benefits-and-prior-authorization/

11 Milliman, November 2026, p. 12, 14.
The premiums shown in this table do not include Part B premiums.

12 Milliman, November 2026, p. 9.

13 Milliman, November 2026, p. 9.

14 Milliman, November 2026, p. 12.

15 Milliman, November 2026, p. 14.

16 Milliman, November 2026, p. 13.

17 Milliman, November 2026, p. 13.

18 Milliman, November 2026, p. 13.

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