

The complexity of Medicare enrollment decisions for beneficiaries

Jennifer Druckman, Ledia Tabor, Pamina Mejia

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Today's presentation

- 1 Brief overview of initial Medicare eligibility and enrollment
- 2 Notification and late-enrollment penalties
- 3 Factors affecting the choice between fee-for-service Medicare and Medicare Advantage (MA)
- 4 Issues related to switching in MA, Part D, and Medigap
- 5 Discussion

Beneficiaries in our annual focus groups have expressed confusion about Medicare coverage options

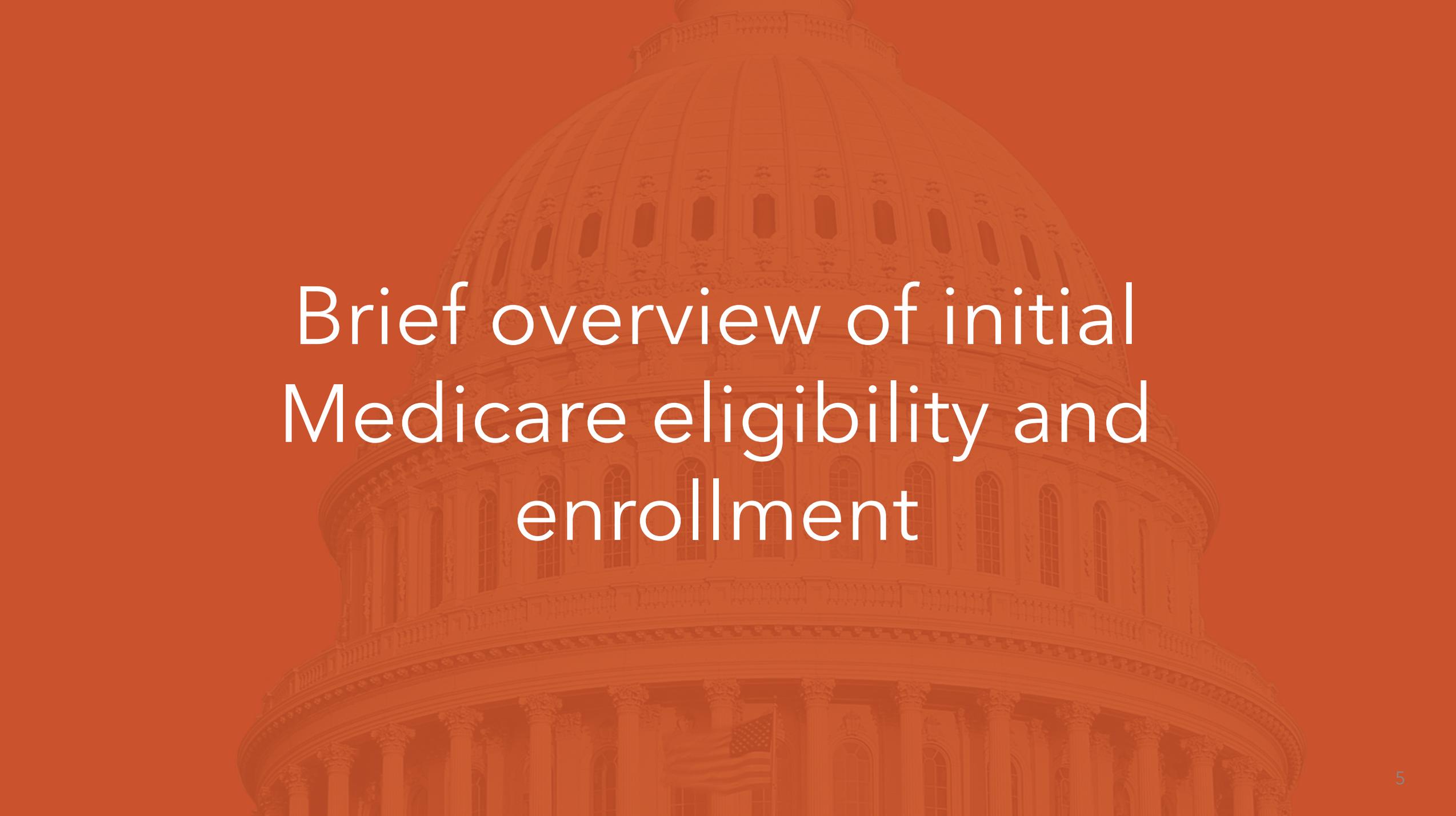
“When I turned 65, I hadn’t prepared myself to educate myself about these plans. As a matter of fact, I just went in thinking, Medicare, all this is going to be short. So . . . a Medicare agent came to my house and he kind of ran through it, and I’m not comprehending all this stuff. He’s just throwing all this information at you.”

Source: NORC at the University of Chicago. 2024. *Beneficiary and clinician perspectives on Medicare and other issues: Findings from 2024 focus groups in select states.*

Beneficiaries in our annual focus groups have expressed confusion about Medicare coverage options

“It was truly, truly confusing and I don’t understand how people who are real seniors and are beginning to lose touch—I don’t understand how they do it because it’s confusing for me, and I’m supposed to be relatively smart, I suppose.”

Source: NORC at the University of Chicago. 2025. *Beneficiary and clinician perspectives on Medicare and other issues: Findings from 2025 focus groups in St. Louis, Missouri, and 2021-2025 rural focus groups.*



Brief overview of initial Medicare eligibility and enrollment

Eligibility for Medicare

- Generally, Medicare is available for people 65 and older and for certain people under 65 who are eligible if they have a disability (including ALS) or ESRD
- Eligibility based on age means that, in general, at age 65, individuals are:
 - Entitled to Part A if they meet:
 - Certain citizenship and residency requirements
 - Work requirements (10 years)
 - Eligible to enroll in and pay a premium for:
 - Part B
 - Part D

Note: ALS (amyotrophic lateral sclerosis), ESRD (end-stage renal disease).

Medicare initial enrollment periods when turning 65 years old

Enrollment period	Description	Length of time
Initial enrollment period	First period for beneficiary to enroll in Part A, Part B, and Part D	7-month window around turning 65 (3 months before birth month, birth month, and 3 months post birth month)
MA initial coverage	First period to enroll in MA after initial Part A and Part B enrollment	Concurrent with the IEP, unless the individual does not enroll in Part B during the IEP, then the 3-month period before enrolling in Part A and Part B for the first time through the 2-month period after eligibility for MA or the end of the IEP, whichever is later
Part D initial coverage	If the IEP is missed, the period to enroll in Part D after initial Part A and/or Part B enrollment	Concurrent with the IEP, unless the individual does not enroll in Part A or Part B during the IEP, then the 6-month window around eligibility for Part D
Medigap open	First period to purchase a Medigap policy with guaranteed issue	6-month window beginning after the individual is 65 and is enrolled in Part B

Note: IEP (initial enrollment period), MA (Medicare Advantage). This chart does not include relevant time frames that may apply for individuals with ESRD or disabilities.
Source: CMS report to the Congress entitled, "Medicare Beneficiary Enrollment Simplification Required by Section 120 of Division CC, Title I, Subtitle B of the Consolidated Appropriations Act, 2021," 2024.

Some low-income beneficiaries receive help with premiums and cost sharing

- Dually eligible individuals qualify for assistance with:
 - Part A and Part B premiums and, in some cases, Medicare cost sharing
 - Part D premiums and cost sharing through the LIS
- Individuals qualifying for the Part D LIS are automatically enrolled in a prescription drug plan if they don't have one already

Note: LIS (low-income subsidy).



Notification and late-enrollment penalties

Many individuals are not notified about Medicare eligibility

	Notice	Automatic enrollment at age 65
Receiving OASDI benefits at least 4 months before age 65	Yes	Yes
Receiving or applied for OASDI benefits during the 3-month period before age 65	No	Yes
Other people at age 65	No	No

- The full retirement age for Social Security is no longer aligned with the Medicare eligibility age
 - Full retirement age = 67 years (for those born in 1960 or later)
- The share of 65-year-olds receiving Social Security has decreased
 - 2002: 92%
 - 2016: 60%

Note: OASDI (Old-Age, Survivors, and Disability Insurance). For simplicity, this presentation refers to Social Security and not other relevant programs, such as those administered by the Railroad Retirement Board.

Source: Social Security Administration, Program Operations Manual System, HI 00805.125. Medicare Payment Advisory Commission. 2019. Report to the Congress: Medicare and the health care delivery system.

Estimated late-enrollment penalties, 2026

	Duration	Share of beneficiaries paying penalty	Average monthly penalty amount
Part A	Twice the number of uncovered years	~0.05%	~\$45
Part B	Lifelong	~1.3%	~\$54
Part D	Lifelong	~5%	~\$15

Note: The “share of beneficiaries paying penalty” was estimated based on 2021 data.

Source: Congressional Research Service. 2023. Medicare Part B: Enrollment and Premiums; Komisar, H., and K. Lind. 2024. Millions of people pay Medicare late enrollment penalties for life after missing key deadlines; MedPAC analysis of Part D late-enrollment data.

Example: Late enrollment penalty for Part B, but not Part D, applies due to retiree health insurance coverage

Individual born on June 3, 1955, has not applied for Social Security benefits and will not be notified of upcoming Medicare eligibility 3 months before turning 65

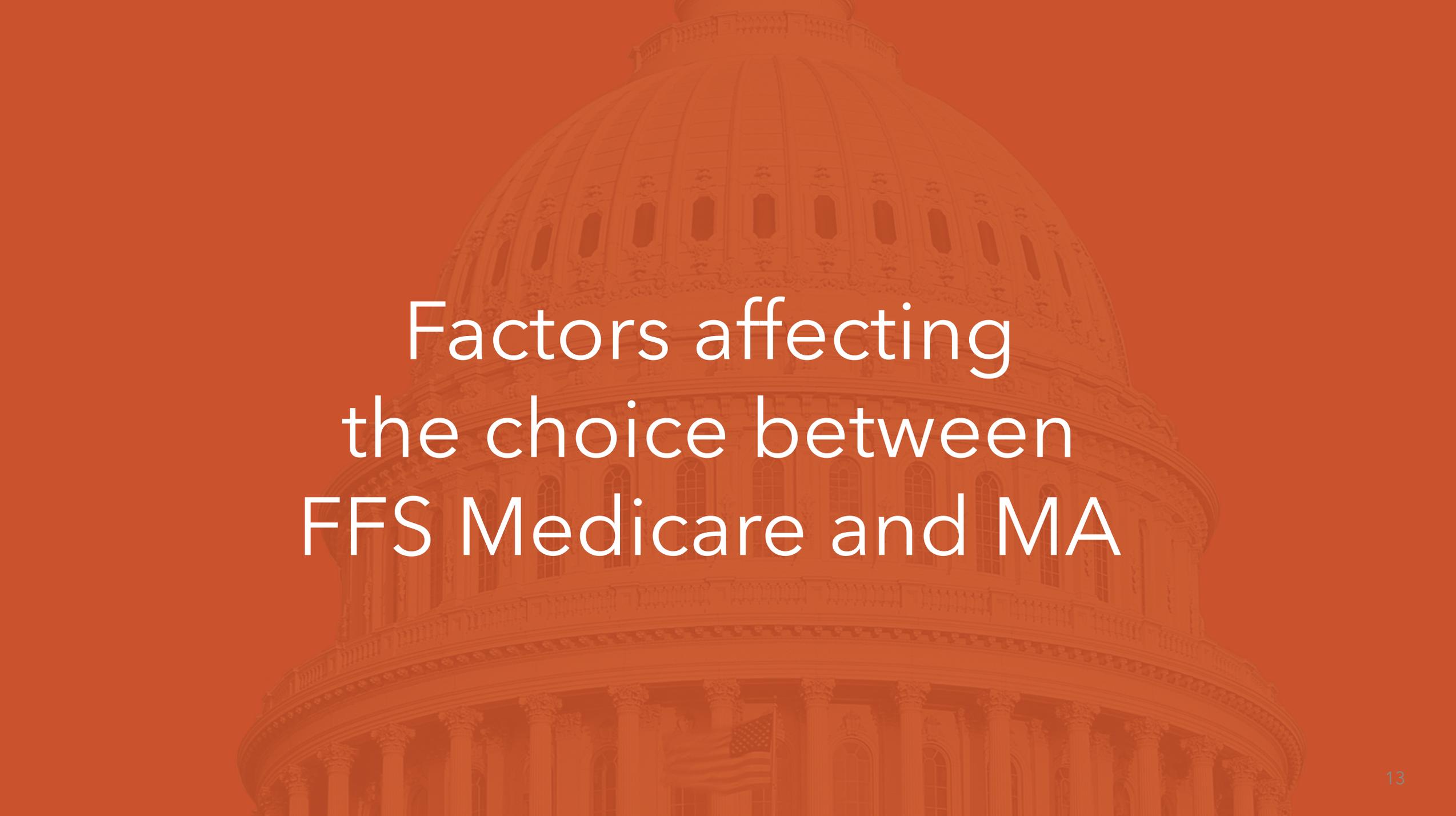
Applies for Part A in time for enrollment at age 65 (June 3, 2020), but not Part B or Part D because they have retiree health insurance coverage

Applies for Part B and Part D on December 3, 2022

Part B: Subject to Part B late enrollment penalty because the retiree coverage is not sufficient for Part B

Part D: Not subject to Part D late enrollment penalty because the retiree coverage is considered creditable coverage, unless a SEP applies

Note: SEP (special enrollment period).



Factors affecting the choice between FFS Medicare and MA

Beneficiaries must make several complex decisions about their coverage

FFS Medicare

- Can add Medigap to help cover cost sharing
 - 10 standardized plan types; numerous insurers offer each plan type
- Can add Part D prescription drug coverage
 - On average, 11 stand-alone PDPs in their region with differing formularies and benefit structures

Medicare Advantage (MA)

- Plans vary on cost sharing, supplemental benefits, provider networks
- Most plans offer prescription drug coverage
- On average have 39 MA plans (offered by an average of 8 insurers) available in their area

Note: FFS (fee-for-service), PDP (prescription drug plan), MA (Medicare Advantage).
Source: MedPAC's March 2026 report to the Congress.

Choosing between FFS Medicare and MA

- Factors that affect decisions
 - Financial protection
 - Access to care
 - Extra benefits
- Beneficiaries weigh these factors considering both current health needs and future health needs (which may not be evident at initial enrollment)

Note: FFS (fee-for-service), MA (Medicare Advantage).

Choosing Medicare coverage: Financial protection

- FFS Medicare
 - Premiums for additional coverage average about \$200/month for a Medigap policy and \$44/month for a PDP
 - Medigap policies cover most cost sharing
- MA
 - Most plans offer reduced premiums and cost sharing
 - Maximum out-of-pocket limit, which varies by plan
- Most dually eligible beneficiaries have minimal out-of-pocket costs under either option

Note: FFS (fee-for-service), PDP (prescription drug plan), MA (Medicare Advantage).

Choosing Medicare coverage: Access to care

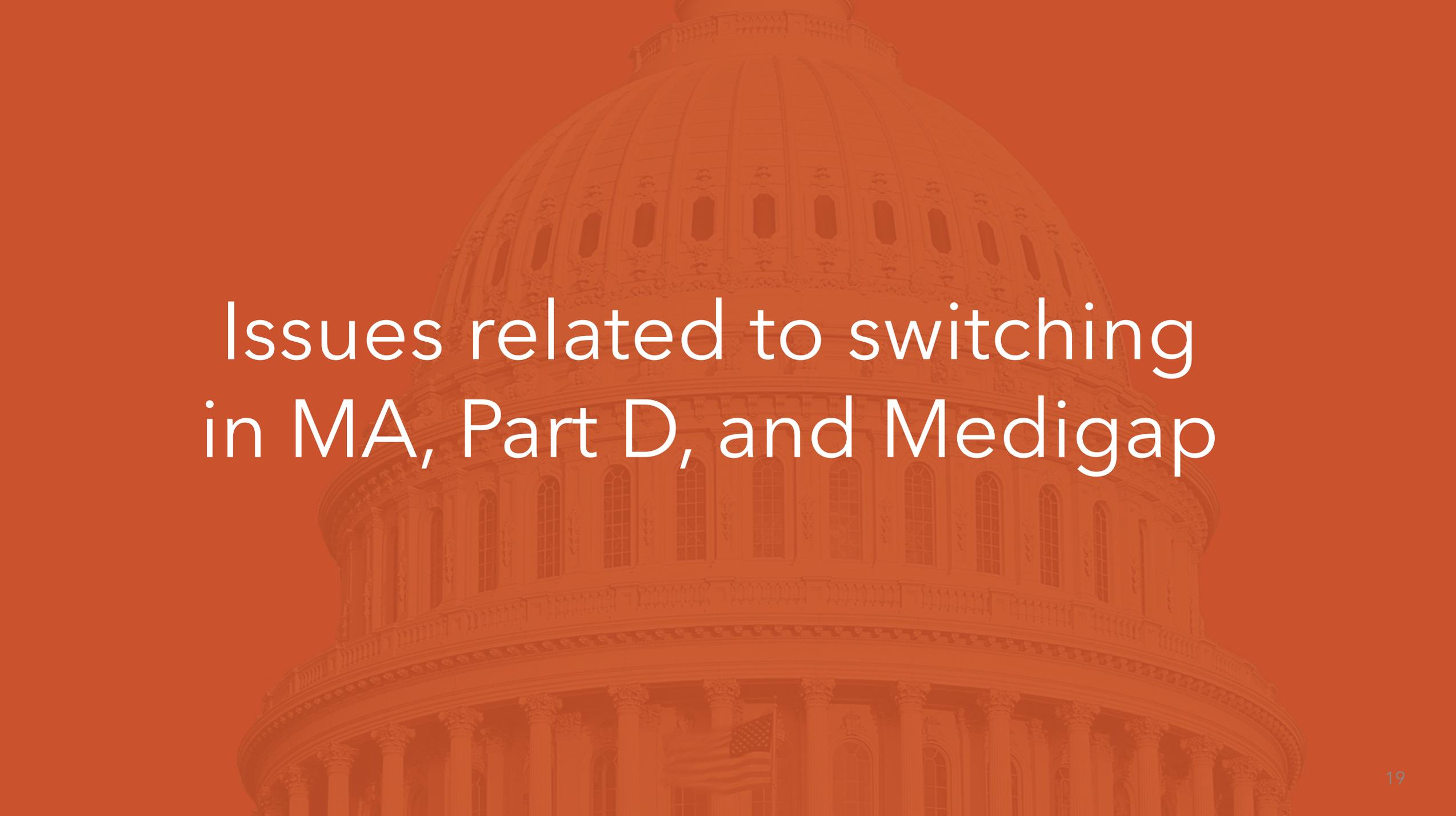
- FFS: Broader access to providers; limited utilization management; providers have less incentive to coordinate care
- MA: Must use in-network providers or pay more; may require prior authorization for coverage; opportunity for coordinated and managed care
- Full impact of choice may not be apparent at first, particularly for healthy beneficiaries

Note: FFS (fee-for-service), MA (Medicare Advantage).

Choosing Medicare coverage: Extra benefits

- MA plans typically offer a variety of extra benefits that FFS does not cover
 - Nearly all plans have some dental, vision, and hearing benefits
 - Increasing coverage of non-medical benefits and use of “flex cards”
- Plans can limit their coverage in some circumstances and impose cost sharing
- Can be challenging for beneficiaries to understand and compare each plan’s package of benefits

Note: FFS (fee-for-service), MA (Medicare Advantage).
Source: MedPAC’s June 2024 report to the Congress.



Issues related to switching in MA, Part D, and Medigap

Beneficiaries may want to change their coverage for a variety of reasons

- Changes in personal circumstances
 - New diagnosis or health-related event
 - Financial situation
 - Preferences for how they receive health care
- Changes in their current coverage
 - Premiums or cost sharing
 - Provider network
 - Utilization management policies
 - Drug formulary
 - Attractiveness of extra benefits

Medicare has features that make it hard to switch

- Limited open enrollment periods (Medigap, MA, Part D)
 - Special enrollment periods allow some plan switching at other times
 - Medical underwriting (Medigap)
- These features aim to prevent / reduce adverse selection
- The lack of an out-of-pocket maximum in FFS may make it hard for some beneficiaries to switch from MA to FFS

Note: FFS (fee-for-service), MA (Medicare Advantage).

Enrollment periods when Medicare beneficiaries can change their coverage

Enrollment period	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Annual Annual period for all enrollees to join, switch, or drop MA or PDPs										Oct. 15–Dec. 7		
General After missing the IEP, the next period to enroll in Part A* or Part B	Jan. 1–March 31											
MA Open Annual period for MA enrollees to switch or drop MA or PDPs	Jan. 1–March 31											
Special enrollment All programs have federal special enrollment periods and Medigap may have additional state special enrollment periods	Varies depending on individual circumstances											

Note: MA (Medicare Advantage), PDP (prescription drug plan), IEP (initial enrollment period). This figure does not include relevant time frames that may apply for individuals with ESRD or disabilities.

* The general enrollment period for Part A applies to beneficiaries who pay a Part A premium.

Source: CMS report to the Congress entitled, "Medicare Beneficiary Enrollment Simplification Required by Section 120 of Division CC, Title I, Subtitle B of the Consolidated Appropriations Act, 2021."

Some common special enrollment periods

- MA and Part D
 - Beneficiary gains or loses other health coverage (e.g., Medicaid, employer coverage)
 - Plan leaves market or reduces its service area
 - Beneficiary moves out of plan's service area
- Medigap (with guaranteed issue and no underwriting)
 - "Trial right" periods for people enrolled in MA for less than 12 months
 - MA plan leaves market or reduces its service area
 - Beneficiary moves out of MA plan's service area

Note: MA (Medicare Advantage).



Summary

Beneficiaries face complex Medicare enrollment decisions

- If not receiving Social Security at age 65, a beneficiary will not be automatically enrolled in Medicare or notified of eligibility and will need to take action to enroll
- Initial enrollment decisions may have lifetime consequences of late enrollment penalties or an inability to obtain an affordable Medigap plan
- Choosing between MA and FFS involves weighing factors of financial protection, access, and extra benefits
- Medicare has features that make it harder to switch between MA and FFS after initial enrollment

Note: MA (Medicare Advantage), FFS (fee-for-service).

Discussion

- Questions?
- Feedback on materials?

- Next month: Sources of information available to beneficiaries including Plan Finder tool, insurance agents, and SHIPs
- Expected informational chapter in MedPAC's June 2026 report to the Congress

- **Note:** SHIP (State Health Insurance Program).



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