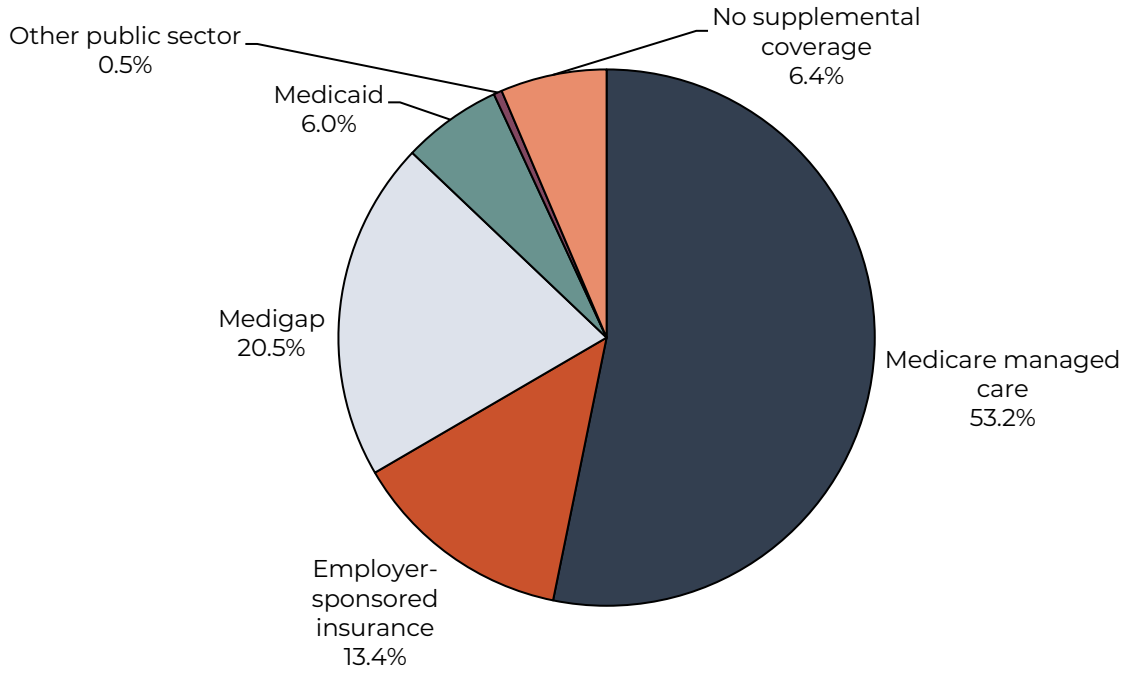
SECTION

3

Medicare beneficiaries' supplemental coverage and financial liability

Chart 3-1 Sources of supplemental coverage among Medicare beneficiaries, 2023



Note: We assigned beneficiaries to the supplemental-coverage category in which they spent the most time in 2023. They could have had coverage in other categories during 2023. "Other public sector" includes federal and state programs not included in other categories. This analysis excludes beneficiaries who were not in Part A and Part B throughout their Medicare enrollment in 2023 or who had Medicare as a secondary payer. The number of beneficiaries represented in this chart is 56 million. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of CMS's Medicare Current Beneficiary Survey, 2023.

> Most beneficiaries have coverage that supplements or replaces the Medicare benefit package. In 2023, about 94 percent of beneficiaries had supplemental coverage or participated in Medicare managed care.

> Fifty-three percent of beneficiaries participated in Medicare managed care, which includes Medicare Advantage, health care prepayment, and cost plans. That total includes beneficiaries who were enrolled in both Medicare managed care and Medicaid. These types of arrangements generally replace Medicare's FFS coverage and often provide more coverage.

> The remaining roughly 47 percent of Medicare beneficiaries were enrolled in Medicare's fee-for-service (FFS) program. About 34 percent of beneficiaries were enrolled in FFS Medicare and had private sector supplemental coverage such as Medigap (about 21 percent) or employer-sponsored retiree coverage (about 13 percent). Beneficiaries in the Medigap category either had Medigap coverage exclusively or had both Medigap and employer-sponsored coverage. Beneficiaries in the "employer-sponsored insurance" category had employer-sponsored retiree coverage as their only source of supplemental insurance.

> About 7 percent of beneficiaries were enrolled in the FFS program and had public sector supplemental coverage, primarily Medicaid.

> The numbers in this chart differ from those in Chart 2-5, Chart 4-1, and Chart 4-4 because of differences in the populations represented in the charts. This chart excludes beneficiaries who were not in Part A and Part B throughout their Medicare enrollment in 2023 or who had Medicare as a secondary payer, and Chart 4-1 excludes beneficiaries in Medicare Advantage.

Chart 3-2 Sources of supplemental coverage among Medicare beneficiaries, by beneficiaries' characteristics, 2023

	Number of beneficiaries (thousands)	Employer-sponsored insurance	Medigap insurance	Medicaid	Medicare managed care	Other public sector	Medicare only
All beneficiaries	56,027	13%	21%	6%	53%	1%	6%
Age							
<65	6,205	4	3	25	61	0	7
65–69	11,907	11	22	5	56	0	7
70–74	13,981	14	25	3	52	0	7
75–79	10,907	16	23	3	51	1	6
80–84	7,006	17	23	3	51	1	5
85+	6,021	16	21	6	48	2	7
Income-to-poverty ratio							
≤1.00	8,347	2	4	23	67	0	5
1.00 to 1.25	3,895	3	10	15	67	0	5
1.25 to 2.00	10,441	5	17	7	63	1	8
2.00 to 4.00	15,032	14	25	1	52	1	8
>4.00	18,311	25	29	0	40	0	6
Eligibility status							
Aged	49,550	15	23	3	52	1	6
Disabled	5,977	4	3	25	61	0	7
ESRD	501	7	11	25	52	0	4
Residence							
Urban	46,425	13	20	6	55	1	6
Rural	9,602	14	23	8	46	1	9
Sex							
Male	25,090	14	21	6	51	0	8
Female	30,937	13	21	6	55	1	5
Health status							
Excellent/ very good	27,520	16	25	3	50	0	6
Good/fair	24,617	11	18	7	57	0	6
Poor	2,595	8	12	15	59	0	6

Note: ESRD (end-stage renal disease). We assigned beneficiaries to the supplemental-coverage category in which they spent the most time in 2023. They could have had coverage in other categories during that year. "Medicare managed care" includes Medicare Advantage, cost, and health care prepayment plans. "Other public sector" includes federal and state programs not included in other categories. "Urban" indicates beneficiaries living in metropolitan statistical areas (MSAs), as defined by the Office of Management and Budget. "Rural" indicates beneficiaries living outside MSAs. Analysis excludes beneficiaries who were not in Part A and Part B throughout their Medicare enrollment in 2023 or who had Medicare as a secondary payer. The number of beneficiaries in the "Age" and "Sex" groupings do not sum to the totals because of rounding. The number of beneficiaries in the "Health status" grouping is less than the total because some beneficiaries had missing values. Numbers in some rows do not sum to 100 percent because of rounding. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of CMS's Medicare Current Beneficiary Survey, 2023.

> Beneficiaries most likely to have employer-sponsored supplemental coverage are those who are ages 65 and older, have income above twice the poverty level, and report better than poor health.

> Medigap is the most common source of supplemental coverage for beneficiaries without Medicare managed care among those who are ages 65 and older, have income higher than 1.25 times the poverty level, are eligible because of age, are rural dwelling, and report better than poor health.

> Medicaid coverage is most common among those who are under age 65, have income lower than 1.25 times the poverty level, are eligible because of disability or ESRD, are rural dwelling, and report poor health.

> Lack of supplemental coverage (i.e., Medicare coverage only) is most common among beneficiaries who have income higher than 1.25 times the poverty level, are eligible because of disability, and are rural dwelling.

Chart 3-3 Covered benefits and enrollment in standardized Medigap plans, 2025

	Medigap standardized plan type											
						High deductible						
Benefit	A	B	C*	D	F*	F	G	G	K	L	M	N
Part A hospital costs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Part B cost sharing	✓	✓	✓	✓	✓	✓	✓	✓	50%	75%	✓	$20/ $50
Blood (first 3 pints)	✓	✓	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Hospice cost sharing	✓	✓	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
SNF coinsurance			✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Part A deductible		✓	✓	✓	✓	✓	✓	✓	50%	75%	50 %	✓
Part B deductible			✓		✓	✓						
Part B excess charges					✓	✓	✓	✓				
Foreign travel emergency			✓	✓	✓	✓	✓	✓			✓	✓
Lives covered (in thousands)	54	101	283	86	4,005	180	70	6,308	52	23	0.6	1,544

Note: SNF (skilled nursing facility). Three states (Massachusetts, Minnesota, and Wisconsin) have different plan types and are not included in this chart. The second column of Plan F and the first column of Plan G are high-deductible versions of those respective plans. The ✓ indicates that the plan covers all cost sharing for that benefit. Percentages indicate that the plan covers that share of the total cost sharing. The "$20/$50" indicates that the plan covers all but $20 for physician office visits and all but $50 for emergency room visits.
* Beginning in 2020, new policies for Plan C or Plan F can no longer be sold, except to beneficiaries who turned 65 before 2020. However, beneficiaries who purchased C plans or F plans before 2020 will be able to continue to purchase those plans.

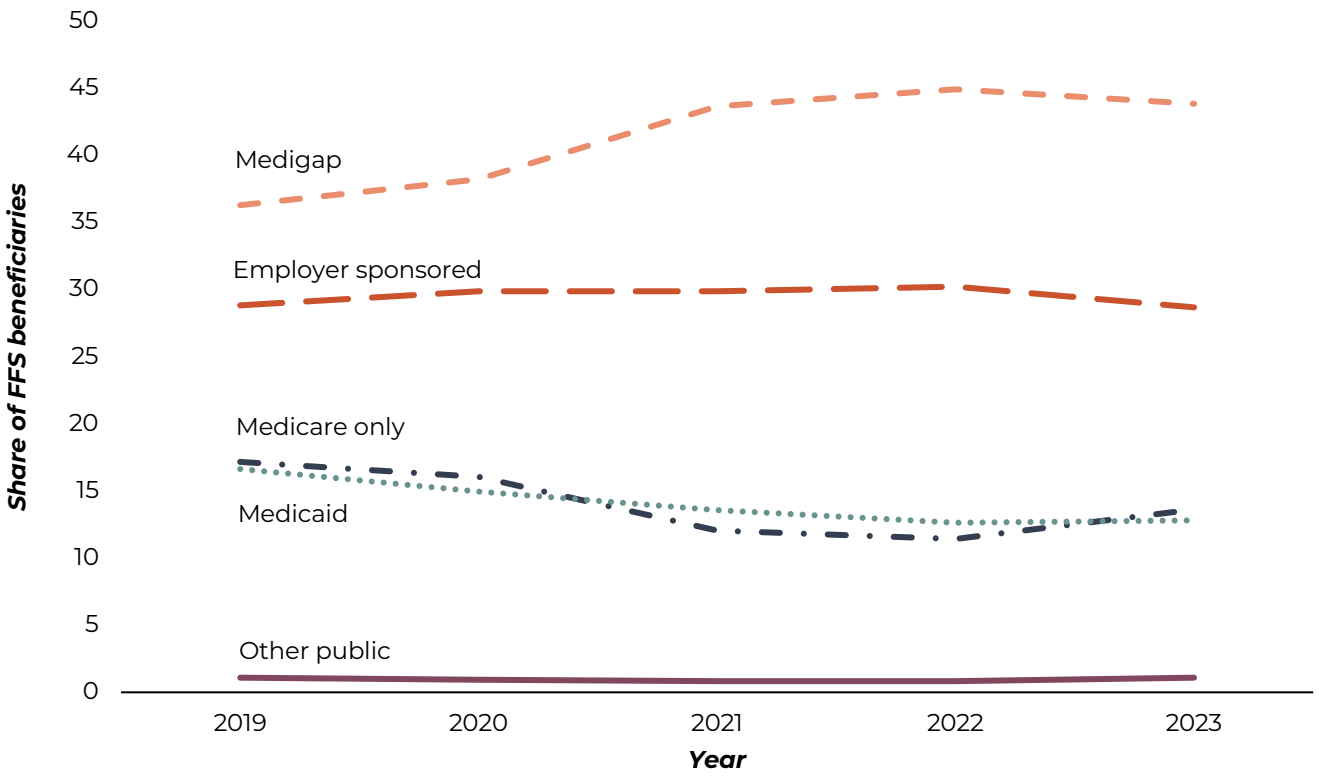
Source: MedPAC analysis of National Association of Insurance Commissioners data, 2025.

> Medicare beneficiaries often purchase Medigap plans, also known as Medicare supplementary insurance plans, to cover fee-for-service Medicare cost sharing. The Medicare statute specifies 12 standardized plans. States enforce the standards based on model regulations developed by the National Association of Insurance Commissioners. Three states (Massachusetts, Minnesota, and Wisconsin) have waivers from these standards and have different standard plan types not included in this chart.

> The non-high-deductible version of Plan G, which covers all Medicare cost sharing except the Part B deductible, is the most popular plan, with 6.3 million enrollees. In previous years, the non-high-deductible version of Plan F had been the most popular. The Medicare statute prohibits the sale of new Plan F policies for beneficiaries turning 65 on or after January 1, 2020. As a result, beneficiaries have been selecting plan types that do not cover the Part B deductible, such as G and N plans.

> During 2025, 12.7 million beneficiaries enrolled in Medigap plans (including those in Massachusetts, Minnesota, and Wisconsin) (data not shown). Chart 3-2 indicates that about 11.5 million beneficiaries had Medigap coverage (20.5 percent of the 56 million beneficiaries included in that chart). The variance in Medigap enrollment between Chart 3-2 and Chart 3-3 is due to different data sources and different years evaluated (Chart 3-2 is based on 2023 data, while Chart 3-3 is based on 2025 data).

Chart 3-4 The share of FFS beneficiaries who had Medigap coverage increased, while the share who had Medicaid or had only Medicare coverage decreased, 2019–2023



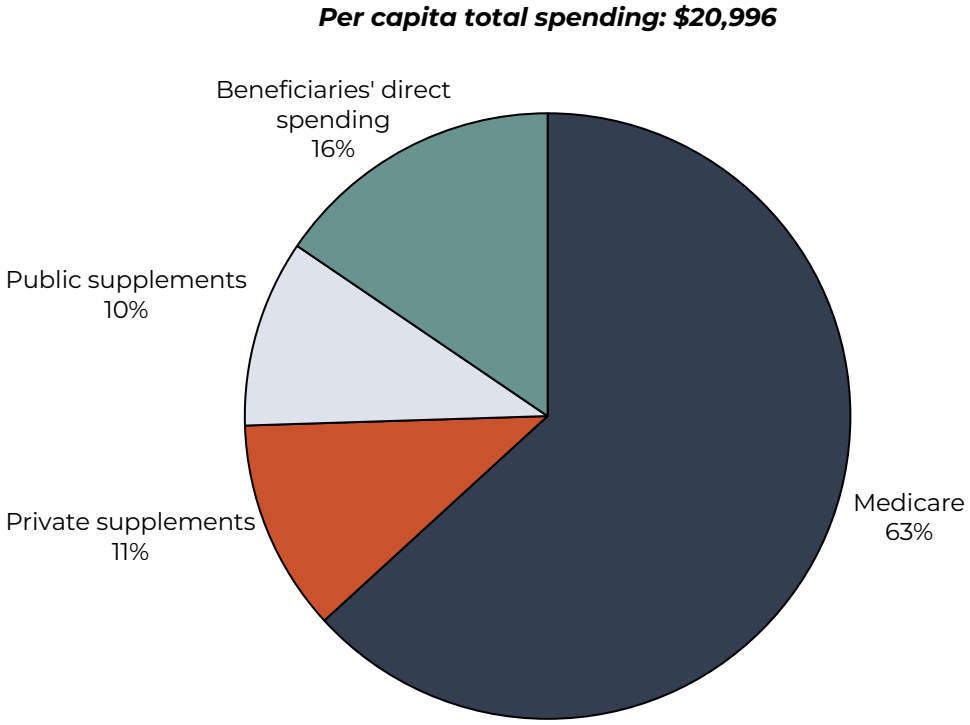
Note: FFS (fee-for-service). We assigned beneficiaries to the supplemental-coverage category in which they spent the most time. They could have had coverage in other categories during that year. "Other public" includes federal and state programs not included in other categories. This analysis excludes beneficiaries who were not in Part A and Part B throughout their Medicare enrollment or who had Medicare as a secondary payer. It also excludes beneficiaries in Medicare Advantage. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of CMS's Medicare Current Beneficiary Survey, 2023.

> From 2019 to 2023, the share of FFS beneficiaries who had Medigap supplemental coverage rose from 36 percent to 44 percent. Over the same period, the share who had Medicaid coverage decreased from 17 percent to 13 percent, and the share who had no supplemental coverage ("Medicare only") dropped from 17 percent to 14 percent. The share with employer-sponsored supplemental coverage stayed nearly constant at around 30 percent.

> These trends in FFS supplemental coverage could be due in part to beneficiaries with Medicaid coverage or no supplemental coverage opting to enroll in Medicare Advantage over FFS Medicare, while those who have Medigap coverage might choose to stay in FFS Medicare.

Chart 3-5 Total spending on health care services for FFS Medicare beneficiaries, by source of payment, 2023



Note: FFS (fee-for-service). "Per capita total spending" includes both health care services covered by Medicare (including hospital and physician care and prescription drugs) and services not covered by Medicare (such as dental care and over-the-counter medications). "Private supplements" includes employer-sponsored plans and individually purchased coverage. "Public supplements" includes Medicaid, Department of Veterans Affairs, and other public coverage. "Beneficiaries' direct spending" includes Medicare cost sharing and spending on noncovered services but not supplemental premiums. Analysis excludes beneficiaries who are not in FFS Medicare. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of CMS's Medicare Current Beneficiary Survey, 2023.

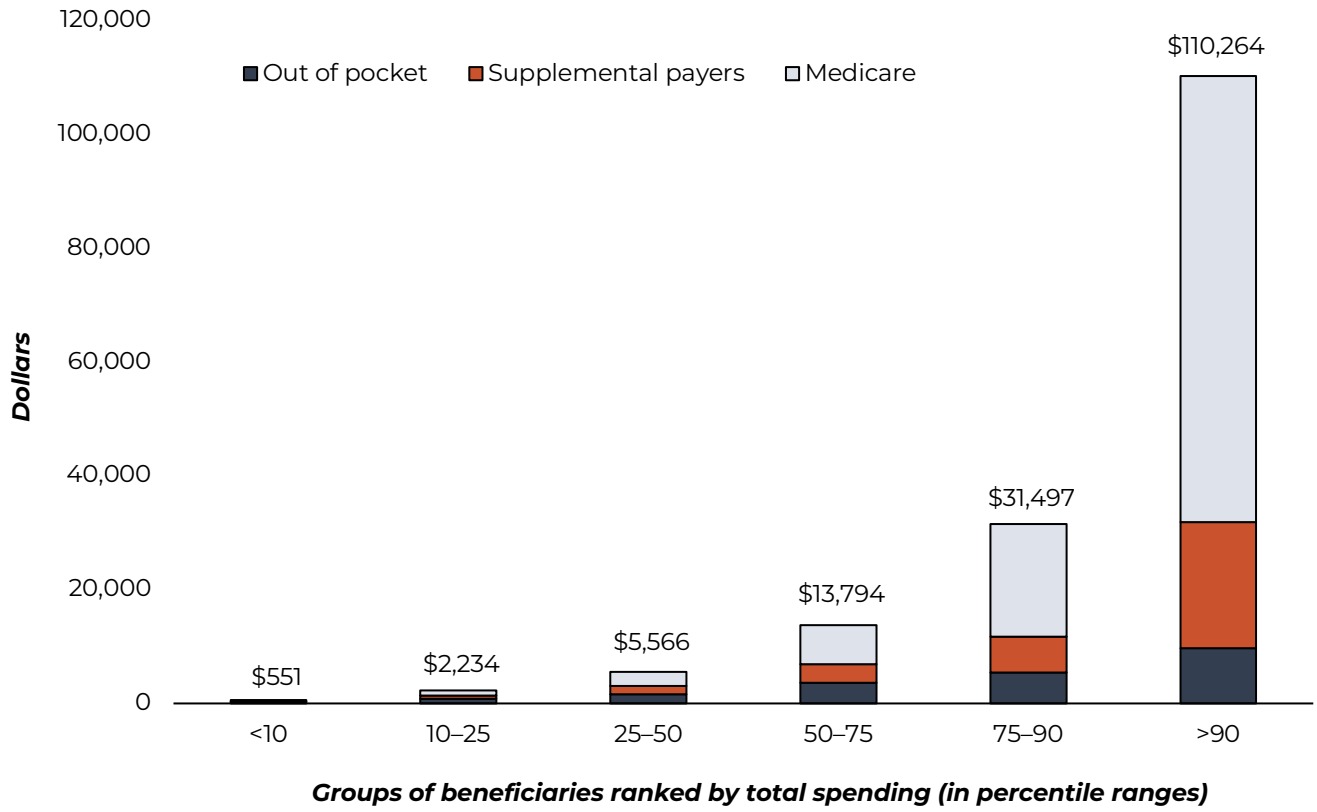
> Among FFS beneficiaries, the total cost of health care services (beneficiaries' direct spending as well as expenditures by Medicare, other public sector sources, and all private sector sources on all health care goods and services) averaged about $21,000 in 2023. That total includes both health care services covered by Medicare (including hospital and physician care and prescription drugs) and services not covered by Medicare (such as dental care and over-the-counter medications). Medicare was the largest source of payment: It paid 63 percent of the health care costs for FFS beneficiaries, an average of $13,268 per beneficiary.

> Private sources of supplemental coverage—primarily employer-sponsored retiree coverage and Medigap—paid about 11 percent of beneficiaries' costs, an average of $2,374 per beneficiary.

> Public sources of supplemental coverage—primarily Medicaid—paid about 10 percent of beneficiaries' health care costs, an average of $2,103 per beneficiary.

> Beneficiaries paid about 16 percent of their health care costs (not including supplemental insurance premiums) out of pocket, an average of $3,250 per beneficiary.

Chart 3-6 Distribution of per capita total spending on health care services among FFS beneficiaries, by source of payment, 2023



Note: FFS (fee-for-service). Analysis excludes beneficiaries who are not in FFS Medicare. "Out of pocket" spending includes cost sharing for Medicare-covered services and spending on noncovered services but not premium payments for supplemental coverage. "Supplemental payers" spending includes both public and private forms of supplemental-coverage spending such as employer-sponsored plans, individually purchased coverage, Medicaid, Department of Veterans Affairs, and other forms of public coverage. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of CMS's Medicare Current Beneficiary Survey, 2023.

> Total spending on health care services varied dramatically among FFS beneficiaries in 2023. Per capita spending for the 10 percent of beneficiaries with the highest total spending averaged $110,264. Per capita spending for the 10 percent of beneficiaries with the lowest total spending averaged $551.

> Among FFS beneficiaries, Medicare paid a larger share, and beneficiaries' out-of-pocket spending was a smaller share, as total spending increased. For example, Medicare paid 50 percent of total spending for beneficiaries in the 50th percentile to 75th percentile of total spending on health care services, while beneficiaries' out-of-pocket spending amounted to 26 percent of total spending for this group. Among FFS beneficiaries in the 90th percentile of total spending on health care services, Medicare paid for 71 percent of total spending, while out-of-pocket spending amounted to only 9 percent of total spending for this group.

Chart 3-7 Medicare Part A and Part B benefits and cost sharing per FFS beneficiary, 2022

	Average benefit (in dollars)	Average cost sharing (in dollars)
Part A	$5,330	$425
Part B	7,036	1,725

Note: FFS (fee-for-service). "Average benefit" represents amounts paid for covered services per FFS beneficiary and excludes administrative expenses. "Average cost sharing" represents the sum of deductibles, coinsurance, and balance billing paid for covered services per FFS beneficiary and excludes premiums.

Source: CMS, "Medicare Part A and Part B Summary Utilization, Program Payments, and Cost Sharing for All Original Medicare Beneficiaries, by Type of Coverage and Type of Service, Calendar Years 2018–2023," https://data.cms.gov/summary-statistics-on-use-and-payments/medicare-service-type-reports/cms-program-statistics-medicare-part-a-part-b-all-types-of-service.

> In 2022, the Medicare program paid $5,330 for Part A benefits and $7,036 for Part B benefits, on average, per FFS beneficiary.

> FFS beneficiaries in 2022 owed an average of $425 in cost sharing for Part A services (such as an inpatient hospital stay) and $1,725 in cost sharing for Part B services (such as clinician services provided in any setting, including in hospitals). ("Cost sharing" in this chart does not include premiums.)

> To help cover cost-sharing obligations, 94 percent of beneficiaries had coverage that supplemented or replaced the Medicare benefit package in 2023, such as Medicare Advantage, Medigap coverage, supplemental coverage through a former employer, or Medicaid (data not shown; see Chart 3-1).

> This chart includes only Medicare-covered services; Chart 3-5 and Chart 3-6 include both Medicare-covered services and services not covered under FFS Medicare.

Chart 3-8 Distribution of cost-sharing liability for Part A and Part B services among FFS beneficiaries, 2023

Cost-sharing liability per beneficiary	Beneficiaries		Cost-sharing liability		
	Number (millions)	Share	Average liability per beneficiary	Aggregate liability (billions)	Share
$0	2.3	8%	$0	$0	0%
$1 to $500	7.6	27	307	2.3	4
$501 to $1,000	5.5	19	719	3.9	6
$1,001 to $2,000	4.5	16	1,412	6.4	10
$2,001 to $5,000	5.4	19	3,184	17.1	27
$5,001 or more	3.0	11	11,232	34.1	53
Total	28.4	100	2,252	63.9	100

Note: FFS (fee-for-service). Figures are based on beneficiaries who had Part A and Part B coverage and were not enrolled in a Medicare Advantage or other Medicare health plan at any point during the year. Most beneficiaries have some type of supplemental coverage that covers some or all of their cost-sharing liability. Components may not sum to totals due to rounding.

Source: MedPAC analysis of CMS's Medicare Beneficiary Summary File, 2023.

> FFS beneficiaries are required to pay cost sharing for most Part A and Part B services. In 2023, the average cost-sharing liability per beneficiary was $2,252 and the aggregate cost-sharing liability for all FFS beneficiaries was $63.9 billion.

> Over half of beneficiaries (54 percent) had $1,000 or less in cost-sharing liability, while 11 percent had more than $5,000 in cost-sharing liability.

> Beneficiaries who had more than $5,000 in liability accounted for 53 percent ($34.1 billion) of the aggregate cost-sharing liability. That figure is based on their entire cost-sharing liability, which averaged $11,232 per beneficiary. The portion of their cost-sharing liability that exceeded $5,000, which averaged $6,232 per beneficiary, accounted for 30 percent ($18.9 billion) of the aggregate cost-sharing liability (data not shown).

> Most FFS beneficiaries have some type of supplemental coverage that covers some or all of their cost-sharing liability, so beneficiaries' out-of-pocket spending will typically be lower than the figures shown here (see Chart 3-1 and Chart 3-9).

Chart 3-9 Share of FFS beneficiaries with and without supplemental coverage and average out-of-pocket spending for Part A and Part B services, 2023

Cost-sharing liability per beneficiary	Beneficiaries with supplemental coverage		Beneficiaries without supplemental coverage	
	Share	Average out-of-pocket spending per beneficiary	Share	Average out-of-pocket spending per beneficiary
$0	63%	$0	37%	$0
$1 to $500	83	88	17	131
$501 to $1,000	87	182	13	384
$1,001 to $2,000	89	366	11	737
$2,001 to $5,000	91	817	9	1,868
$5,001 or more	92	2,388	8	5,883
Total	87	653	13	1,041

Note: FFS (fee-for-service). Figures are based on beneficiaries who had Part A and Part B coverage and were not enrolled in a Medicare Advantage or other Medicare health plan at any point during the year. "Out-of-pocket" spending is limited to cost sharing for Part A and Part B services and does not include Medicare premiums or premiums for supplemental coverage. "Supplemental coverage" includes both public and private forms of coverage such as employer-sponsored plans, individually purchased coverage, Medicaid, Department of Veterans Affairs, and other forms of public coverage. The Medicare Current Beneficiary Survey is collected from a sample of Medicare beneficiaries; year-to-year variation in some reported data is expected.

Source: MedPAC analysis of CMS's Medicare Current Beneficiary Survey, 2023.

> As shown in Chart 3-4, the vast majority of FFS beneficiaries have some form of supplemental coverage. Beneficiaries with no cost-sharing liability for Part A and Part B services were more likely to have no supplemental coverage than those with cost-sharing liability (37 percent vs. roughly 10 percent to 15 percent).

> Beneficiaries with supplemental coverage had lower out-of-pocket spending, on average, than those without supplemental coverage ($653 versus $1,041). Those figures do not include spending on Medicare premiums or premiums for supplemental coverage.

> Among beneficiaries with more than $5,000 in cost-sharing liability, the average out-of-pocket spending for those with supplemental coverage was less than half of the average amount for those without supplemental coverage ($2,388 versus $5,883).