



Medicare Curious: Session 1

Medicare and Medicare Advantage

March 4, 2026

California Health Policy Strategies, LLC



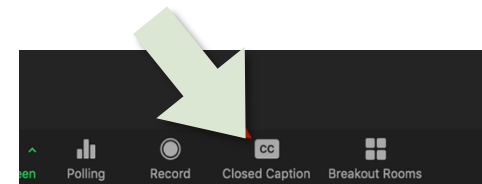
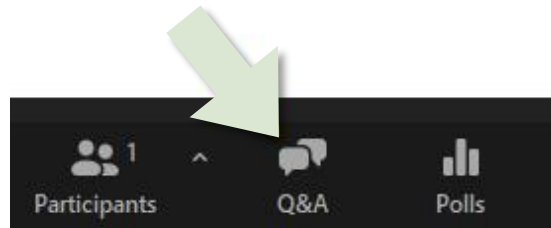


Mission |

To improve health and social care for all older adults in California

Housekeeping

- We are recording
- Closed captioning is on; click the button at the bottom of your screen
- Please use the Q&A button at the bottom of your screen to submit questions



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Introductions



Caroline Davis

Former Senior Policy Director,
Local Health Plans of California



Jane Ogle

Former Deputy Director for
Healthcare Delivery Systems,
California Department of Health Care Services

Medicare 101

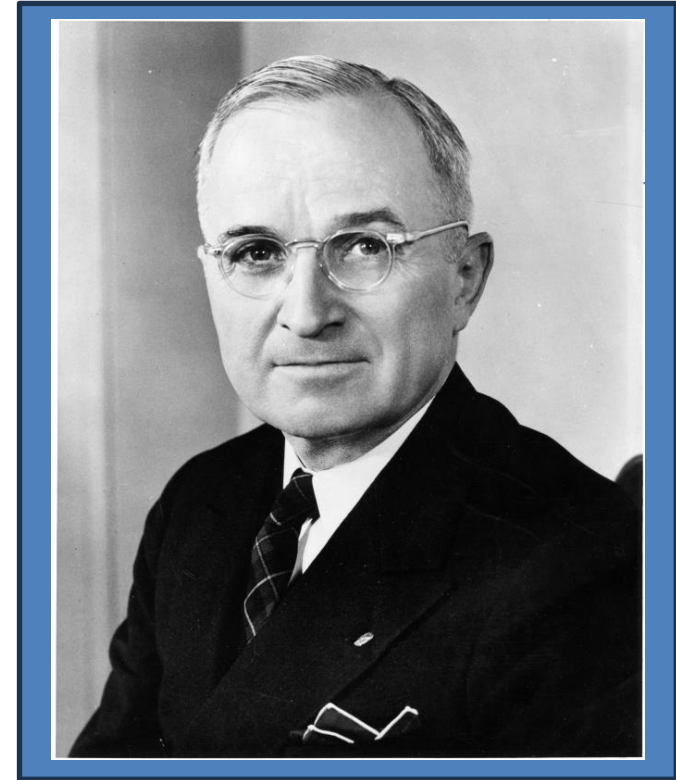
From Truman to Trump



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Harry S. Truman

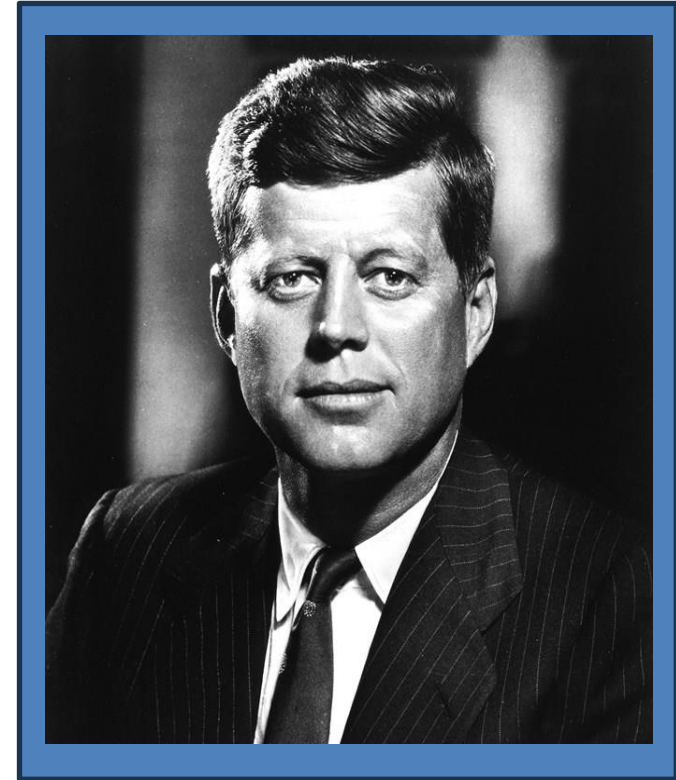
- In 1945, Truman proposed the first universal health care plan
 - Truman's proposed plan was much like the Canadian system
- The American Medical Association (AMA) fiercely opposed it, calling it "Socialized Medicine"
 - ABA did too
- Ultimately, Republicans beat it back



John F. Kennedy

- In 1963, Kennedy had a broad social agenda, which included:
 - Health care;
 - Voting rights; and
 - Civil rights

HOWEVER



Lyndon B. Johnson

- President Johnson's Great Society program was a series of initiatives targeted at reducing poverty and addressing racial injustice.
- The Great Society included the following:
 1. Medicare (1965)
 2. Medicaid (1965)
 3. Voting rights (1965)
 4. Civil rights (1964)
 5. Anti-poverty programs (1964-1965)
 6. Education/Head Start (1965, 1968)
 7. Food stamps (1964)
 8. Student loans (1965)



Why Medicare?

- Prior to the creation and implementation of Medicare, 30% of the elderly lived in poverty
 - Many elderly people were losing their homes
- The demographic was growing and included almost 10% of the population
- They were unable to buy health insurance
 - At the same time, hospital costs were rapidly rising
- Original conceived as “sick insurance” and covered inpatient, outpatient and post-acute care services



Medicare Eligibility

- Medicare is based on the idea that an individual must be “deserving” of coverage
- Individuals pay into the program via the FICA deduction from their pay checks. They also share in the costs of the program once eligible.
- To be eligible for Medicare, you must:
 - Be age 65 or older and have worked for 40 quarters (10 years);
 - Be age 65 or older and your spouse has worked for 40 quarters;
 - Be younger than age 65 and disabled; **or**
 - Have end-stage renal disease (ESRD) or amyotrophic lateral sclerosis (ALS, or Lou Gehrig’s Disease)



Some Medicare Terminology

- **Part A:** Covers inpatient hospital; skilled nursing faculty care; some home health; hospice. No premium if beneficiary meets “40 quarters” requirement.
- **Part B:** Covers physician services; outpatient care; home health; preventive services; durable medical care. Premium required.
- **Part C:** Medicare managed care. Combines Part A, Part B and (usually) Part D.
- **Part D:** Covers prescription drugs. Premium required.



Changes to Medicare

Initially covers
inpatient/post-acute care
(Part A) and outpatient and
physician services (Part B)

1965

1972

Expanded to include people
who are disabled, regardless
of age and patients with
ESRD

Added Medicare managed
care delivery system
(Part C)

1997

Added prescription drug
benefit
(Part D)

2003



Medicare Today



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Enrolling in Medicare

- Individuals must enroll in Medicare when they become eligible
- If you are over 65, disabled, or have ESRD or ALS:
 - **Part A:** Enrollment is automatic
 - **Part B:** Must enroll
 - Deduction from Social Security check
 - Income dependent
 - Penalty for late enrollment
 - **Part D:** Must enroll
 - Plan selection: consider costs and formulary
 - Penalty for late enrollment



Overview of Part A

- Hospital
 - 60 days: No charge
 - 61-90 days: \$400
 - 90 days: \$800 up to lifetime reserve of 60 days
 - After 150 days: Self pay
- Skilled Nursing
 - Must meet medical necessity
 - 3-day acute stay
 - 21-100 Days: \$200
 - 101+ days: Self pay
- Hospice
 - 6 months but renewable
- Home Health
 - Very small benefit



Overview of Part B

- 2026 monthly premium: \$202.90 (base amount)
 - IRMAA
- 2026 annual deductible: \$283
- 20% co-insurance
 - No limit
- Doctor
 - Medicare fee schedule
 - MD-administered drugs
- Outpatient therapy
- Durable Medical Equipment
- Home Care (must be house bound)



Overview of Part D

- **Optional benefit** covering outpatient prescription drugs
- Provided by private insurance and approved by Medicare, but not directly administered by the government
- Premiums and cost-sharing requirements vary by plan
- Out-of-pocket costs capped at \$2000/yr
- The payment formulas are complicated
- Each plan offers a “formulary,” or a list of approved and covered prescription drugs, that varies between plans



Diagnostic Related Group (DRGs), MD Fee Schedule and PPS

- In 1992, DRGs became established method by which hospital rates were set
 - Categorized patients for fixed payments based on certain factors such as:
 - Diagnosis
 - Procedures
 - Sex
 - Discharge Status
 - Etc.
- Physician Fee Schedule – 1992
 - Balance billing limits
 - Fee schedules for Hospice, Skilled Nursing Facility (SNF) & Home Care
 - Durable Medical Equipment (DME) oversight
- Prospective Payment – 1997
 - SNF
 - Home Health
 - Hospice



Medicare Advantage Program



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Two Delivery Systems: The Medicare Beneficiary's Choice

- “Original” or “Traditional” Medicare:
 - Providers are paid on a fee-for service (FFS) basis
 - No limit on beneficiary annual out-of-pocket expenses
- Medicare Advantage (MA):
 - Also known as Medicare managed care
 - Health plans provide coverage and can offer additional benefits (e.g., vision, dental) beyond required Medicare benefits
 - MA plans may provide Part D (prescription drug coverage) but are not required to do so
 - Beneficiary annual cost-sharing is limited

Medicare Advantage Structure

- ✓ Administered by private insurers approved by Medicare
- ✓ Focus on Member choice
- ✓ Annual enrollment is required
- ✓ Depending on the selected plan, there may be an associated premium
- ✓ Must see doctor(s) in plan network
- ✓ May cover supplemental benefits (e.g., dental, etc.)



Options within Medicare Advantage

Within Medicare Advantage, beneficiaries have options:

- Regular Medicare Advantage (available to all beneficiaries)
- Special Needs Plans (for specific sub-populations)
 - Dual Eligible Special Needs Plan (DSNP)
 - Chronic Condition Special Needs Plan (CSNP)
 - Institutional Special Needs Plan (ISNP)
- Program of All-Inclusive Care for the Elderly (PACE)



Annual CMS Bids: Medicare

- Plans submit bids to CMS every year for the counties in which they want to offer coverage
- Plans can submit bids for regular Medicare Advantage and/or Special Needs Plan products
- Bids are due in early June for coverage beginning the following calendar year



Medicare Advantage Bids: Components

Bids are comprised of:

- Model of care
- Marketing plan
- Network
- Compliance plan
- Utilization Management (UM)/Quality Assurance (QA)
- Proposed costs
 - For DSNPs, CMS establishes basic Part D premium



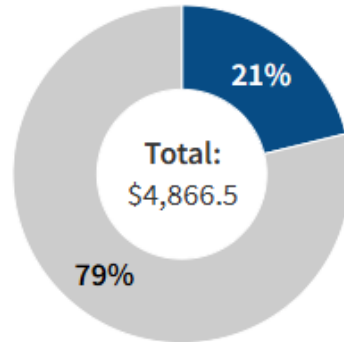
Medicare: What Does the Data Show?



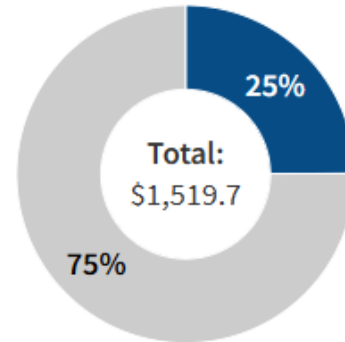
Medicare and National Health Care Spending

In 2023, Medicare Accounted for 21% of Total National Health Spending

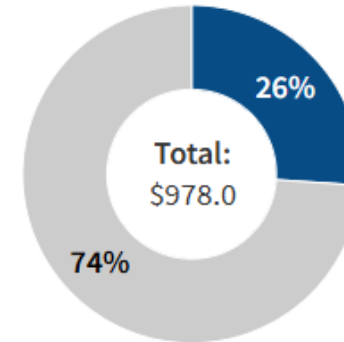
■ Medicare ■ Other payers



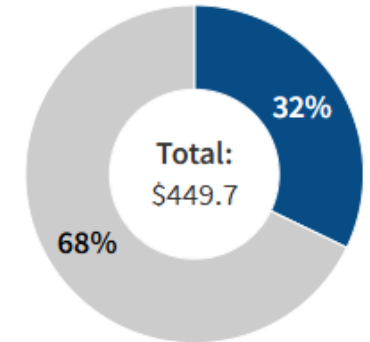
Total national health expenditures



Hospital care



Physician and clinical services



Retail prescription drug sales

Note: Amounts in billions.

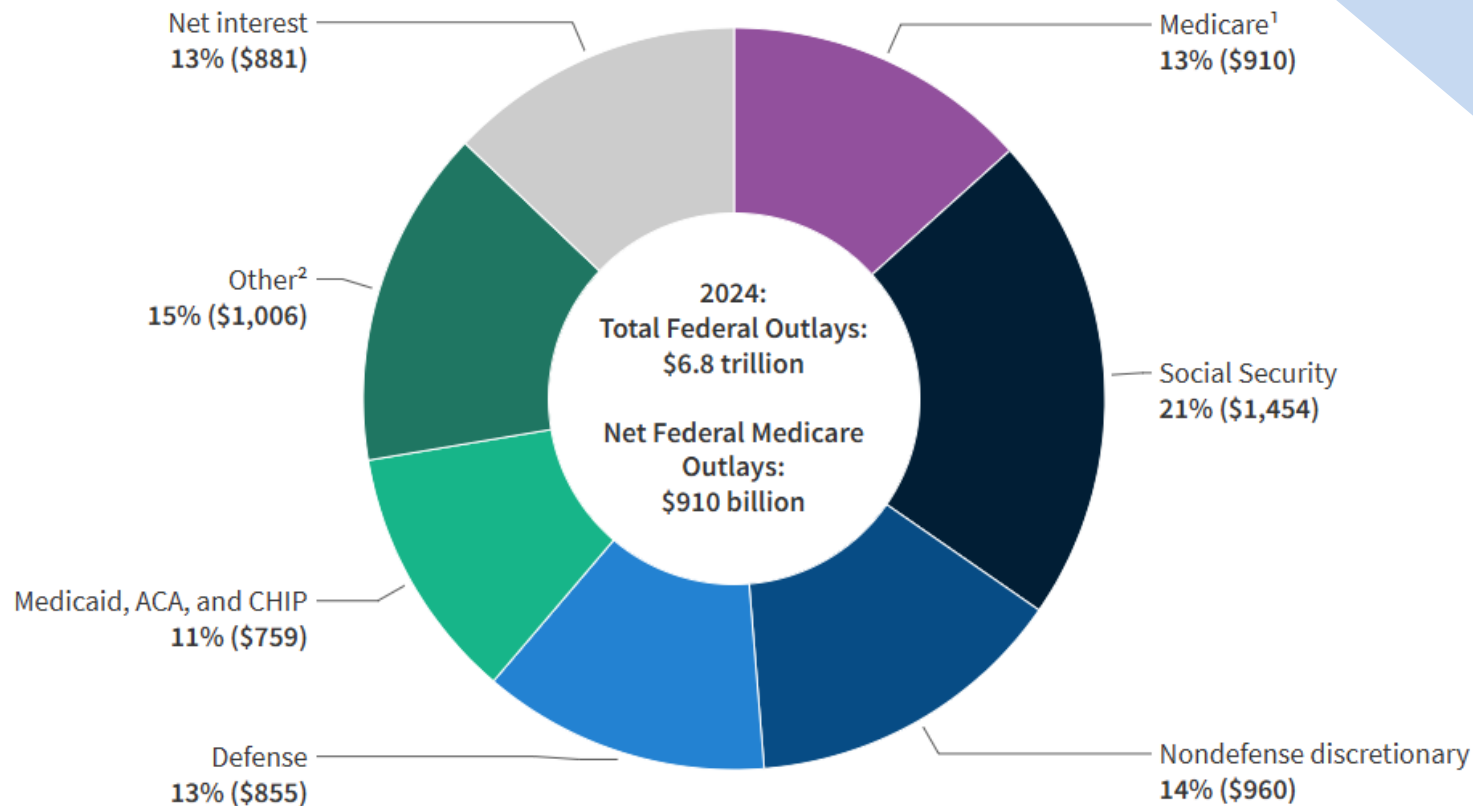
Source: KFF analysis of 2023 national health expenditure data from Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; Table 4: National Health Expenditures by Source of Funds and Type of Expenditures. • [Get the data](#) • [Download PNG](#)



Medicare: 13% of the Federal Budget

Figure 17

In 2024, Medicare Spending Accounted for 13% of the Federal Budget



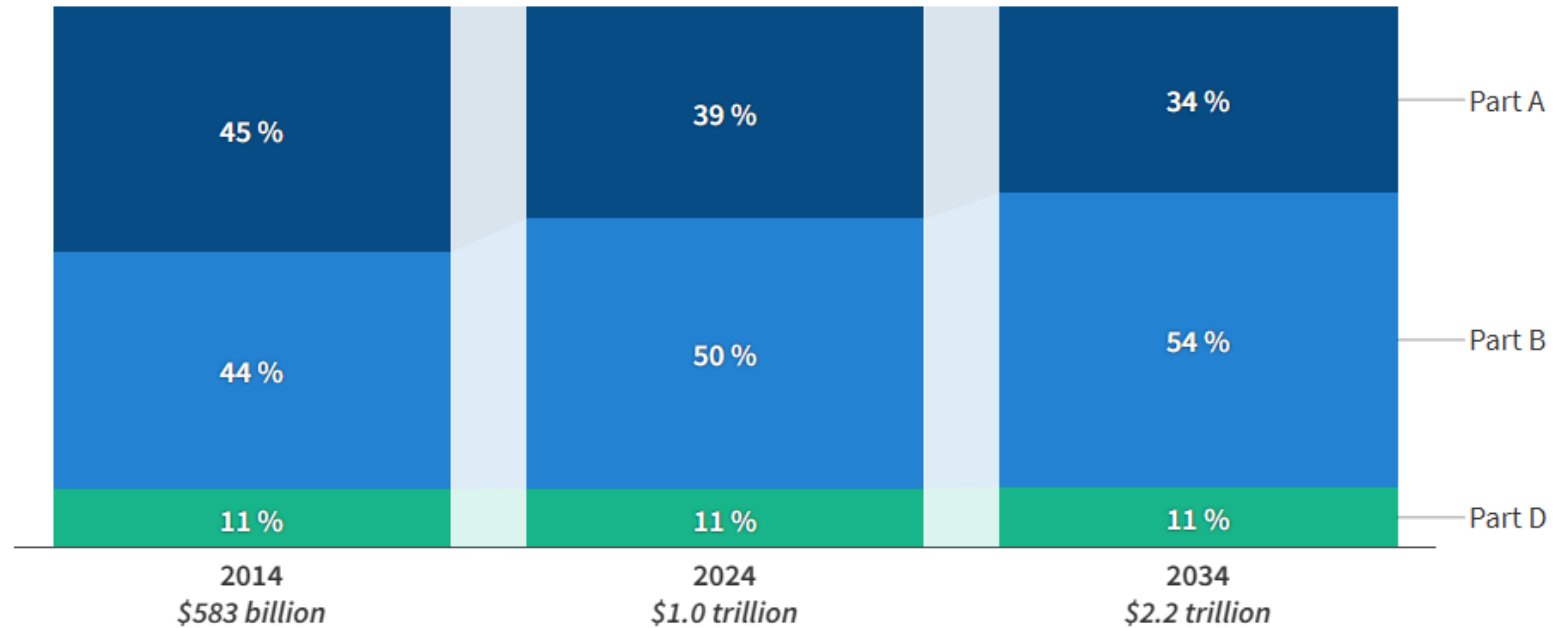
Note: Amounts in billions. Amounts are for federal fiscal year 2024 and are adjusted to exclude effects of timing shifts. ¹Consists of mandatory Medicare spending minus income from premiums and other offsetting receipts. ²Includes spending on other mandatory outlays minus income from offsetting receipts. ACA is Affordable Care Act. CHIP is Children’s Health Insurance Program.

Source: KFF analysis of federal spending from Congressional Budget Office, 10-Year Budget Projections, May 2022. • [Get the data](#) • [Download PNG](#)



Medicare Spending by Part

Spending on Physician Services and Other Medicare Part B Services Now Accounts for the Largest Share of Total Medicare Benefits Spending



Note: Amounts in billions. Amounts include spending on both traditional Medicare and Medicare Advantage.

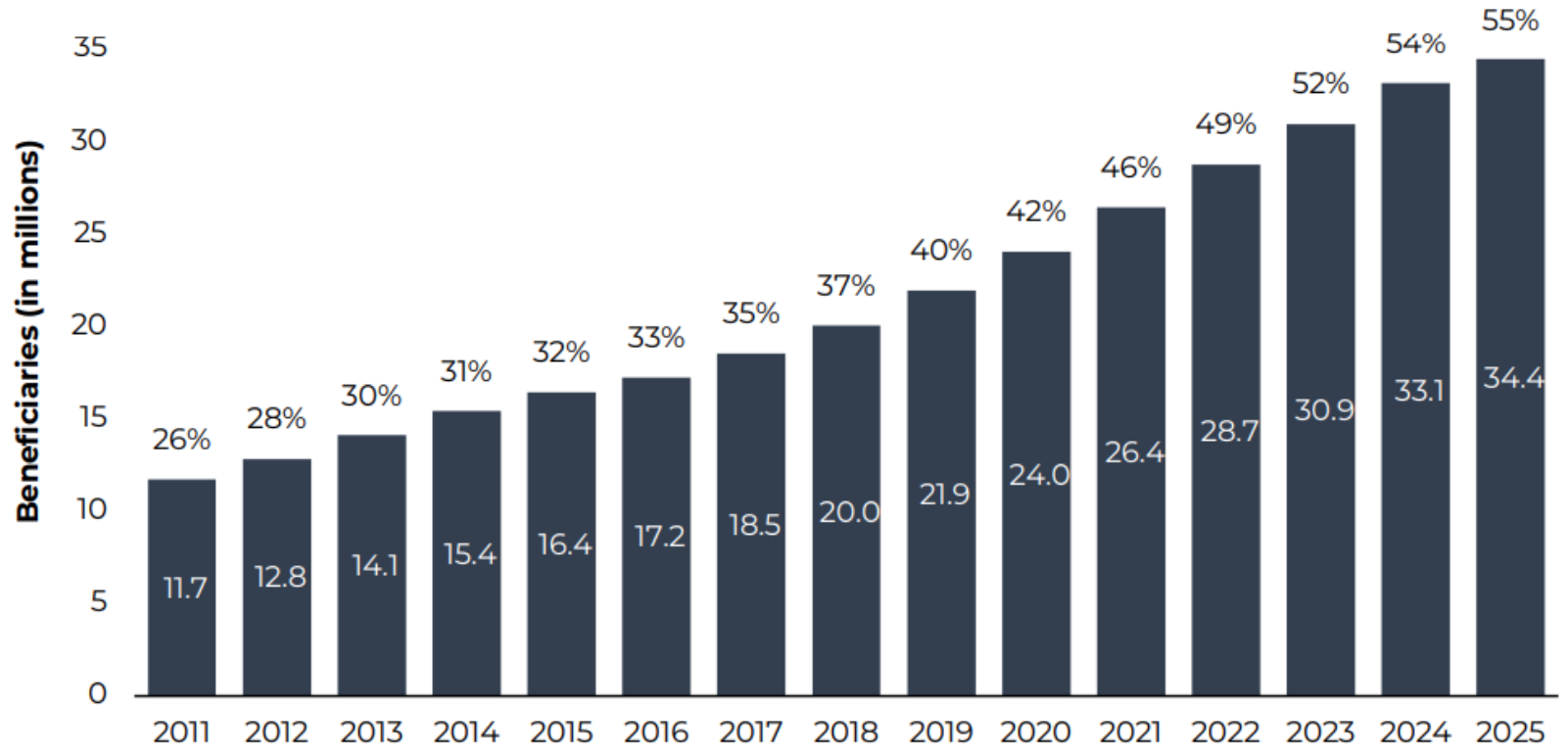
Source: KFF analysis of Congressional Budget Office (CBO) Medicare Baseline, March 2015 (2014 data) and June 2024 (2024 and 2034 data). • [Get the data](#) • [Download PNG](#)





Medicare Advantage Enrollment Trend Over Time

Enrollment in MA Plans 2011-2025



Note: MA (Medicare Advantage). Percentages indicate the share of total MA-eligible enrollment. We estimated February 2025 enrollment by using the ratio of January 2025 enrollment to January 2024 enrollment and applying that ratio to February 2024 enrollment data.

Source: CMS Medicare managed care contract reports and monthly summary reports, February 2011–2025.

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Final Thoughts & a Look at Session 2

- Medicare provides comprehensive health insurance to almost 70 million eligible individuals regardless of income or health status
- 36.4 million Americans enrolled in Medicare Advantage in 2025
 - More than one-half of Medicare beneficiaries
- Within Medicare, dual eligible population is growing
- **Session 2** will focus on the dual eligibles and the changes to the DSNP market in California
 - What does this mean for beneficiaries and the health plans that serve them?
 - What does this mean for CBOs and policymakers?

**Join us on
March
24th!**



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Questions?



Thank you!

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Appendix



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Resources

- Centers for Medicare & Medicaid Services
 - [CMS.gov](https://www.cms.gov)
- California Department of Health Care Services
 - dhcs.ca.gov
- Justice in Aging
 - [Justiceinaging.org](https://justiceinaging.org)

