Medicare Advantage insurers still in retreat as annual enrollment kicks off

Beneficiaries will face tough choices, and, in many cases, fewer of them

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Medicare Advantage has skyrocketed in popularity over the past decade, reeling in new members with zero-dollar premiums and generous benefits. But the rate of growth has slowed in recent years, and in 2026, there's a decent chance enrollment will contract for the first time in 20 years.

It's happening because private Medicare insurers are increasingly paring back both the number of plans they offer and the benefits within those plans. They say the cuts are necessary because members' care has gotten more expensive. That means that when Medicare's annual enrollment period starts Wednesday, beneficiaries will face tough choices and, in many cases, fewer of them.

"Those people in Medicare Advantage who have pretty much had a stable, easy way to go through open enrollment? Not this year," said Diane Omdahl, president and founder of 65 Incorporated, a Medicare consulting firm.

Insurers have been slashing plans and benefits for a few years now, and it's unclear whether 2026 will be the bottom. It began after the Covid-19 pandemic, when older adults returned for procedures they'd put off during shutdowns, like hip and knee replacements. Then, beginning in 2024, the Biden administration rolled out reforms that ate into insurers' profits.

Suddenly, after years of beefing up benefits to attract members, major insurers like Humana and CVS Health were in retreat.

"You had 10-plus years of continuous growth because every enrollee was profitable," said Jonathan Kolstad, an economics professor at the University of California, Berkeley. "It was all about, 'Just get as many people as you can into Medicare Advantage.' Now, it's the opposite."

Among the plans being sold for next year, industry analysts pointed to noteworthy cuts among Elevance, UnitedHealthcare, and CVS Health, which owns Aetna. Elevance reduced its over-the counter perks — things like healthy food and help with utility bills and home repairs — by 62% across plans studied by analysts at the investment bank TD Cowen. Elevance also got rid of supplemental dental, vision, and hearing across many of its plans. A separate report from Jefferies found that among the Elevance plans it studied, members' maximum out-of-pocket rates increased by almost $1,000.

UnitedHealthcare increased drug deductibles, reduced over-the-counter benefits, and dropped broker commissions on many of its plans, Jefferies found. Many of them now charge coinsurance on preferred brand drugs instead of set copayment amounts, which puts members on the hook for higher drug prices. Because of those changes, Jefferies predicts UnitedHealthcare will extract more profit from its plans, even as they attract fewer members.

CVS had already slashed benefits coming into 2025, so reductions for 2026 are more modest, Jefferies said. The company offers the most limited over-the-counter benefits and highest maximum out-of-pocket costs among the plans Jefferies studied.

Extras like dental, vision, hearing, and gym memberships are nice to have, but they shouldn't be the deciding factor when picking a plan, said Louise Norris, a health policy analyst with MedicareResources.org. It's more important to calculate your total out-of-pocket cost if you need health care, and "bells and whistles" don't actually move the needle much, she said.

"You don't want to base your plan selection on the dental coverage and then find out the plan doesn't cover your doctor or local hospital or an expensive medication you need and you end up spending more out of pocket because of that," Norris said.

Humana is the outlier in that it expanded some benefits even as its peers did the opposite. On preferred brand drugs, for example, Humana kept copays instead of switching to coinsurance, which Jefferies described as unnecessarily risky for the company. Humana also lowered members' maximum out-of-pocket payment in the plans Jefferies studied, which places more liability on the company. Humana also increased its over-the-counter benefits by 11% year-over-year on average, a sharp contrast from its peers, which lowered them by up to 96%, TD Cowen found.

All this presents the risk that Humana will repeat the mistake of offering plans that attract sicker members who need more care than the company expects. Humana's CEO, Jim Rechtin, downplayed such concerns in a recorded message to investors, in which he said the company had already scrapped unprofitable plans and that new members will be "accretive on average."

Some people with Part D plans — standalone Medicare plans that cover only drugs — will pay more in 2026. That's because for the second year in a row, an Inflation Reduction Act provision that caps member spending on drugs has prompted insurers to raise premiums. In 2025, the cap was $2,000. Next year, it's $2,100. The change was designed to save beneficiaries money but has ended up costing them more, since most people don't hit the $2,000 threshold and insurers added other costs to compensate, a University of Southern California analysis found.

For 2026, several insurers have added deductibles to Part D plans that previously didn't have them and spiked premiums dramatically.

Danielle Roberts, a licensed Medicare agent and co-founder of the brokerage Boomer Benefits, said she used to see Part D plan premiums hover around $10 or $20 per month, and now many of them are well over $100 per month. She even spotted one in California for $220 per month.

"I'm seeing shock over how much people's premiums are going up," Roberts said.

The spikes are happening despite a program the Biden administration rolled out in fall 2024, ahead of 2025 open enrollment and the presidential election. It pays insurers a set amount for each enrollee in exchange for capping their premium increases.

The Trump administration scaled back that subsidy for 2026, and Roberts thinks it may eventually go away entirely. If that happens, she's concerned the Part D program could collapse.

Overall, the Centers for Medicare and Medicaid Services said average monthly premiums on both Medicare Advantage and Part D plans have declined next year. But experts cautioned there's wide variation within that.

"Nationwide, things are pretty stable, but on an individual basis for an individual enrollee, there could be a lot of upheaval, ranging from changes to your benefits and premiums all the way up to your plan is no longer available for next year," Norris said.

Beneficiaries whose Medicare Advantage plans are being axed have the option of switching to traditional Medicare and enrolling in a Medigap plan, which is supplemental coverage for people with traditional Medicare. Usually, people in Medicare Advantage can't switch to Medigap without getting charged more if they have medical conditions, a process known as underwriting, or being denied coverage altogether.

Even without underwriting, though, many people still cannot afford Medigap's high premiums. And Roberts said next year's premium increases are the highest she's seen in her career. Premiums used to go up 5% to 8% any given year, and now they're spiking by up to 20% or even 40%, she said.

People in Medigap plans don't have many options when their premiums spike. They can't switch plans without the new carrier charging them more money for their health conditions or denying coverage. Some states have added windows around people's birthdays where they can switch Medigap plans without the added costs, but Roberts said those well-intentioned changes have contributed to the higher premiums.

"When states force carriers to take on people they can't say no to because of health reasons, then premiums go up," she said.

Still, Roberts said about 80% of her agency's clients choose Medigap after they hear about the problems with care denials and paperwork hold-ups in Medicare Advantage.

When it unveiled plans for 2026, CMS said insurers project enrolling almost 1 million fewer people in Medicare Advantage next year: from 34.9 million people this year to 34 million next year. That would represent 48% of all people enrolled in Medicare, compared with 50% in 2025. CMS noted that its own projections show enrollment will be stable. Open enrollment runs through Dec. 7