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Committee**
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ISSUE BRIEF

The Premium Payoff: Medicare Advantage Reform Can Lower Costs for Seniors

October 8, 2026

Executive summary

- **Part B premiums are consuming a growing share of Social Security benefits.** When Medicare began in 1966, the standard Part B premium equaled about 3.6 percent of the average retired worker's Social Security benefit. In 2026, it consumes nearly 10 percent.
- **Medicare Advantage reform would lower Part B premiums.** The Joint Economic Committee estimates that H.R. 3467 would reduce the annual standard Part B premium by about \$430 in 2033, saving beneficiaries more than \$35 per month.
- **The savings accumulate substantially over retirement.** For a beneficiary entering Medicare in 2027, projected standard Part B premiums over the following 20 years total about \$96,000 under current law. If the policies in H.R. 3467 were in place over that period, cumulative premiums would fall by nearly \$12,000, or about 12 percent.
- **Lower Part B premiums would provide the greatest relative relief to lower-benefit retirees.** For premium-paying beneficiaries near the lower end of the benefit distribution, the estimated \$430 annual savings would equal nearly one-third of a monthly Social Security check.

With long-term Treasury yields reaching their highest levels in nearly a quarter century, and depletion of the Social Security and Medicare Hospital Insurance trust funds looming, the fiscal pressures facing the federal government and key programs for older Americans can no longer be ignored.¹ The challenge policymakers face is not merely to address solvency, but to do so in a way that reduces the underlying cost of the programs, rather than simply changing who pays for them.

However, achieving fiscal savings and beneficiary affordability are not always competing objectives. In Medicare Part B, they are directly linked, because beneficiary premiums finance a portion of program costs, while the remainder is financed largely through general revenues. This means that policies that reduce Part B spending lower both federal outlays and the Part B premiums paid by beneficiaries, which today consume nearly 10 percent of the average retired worker's Social Security benefit.

The Joint Economic Committee has estimated that H.R. 3467 would reduce federal spending by approximately \$1.8 trillion over ten years.² This brief estimates how those savings would translate into lower Part B premiums for beneficiaries. To estimate the premium effect, we translate the modeled reduction in Part B spending into lower beneficiary premiums using the statutory Part B financing formula and CMS Trustees projections of costs and enrollment in Part A and B.

Reforming the Medicare Advantage (MA) program along the lines specified in H.R. 3467 produces substantial premium reductions that benefit most beneficiaries, including retirees across much of the Social Security benefit distribution. We estimate that a beneficiary entering Medicare in 2027 would save nearly \$12,000 in premiums over the subsequent 20 years if the reforms in H.R. 3467 had already been implemented.

Rising Part B costs are consuming more of Social Security benefits

Medicare Part B is financed primarily through beneficiary premiums and transfers from the general fund. Most beneficiaries are subject to the standard premium, which is set to cover 25 percent of average Part B costs for beneficiaries aged 65 and older, with general revenues financing most of the rest. As a result of this financing design, any increase in Part B spending gets partially passed through to beneficiaries in the form of higher premiums.

¹ At the time of publication in October 2026, the yield on the 10-year note reached 5.30 percent, which had not occurred since May 2002.

² U.S. Congress Joint Economic Committee, "The Fiscal and Economic Health of Medicare," chap. 3 in *The 2026 Joint Economic Report*, Chapter 3, H. Rept. 119-649 (2026), <https://www.govinfo.gov/app/details/CRPT-119hrpt649/>; David Schweikert to Jodey Arrington, *Views and Estimates of the Budget of the U.S. Government for Fiscal Year 2026*, September 12, 2025, 10-12, https://www.jec.senate.gov/public/vendor/_accounts/JEC-R/letters/FY2026-Views-and-Estimates.pdf.

Part B premiums have grown faster than Social Security benefits. When Medicare began in 1966, the standard Part B premium was \$3 per month, equal to about 3.6 percent of the average retired worker’s Social Security benefit. In 2026, the standard premium is \$203 and consumes nearly 10 percent of the average benefit. As Figure 1 shows, Part B premiums have therefore come to absorb a larger share of the average retired worker’s Social Security benefit over time.

Figure 1: Medicare Part B Premiums Consume a Growing Share of Social Security Benefits



Source: Centers for Medicare and Medicaid Services;³ Social Security Administration;⁴ JEC calculations⁵

³ Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, *2026 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, (Centers for Medicare and Medicaid Services, 2026), Table III.C2, <https://www.cms.gov/oact/tr/2026>; Centers for Medicare & Medicaid Services, State Payment of Medicare Premiums, CMS Manual System, Pub. 100-24, chap. 5, “Premium Billing”, <https://www.cms.gov/regulations-and-guidance/guidance/manuals/internet-only-manuals-ioms-items/cms019212>.

⁴ Social Security Administration, *Annual Statistical Supplement, 2025* (2026), Table 3.C4, <https://www.ssa.gov/policy/docs/statcomps/supplement/2025/3c.html>; Social Security Administration, *Annual Statistical Supplement, 2026*, Table 5.A1.1, <https://www.ssa.gov/policy/docs/statcomps/supplement/2026/5a.html>; Social Security Administration, *Monthly Statistical Snapshot, August 2026*, https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2026-08.html.

⁵ The figure shows the standard monthly Medicare Part B premium as a share of the average monthly Social Security benefit for retired workers. For 1966–2025, Social Security benefits are December averages; 2026 uses the August 2026 average. The Part B premium is the standard monthly premium in effect for each year. Some historical movements reflect changes in Part B financing rules. Premiums initially financed 50 percent of program costs, but beginning in the 1970s Congress limited premium increases relative to Social Security benefit growth; the current 25 percent financing rule took effect in 1984 and was made permanent in 1997. In addition, during years with little or no Social Security Cost of Living Adjustments, particularly 2010–2011 and 2016–2017, the hold-harmless provision caused some beneficiaries to pay less than the standard premium shown.

Medicare Advantage reform would lower Part B premiums

The JEC has documented how changes in Medicare Advantage spending pass through to Part B premiums. In *The Part B Premium Pass-Through*, we estimated that MA overpayments increased Part B premiums by over \$13 billion in 2025, or \$212 per enrollee, including for Traditional Medicare (TM) beneficiaries that are not enrolled in MA.⁶ In the accompanying Medicare Affordability Tracker, we quantified the distribution of those burdens across states and congressional districts.⁷

Fortunately, the same financing mechanism also works in reverse; reforms that reduce Part B spending also reduce beneficiary premiums. As shown in Figure 2, the JEC estimates that if the policies in H.R. 3467 were already in place, the standard Part B premium would annually be about \$230 lower in 2027 and nearly \$1,000 lower by 2046. These savings would accumulate substantially over retirement.⁸

For a beneficiary entering Medicare in 2027, projected standard Part B premiums over the following 20 years total about \$96,000 under current law.⁹ If the policies in H.R. 3467 were in place over that period, that total would fall to about \$84,240, producing nearly \$12,000 in cumulative premium savings, or a reduction of roughly 12 percent.

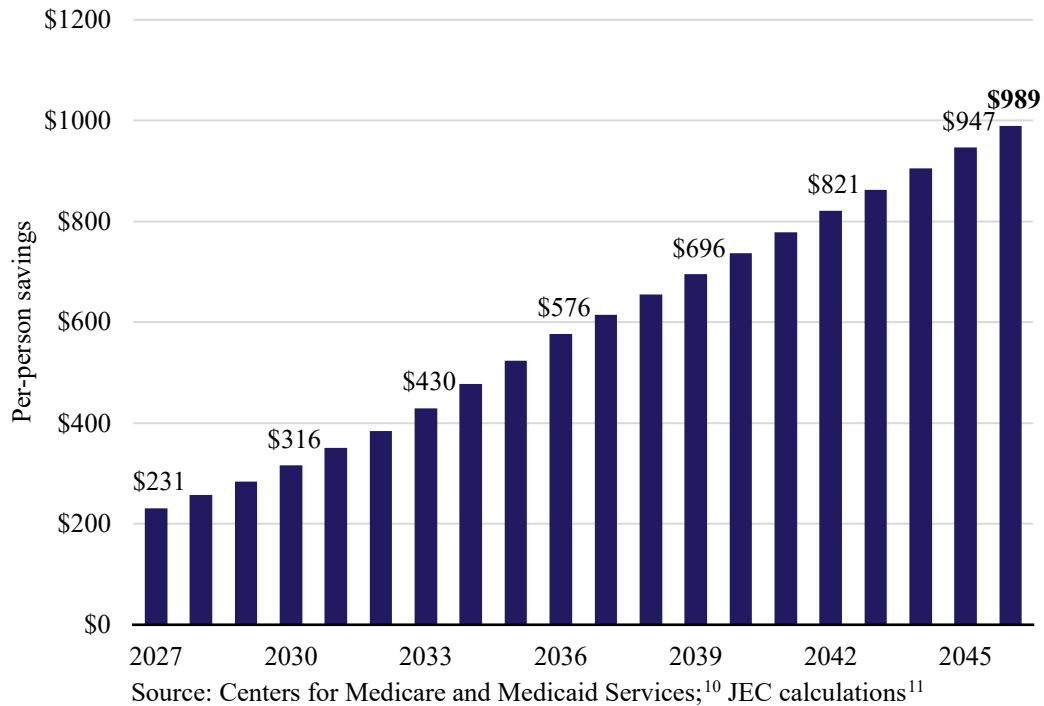
⁶ U.S. Congress Joint Economic Committee, “The Part B Premium Pass-Through: Medicare Advantage Overpayments Inflate Premiums for All” (March 10, 2026), https://www.jec.senate.gov/public/vendor/_accounts/JEC-R/issue-briefs/The%20Part%20B%20Premium%20Pass-Through.pdf.

⁷ U.S. Congress Joint Economic Committee, “Medicare Affordability Tracker,” released February 27, 2026, <https://www.jec.senate.gov/public/index.cfm/republicans/mat>.

⁸ JEC estimates use projected Medicare enrollment and costs in Part A and Part B from the 2026 Medicare Trustees report. We assume that the projected shares of Medicare beneficiaries enrolled in MA and TM remain unchanged from the Trustees’ projections. In the current-law counterfactual, absent the reforms in H.R. 3467, we assume that average MA payments relative to what they would have been had those beneficiaries enrolled in TM, rise gradually from an estimated 114 percent in 2026 to 118 percent in 2035 and remain at 118 percent thereafter. Estimated reductions in Part B spending are translated into standard Part B premium savings using the statutory financing formula, under which the standard premium is set to finance 25 percent of average Part B costs for beneficiaries aged 65 and older. For years beyond the 10-year budget window, the modeled effects of H.R. 3467 are extended using the Trustees’ projected enrollment and a linear forecast of Part A and Part B costs and total MA payments.

⁹ In nominal dollars. The Social Security Administration (SSA) projects the average unisex person reaching 65 in 2027 will have a life expectancy of 20.6 years. K. Mark Bye, Kent Morgan, and Michael Morris, “Unisex Life Expectancy at Birth and Age 65,” Actuarial Note No. 2026, 8, table 2. Similarly, the Congressional Budget Office (CBO) projects period life expectancy at age 65 to be 19.8 years in 2026. Congressional Budget Office, *The Demographic Outlook: 2026 to 2035*, section “Mortality Rate, Adjusted for Age and Sex.” Therefore, our analysis covering the 20-year period beginning in 2027 roughly corresponds to the remaining life expectancy of a newly retired beneficiary.

Figure 2: Annual Standard Part B Premium Savings per Beneficiary



Premium savings would benefit retirees across the Social Security benefit distribution

We estimate that beneficiaries subject to the standard Part B premium would save \$430 in 2033 under H.R. 3467. As Figure 3 illustrates, this would apply to an estimated 70 percent of beneficiaries. Beneficiaries who pay additional income-related premiums (IRMAA) would save more, because their premiums finance a larger share of Part B costs. On average, this group would save \$960 annually, with the exact amount depending on the IRMAA bracket.¹² At the lower end of the income distribution, beneficiaries whose premiums are paid through Medicare Savings Programs would not directly experience premium savings.¹³

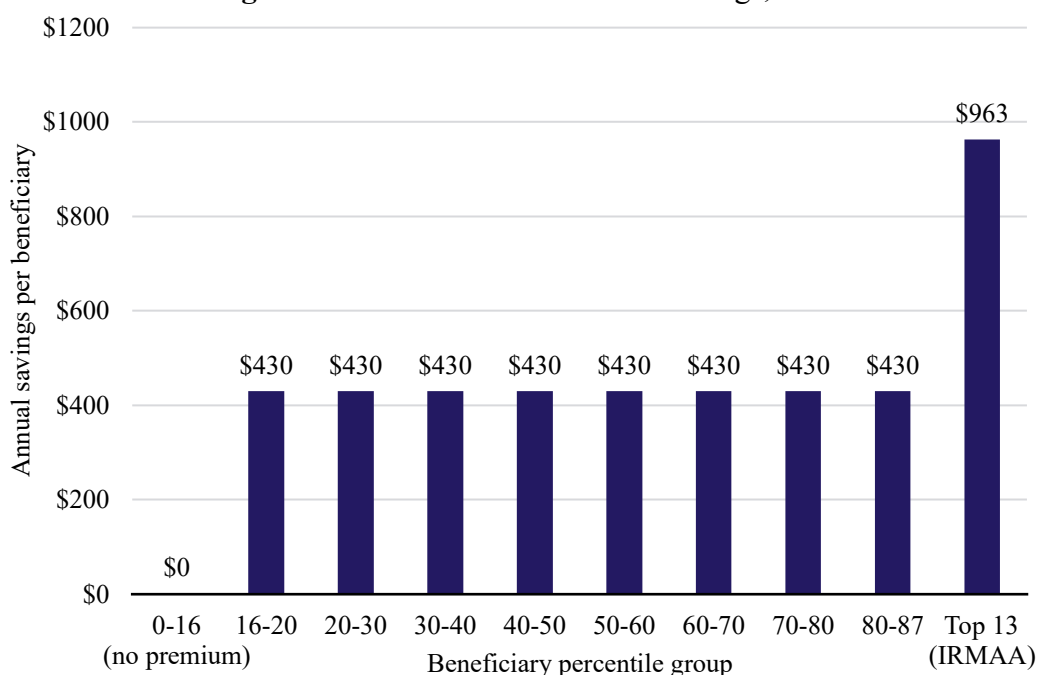
¹⁰ Boards of Trustees, *The 2026 Annual Report*, Table IV.C2, Table V.B3.

¹¹ See footnote 8 for the assumptions underlying these calculations.

¹² Although the IRMAA population consists of five separate brackets, each of which would experience different premium savings under the reform, we are not aware of a public data source reporting current or projected enrollment in each bracket. Estimating the number of beneficiaries in each IRMAA bracket is beyond the scope of this brief. Instead, we report average savings for this group, calculated using Medicare Trustees Report projections of total premiums paid and the number of beneficiaries subject to IRMAA.

¹³ Note, however, that lower premiums still generate direct savings, which would instead accrue to the state and federal programs that pay those premiums on beneficiaries' behalf.

Figure 3: Annual Part B Premium Savings, 2033



Source: Centers for Medicare and Medicaid Services;¹⁴ Social Security Administration;¹⁵ JEC calculations¹⁶

The benefits of lower Part B premiums would therefore be broad, with most beneficiaries seeing direct reductions in their premiums.

Lower Part B premiums would provide the greatest relative relief to lower-benefit retirees

Among beneficiaries who pay premiums, the same dollar reduction can have very different relative magnitudes depending on the size of their Social Security benefit. As Figure 4 shows, the \$430 annual premium reduction is equivalent to 31 percent of one month's Social Security benefit near the lower end of the distribution of standard-premium payers, compared with about 12 percent toward the upper end. For higher-income beneficiaries subject to IRMAA, the larger premium reduction raises that figure to about 22 percent, which is comparable to the relative savings of middle-benefit seniors, who save 20 percent.

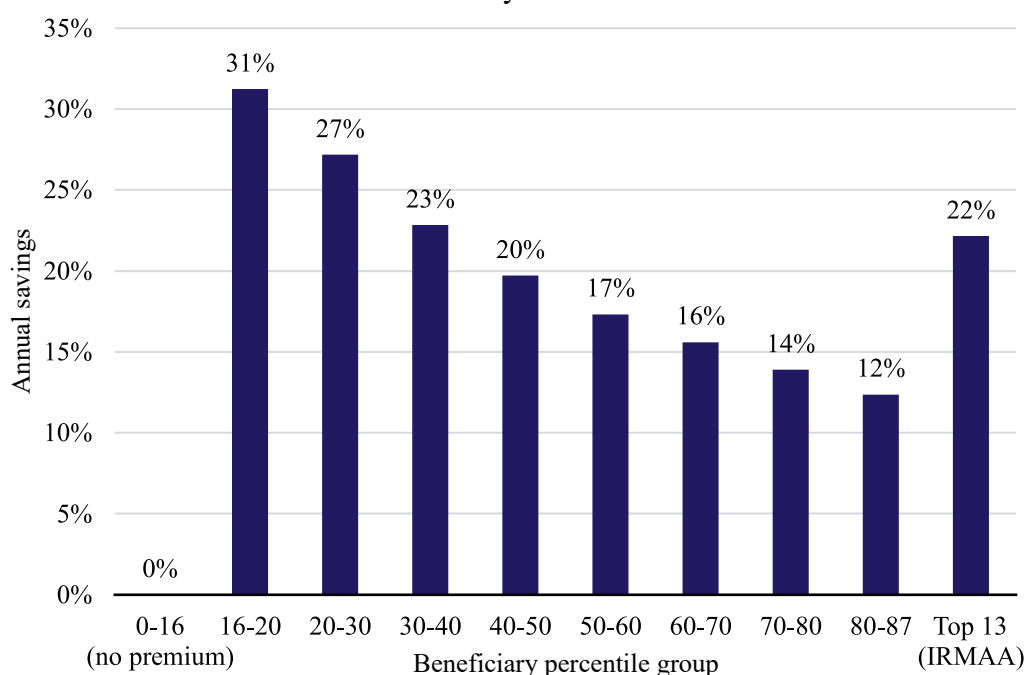
¹⁴ Boards of Trustees, *The 2026 Annual Report*, Table V.E3, Table V.B3.

¹⁵ Social Security Administration, *Annual Statistical Supplement, 2025* (2026), Table 5.B6, <https://www.ssa.gov/policy/docs/statcomps/supplement/2025/5b.html>.

¹⁶ The illustration using the premium-reduction estimates described above. The share of beneficiaries with state-paid premiums is assumed to remain at approximately 16 percent, based on CMS enrollment information. The projected IRMAA share is 12.7 percent (9.3 million of 73.463 million Part B enrollees), leaving 71.3 percent paying the standard premium. For illustration, state-paid beneficiaries and IRMAA payers are assigned to the bottom and top of the distribution, respectively; these placements are not observed Social Security-benefit percentiles.

Thus, the same Medicare reforms that reduce federal spending would also benefit retirees across much of the Social Security benefit distribution, with particularly large relative gains for lower- and middle-benefit retirees.

Figure 4: Annual Part B Savings as Share of One Month’s Social Security Benefit



Source: Centers for Medicare and Medicaid Services;¹⁷ Social Security Administration;¹⁸ JEC calculations

Conclusion

Policymakers face the long-overdue task of righting the federal government’s fiscal ship. Around that time, the trust funds supporting Social Security retirement benefits and Medicare Hospital Insurance are projected to be depleted, sharpening fiscal pressures that have been building for decades. Absent reforms that reduce underlying program costs, maintaining current commitments will require some combination of higher taxes, lower benefits for beneficiaries, or additional federal borrowing that shifts the burden to future taxpayers. The central question is therefore not merely how policymakers finance these commitments, but how to reduce the underlying cost of these programs and thereby lessen those tradeoffs altogether.

Medicare Advantage reform is one example of where substantial fiscal savings and beneficiary affordability can reinforce one another. Because changes in MA spending affect Part B costs, reforms that reduce those costs also flow through to lower Part B premiums. Under H.R. 3467,

¹⁷ Boards of Trustees, *The 2026 Annual Report*, Table V.E3, Table V.B3.

¹⁸ Social Security Administration, *Annual Statistical Supplement*, Table 5.B6.

the same changes that would generate substantial federal savings would therefore reduce premiums for most beneficiaries, leaving more of their Social Security benefits available for other purposes. That would leave beneficiaries with greater discretion over how to use their retirement income, rather than having a growing share automatically absorbed by Medicare premiums.

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