

Medicare 101

HEALTH CARE
NUTS AND BOLTS
with



Medicare is a federal health insurance program that mainly covers people **age 65 and older** and some younger people who have certain disabilities or conditions. Created in 1965 and administered by the Centers for Medicare & Medicaid Services (CMS), it sets **national coverage rules** while states regulate certain private Medicare plans.

This explainer breaks down Medicare's structure, financing, enrollment trends, and interactions with California's health insurance system.

OVERVIEW OF MEDICARE PARTS

Medicare Part

Cost to Beneficiary

Enrollment

Part A & B—Original Medicare

Covers hospital stays, nursing facility care, hospice, outpatient services, and physician visits

Usually Part A is premium-free has premium; , coinsurance applies after deductible is met

Automatic

Part C—Medicare Advantage

Private plans bundling Parts A & B, often with extra benefits (e.g., vision) and may include drug coverage

Monthly, income-based premium, with 20% coinsurance after deductible is met

Voluntary

Part D—Prescription Drug Coverage

Covers outpatient prescription drugs

Monthly premium, varying by plan and subject to income-related adjustments; cost sharing applies

Voluntary

Medigap—Supplemental

Covers out-of-pocket costs from Parts A & B, including deductibles and coinsurance

Cost varies by plan and age, with monthly premium paid to insurer

Must have A & B

MEDICARE FINANCING

Medicare is financed through two federal trust funds: the Hospital Insurance Trust Fund, which draws on payroll taxes to support Part A, and the Supplementary Medical Insurance Trust Fund, which draws on general federal revenue and beneficiary premiums to support Parts B and D.

**\$1
TRILLION**

in expenditures in 2023, accounting for **21%** of total national health spending

**\$5.3
TRILLION**

in total health spending expenditures, accounting for **18%** of the GDP

MEDICARE ENROLLMENT

Enrollment patterns vary by beneficiary characteristics: those with Medigap or employer-sponsored supplemental coverage tend to skew higher-income, older, and report better health, while Medicare Advantage enrollees are more likely to identify as Black or Hispanic, report fair or poor health, and have lower incomes than those in Original Medicare.

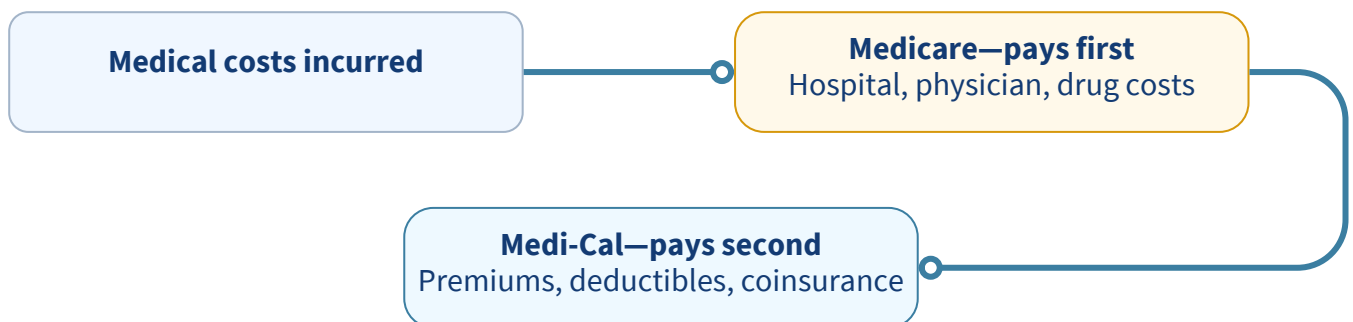
Coverage gaps are narrowing overall — between 2018 and 2022, the number of Original Medicare beneficiaries with no supplemental coverage declined from 5.6 million to 3.2 million.

Region / Plan Type	Total Beneficiaries	Part A Uptake	Part B Uptake	Prescription Drug Uptake
National - Original Medicare	34.40M	99.51%	83.06%	73.39%
National - Medicare Advantage	36.07M	99.93%	99.97%	88.58%
California - Original Medicare	3.51M	99.48%	83.44%	71.63%
California - Medicare Advantage	3.72M	99.91%	99.94%	96.34%

INTERACTION WITH CALIFORNIA HEALTH INSURANCE

Dual-eligible beneficiaries qualify for both Medicare and Medi-Cal — about 1.8 million Californians, or roughly one in four Medicare beneficiaries in the state. For duals, Medicare pays first and Medi-Cal covers remaining out-of-pocket costs; full-scope Medi-Cal adds services like long-term services and supports and behavioral health care.

Medicare also intersects with **California's regulatory landscape** in other ways: the Department of Managed Health Care and the Department of Insurance both oversee aspects of Medigap regulation, and Covered California enrollees must actively cancel their marketplace plans once they become Medicare-eligible, since the transition isn't automatic.



WANT TO LEARN MORE? READ THE FULL EXPLAINER AT [CHBRP.ORG](https://chbrp.org)!

Data sources linked in the [full explainer](#).

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