

Will the Trump Administration Fast Track the Privatization of Medicare?

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The privatization of Medicare has been taking place without much public debate – a trend that KFF says has implications for the 68 million people covered by Medicare, health care providers, Medicare spending, and taxpayers.

Since 2010, the share of Medicare beneficiaries receiving their Medicare benefits from private Medicare Advantage insurers has more than doubled. The Congressional Budget Office projects nearly two-thirds of all Medicare beneficiaries will be in private plans by 2033, though data released in the early part of 2025 show enrollment growth in 2025 has been somewhat lower than CBO projected.

The Trump administration has the opportunity to weigh in on the pace of growth in private Medicare Advantage enrollment and the future of traditional Medicare, which remains the source of coverage for close to half of the Medicare population.

The transformation of Medicare into a marketplace of private plans raises a number of questions that are not being debated. [Read more here](#) from a KFF study.

According to MedPAC, an independent, non-partisan agency that advises Congress about Medicare payment, the federal government [pays insurers 20% more for Medicare Advantage enrollees](#) than it pays for similar people in traditional Medicare, at a cost of \$84 billion in 2025. To put the \$84 billion in context, that's more than Medicare paid physicians under the [physician fee schedule](#) to treat traditional Medicare patients in 2024. The higher Medicare spending for Medicare Advantage enrollees results in [\\$13 billion](#) in higher Medicare Part B premiums paid by Medicare beneficiaries, including those who are not in Medicare Advantage.

To promote efficiencies and trim federal spending, the administration could, for example,

make technical adjustments to the payment system through the [annual rate notice](#) that could have the effect of lowering payments to plans. To achieve further savings, the administration could work with Congress to adopt savings proposals, including those that have recently been advanced by the [Paragon Health Institute](#).

These include ending the quality bonus program that increases Medicare spending by nearly [\\$12 billion](#) a year or capping [Medicare Advantage benchmarks](#) at 100 percent of local traditional Medicare costs except in areas with low Medicare Advantage penetration. Such changes would achieve Medicare savings but could also make it less profitable for insurers and potentially slow growth or even reduce private plan enrollment.

Alternatively, the Trump administration could adopt policies to accelerate the pace of privatization, such as boosting payments to plans through the annual rate notice and adopting other policies to encourage more private plan enrollment.

The administration could, for example, make it easier for insurers and brokers to market Medicare Advantage plans to attract new enrollees, by unwinding the requirement that all television ads be approved before they can be aired or easing the requirement that brokers provide certain information to beneficiaries before they can enroll them in a plan.

The administration could also advance policies to make Medicare Advantage the [default enrollment option](#) for new beneficiaries – an approach that would likely accelerate the pace of privatization, and potentially increase spending, all other things equal.
