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The Fall Medicare Decision

Open Enrollment for 2027 — What's Changing, and Why This Year's Choice Deserves a Careful Look

A plain-English guide to **Medicare open enrollment for 2027** — the Annual Enrollment Period, Medicare Advantage vs. Medigap, the new Part D drug cap, and the income surcharge that ties your health coverage to your tax return.

"Medicare is not a set-it-and-forget-it decision. The plans change every year — and so do you. The households that fare best are the ones who re-shop on purpose."

— NORTHWEST FINANCIAL GROUP

EXECUTIVE SUMMARY

Every autumn, tens of millions of Americans are handed a quiet but consequential decision: whether to keep their current **Medicare** coverage or change it for the year ahead. The **Annual Enrollment Period** — often called Medicare open enrollment — runs **October 15 through December 7, 2026**, and the choices you make in that window take

effect on **January 1, 2027**. It is the one time each year almost anyone on Medicare can switch plans freely, no health questions asked.

For 2027 the stakes are a little higher than usual. The prescription-drug program is still settling into its new structure: the annual out-of-pocket cap on Part D drug costs rises again — to **\$2,400** — while a temporary federal subsidy that has been holding down stand-alone drug-plan premiums is ending, and the number of stand-alone drug plans on offer has shrunk sharply. At the same time, more than half of all beneficiaries now use **Medicare Advantage**, whose annual benefit and network changes reward a yearly second look. And for higher-income households, a surcharge called **IRMAA** quietly links this fall's coverage to the tax return you filed two years ago.

A little attention in October can save real money — and real headaches — all year.

**Oct 15 – Dec
7**

Medicare Annual Enrollment Period for 2027 coverage; changes take effect January 1, 2027

\$2,400

2027 cap on out-of-pocket Part D prescription-drug costs, up from \$2,100 in 2026

54%

Share of Medicare beneficiaries — about 34.1 million people — now enrolled in Medicare Advantage

WHAT IT IS: THE ANNUAL ENROLLMENT PERIOD

Medicare has several enrollment windows, and they are easy to confuse. The **Annual Enrollment Period (AEP)** — the "fall open enrollment" most people mean — runs **October 15 to December 7** every year. During AEP you can move between **Original Medicare** (Parts A and B, run by the federal government) and **Medicare Advantage** (Part C, offered by private insurers), switch from one Medicare Advantage or Part D drug plan to another, and add or drop prescription-drug coverage. Anything you change becomes effective January 1.

A second, narrower window follows it. The **Medicare Advantage Open Enrollment Period** runs **January 1 to March 31, 2027**, but it is only for people already enrolled in a Medicare Advantage plan, who may make a one-time switch to another Advantage plan or back to Original Medicare. If you are in Original Medicare, the fall AEP is your main annual opportunity to make a change.

The two roads: Medicare Advantage vs. Original Medicare + Medigap

Most of the fall decision comes down to a fork that has been reshaping American retirement healthcare for a decade. In 2025, **54% of Medicare beneficiaries** with both Part A and Part B — roughly **34.1 million of about 62.8 million people** — were enrolled in Medicare Advantage, and the Congressional Budget Office projects that share could reach **64% by 2034**. The two paths are genuinely different, and neither is universally better.

Consideration	Medicare Advantage (Part C)	Original Medicare + Medigap
Premiums	Often low or \$0 (beyond Part B)	Higher — Part B plus a Medigap premium
Provider access	Network-based; referrals/prior authorization common	Any provider that accepts Medicare, nationwide
Out-of-pocket costs	Annual cap set by the plan	Highly predictable with a Medigap policy
Extra benefits	May include dental, vision, hearing, and more	Generally none; buy separately
Drug coverage	Usually built in	Add a stand-alone Part D plan
Switching later	Flexible each year at AEP	Moving into Medigap later may require medical underwriting in most states

Figure 1. A simplified comparison of the two coverage paths. Features vary widely by plan, insurer, and state; this is educational and not a recommendation of either path or of any specific plan.

The underwriting point in the last row is the one households most often overlook. When you first enroll in Medicare, you generally have a guaranteed right to buy a Medigap policy regardless of health. Try to move from Medicare Advantage into Medigap in a later year, and most states allow insurers to consider your health history — which can mean higher premiums or a denial. That asymmetry is a reason the initial choice deserves care, not just the annual one.

WHY IT MATTERS FOR 2027

Three currents make this year's review worth more than a glance.

1. The Part D drug benefit keeps changing

The 2022 Inflation Reduction Act rebuilt Medicare's prescription-drug benefit around a hard **annual out-of-pocket cap** — a genuinely valuable protection for anyone facing high drug costs. That cap was **\$2,000 in 2025** and **\$2,100 in 2026**, and it rises to **\$2,400 in 2027**. The standard Part D deductible also climbs, from **\$615 in 2026 to \$700 in 2027**. Once your out-of-pocket spending on covered drugs reaches the cap, you pay nothing more for the rest of the year.

The trade-off is on the premium side. A temporary federal program that has been holding down stand-alone drug-plan premiums — reducing them by roughly **\$16 per month per person in 2026** — is **ending after 2026**. Without it, some stand-alone Part D enrollees could see a larger premium increase for 2027 than they have grown used to. Choices have narrowed too: five years ago the average beneficiary could pick from about **30 stand-alone drug plans**; by 2026 that had fallen to roughly **11**. Re-checking that your specific medications are still covered — and still affordable — matters more when the menu is shrinking.

2. Medicare Advantage benefits are not static

Advantage plans reset their networks, drug formularies, and extra benefits every year. A plan that was an excellent fit in 2026 may drop a doctor, change a copay, or trim a benefit for 2027. Because most beneficiaries are now in these plans, the annual notice of change each plan mails in the fall is one of the most important pieces of paper a retiree receives — and one of the most ignored. Reading it is the single highest-value habit in this whole process.

3. IRMAA links your coverage to your tax return

For higher-income households, Medicare premiums are not one-size-fits-all. The **Income-Related Monthly Adjustment Amount (IRMAA)** adds a surcharge to both Part B and Part D premiums above certain income thresholds. Two features make it a planning issue rather than a footnote. First, it uses a **two-year lookback**: your 2026 premiums are set by the modified adjusted gross income (MAGI) on your **2024** return, and your 2027 premiums by your **2025** return. Second, the tiers are **cliffs** — crossing a threshold by a single dollar moves you to the next tier for the entire year.

2026 MAGI — married filing jointly (from the 2024 return)	Total Part B premium, per person / month
\$218,000 or less	\$202.90
\$218,001 – \$274,000	\$284.10
\$274,001 – \$342,000	\$405.80
\$342,001 – \$410,000	\$527.50
\$410,001 – \$750,000	\$649.20
Above \$750,000	\$689.90

Figure 2. 2026 Medicare Part B premiums by income tier, married filing jointly; single-filer thresholds begin at \$109,000. A separate Part D IRMAA surcharge also applies at these income levels. The 2027 premium figures are expected to be announced by CMS in the fall.

This is where a fall Medicare review and year-round **tax-efficient retirement planning** meet. The size of a Roth conversion, the timing of a capital gain, or a large one-time withdrawal can push a household across an IRMAA cliff two years later. Coordinating those decisions — rather than discovering the surcharge after the fact — is exactly the kind of planning that belongs in one place.

KEY PLAYERS

- **The Centers for Medicare & Medicaid Services (CMS).** The federal agency that sets Medicare's rules, premiums, deductibles, and the IRMAA thresholds, and publishes the annual figures each fall.
- **Private insurers.** Companies such as UnitedHealthcare, Humana, Aetna/CVS, and others design and price the Medicare Advantage and Part D plans you choose among.
- **The Social Security Administration.** Administers Part B premiums and IRMAA determinations, and processes appeals when a life-changing event has lowered your income.
- **Independent brokers and SHIP counselors.** Licensed brokers and the free, unbiased State Health Insurance Assistance Programs help compare specific plans against your medications and providers.
- **Your advisory team.** A financial advisor, working with your CPA, keeps the coverage decision aligned with your income plan, your tax picture, and the IRMAA tiers.

WHAT'S NEXT

- **Fall figures land.** CMS typically announces the 2027 standard Part B premium and the Part A and Part B deductibles in the fall; watch for them before finalizing any decision.
- **Drug-plan premiums bear watching.** With the premium-stabilization program ending, compare 2027 stand-alone Part D premiums carefully against your plan's annual notice

of change.

- **Advantage benefits evolve.** Expect continued shifts in supplemental benefits and telehealth flexibilities, some of which are authorized through the end of 2027.
- **Plan your income with IRMAA in mind.** Because of the two-year lookback, the moves you make in 2026 shape your 2028 premiums — a reason to look ahead, not just at this year's return.

A PRACTICAL CHECKLIST

- Read your plan's **Annual Notice of Change** (mailed in September) before doing anything else.
- Re-confirm that your specific medications are on the 2027 formulary and check their tier and cost.
- Verify your doctors and preferred hospitals are still in-network for any Medicare Advantage plan.
- Compare total expected annual cost — premiums plus expected out-of-pocket — not premiums alone.
- If you are weighing Medigap, understand the medical-underwriting rules before leaving a Medigap policy.
- Estimate your MAGI and check it against the IRMAA tiers; coordinate conversions and withdrawals accordingly.
- Use Medicare's Plan Finder, a licensed broker, or a free SHIP counselor to compare specific plans.
- Make any change before **December 7** so it takes effect January 1.

FREQUENTLY ASKED QUESTIONS

When is Medicare open enrollment for 2027?

The **Annual Enrollment Period** runs **October 15 through December 7, 2026**, for coverage that begins January 1, 2027. It is when you can switch between Original Medicare and Medicare Advantage, change drug plans, or add or drop drug coverage. A separate Medicare Advantage Open Enrollment Period runs January 1 through March 31, 2027 for those already in an Advantage plan.

Should I choose Medicare Advantage or Original Medicare with a Medigap plan?

Neither is better for everyone. **Medicare Advantage** often has low premiums and extra benefits but uses networks and prior authorization; **Original Medicare with a Medigap policy** offers broad provider access and predictable costs at a higher premium, and switching into Medigap later can require medical underwriting in most states. The right choice depends on your health, providers, medications, travel, and budget — and should fit your overall plan.

What is IRMAA and how can I avoid the Medicare surcharge?

IRMAA is an income-based surcharge on Part B and Part D premiums. It uses a two-year lookback, so 2027 surcharges are based on your 2025 tax return, and its tiers are cliffs. Managing modified adjusted gross income — through the timing of Roth conversions, capital gains, and withdrawals — is a central part of **tax-efficient retirement planning** and can help you avoid crossing a threshold unnecessarily.

WORK WITH NORTHWEST FINANCIAL GROUP

Based in Corvallis, Oregon, Northwest Financial Group provides **wealth management services** to pre-retirees and recent retirees across the Pacific Northwest — and, increasingly, families beyond it who prefer to work with us virtually. We do not sell insurance, but we help households fit the fall Medicare decision into a coordinated plan — weighing IRMAA against your Roth-conversion and withdrawal strategy, and working alongside your CPA and a trusted Medicare broker — all grounded in our commitment to transparency, accountability, and clarity. To review how your 2027 coverage decision fits your broader plan, [contact our team](#) to schedule a conversation.

SOURCES

- [Medicare.gov — Joining a plan & enrollment periods \(Annual Enrollment Period, Oct 15 – Dec 7\)](#).
- [KFF — Medicare Advantage in 2026: Enrollment Update and Key Trends \(54%; 34.1M of 62.8M\)](#).
- [KFF — A Current Snapshot of the Medicare Part D Benefit \(2026 cap \\$2,100; deductible \\$615\)](#).
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- [CMS Retiree Drug Subsidy — 2027 Cost Threshold \(\\$700\) and Cost Limit \(\\$14,000\)](#).
- [Kiplinger — Medicare Is Changing in 2027 \(Part D cap \\$2,400; deductible \\$700; shrinking plan choices\)](#).
- [KFF — CMS Ends Temporary Part D Premium Subsidies After 2026](#).
- [Kiplinger — 2026 Medicare Premiums & IRMAA Brackets \(Part B \\$202.90\)](#).

- [Center for Medicare Advocacy — 2026 Parts A & B Premiums and Deductibles \(Part B deductible \\$283\)](#)

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