2025 MEDICARE PART D PREMIUMS: NATIONAL COST DATA REPORT

NOVEMBER 2024

WHITE PAPER

Introduction

In September 2024, the Centers for Medicare & Medicaid Services (CMS) announced that average Part D premiums – which provide prescription drug coverage in retirement – were expected to decrease in 2025[i].

Our analysis of Medicare Part D plans from the three of the largest national carriers tells a different story for all their plans except those offering the lowest level of coverage. **The national average premium increase for 2025 across the 357 plans we reviewed is 11%** - substantially higher than the Consumer Price Index and other key inflation metrics during this time.

For the five states with the highest populations of retirees, the report shows an average increase of 23%. This is consistent with an even higher jump in premiums at two additional major providers operating in these states of 32%.

These trends should not be a surprise given the average increase in 2024 premiums of 37%. From 2023 to 2025, prices have increased by just over 50% in dollar terms.

Price changes for 2025 plans across states range from a decline of more than $50 per month to an increase of $35, the highest allowed under CMS rules.

This tells only part of the story. The other now well-documented trend consistent with the idea of "shrinkflation" is that to manage costs, coverage from plan providers is in some cases being reduced. Deductibles may be increased, some drugs may no longer be covered, and co-pays may be higher.

Since these changes are often opaque, clients and advisors will need to read the fine print to determine what has changed year-over-year for both Part D and Medicare Advantage policies that include drug coverage. For some, there may be little or no impact, and for others, changes may be far more significant.

There is an additional dimension that is important to consider: some plans are being eliminated in 2025. One of the three major carriers will no longer offer two of its Part D plans in 2025, one of which is the second-most popular policy in the country.

Part D Premium Increases in 2025

For this report, we reviewed announced premium increases – and in some cases, decreases – among three top national carriers to evaluate the overall direction of Part D premiums for retirees and those planning for retirement (see Methodology).

We also reviewed data from several other plans in states with the highest populations of retirees, as well as additional published information from public and private sources. While we note that coverage is being reduced in certain plans for 2025, this report focuses primarily on price changes to Part D premiums.

The average increase across 357 policies offered in 2025 by the three largest national carriers was 11%. For low-end plans, costs decreased by an average of 4%, for mid-level plans costs increased by an average of 4%, and high-end plan premiums rose by 21%.

Of the plans we evaluated, 40 increased premiums by $35.00, which is the largest allowable increase in 2025[ii]. The greatest dollar growth in 2024 for the same carriers was $42 a month. In some states, low-end Part D plans are offered at no cost, as providers rely on government payments[iii] to fund the expense of coverage. The most expensive plan included in the research is a high-end policy in New York, which will cost $170.40/month in 2025 (a 26% increase from 2024).

Tables A1-3: Monthly Medicare Part D Premium Changes: 2024 to 2025 (Averages in 50 States & Washington, D.C.)

PROVIDER A

Plan	National Average 2024 Cost	National Average 2025 Cost	$ Difference	% Difference	Largest Decrease	Largest Increase
Plan 1	$102.79	Not Available in 2025	N/A	N/A	N/A	N/A
Plan 2	$45.73	$44.19	-$1.54	-3%	-$14.00 (Arkansas)	$19.30 (New Mexico)
Plan 3	$10.57	Not Available in 2025	N/A	N/A	N/A	N/A

PROVIDER B

Plan	National Average 2024 Cost	National Average 2025 Cost	$ Difference	% Difference	Largest Decrease	Largest Increase
Plan 1	$84.50	$102.32	$17.82	21%	-$26.30 (Alaska)	$35.00 (10 states)
Plan 2	$49.86	$58.86	$9.00	18%	-$42.22 (Arizona)	$35.00 (11 states)
Plan 3	$18.52	$16.76	-$1.76	-10%	-$16.30 (Wisconsin)	$22.10 (New York)

PROVIDER C

Plan	National Average 2024 Cost	National Average 2025 Cost	$ Difference	% Difference	Largest Decrease	Largest Increase
Plan 1	$106.15	$127.82	$21.67	20%	-$22.70 (New Mexico)	$35.00 (10 states)
Plan 2	$50.76	$49.72	-$1.04	-2%	-$51.80 (Alaska)	$35.00 (7 states)
Plan 3	$42.41	$43.32	$0.91	2%	-$18.80 (8 states)	$35.00 (2 states)

AVERAGE

	2024	2025	$ Difference	% Difference
Average	$56.85	$63.28	$6.44	11%

Plan Options, Top Five States by Retiree Population

With one of the large carriers reducing its prescription drug plan (PDP) offerings from three to one, subscribers who are currently on the low-end or high-end plans in 2024 will be cross walked to the remaining plan in 2025 (unless they switch carriers during open enrollment). Some affected subscribers will be paying higher monthly premiums in 2025, and others will pay less for more limited coverage.

For the other two providers, high-end plans that provide the most coverage will see substantial price increases averaging 21%.

We also analyzed plans offered by these carriers in the five states with the highest age 65-plus populations: California, Florida, Texas, New York, and Pennsylvania. Comparisons between 2024 and 2025 premiums reveal an even larger increase in costs than the national averages.

Monthly Medicare Part D Premium Changes: 2024 to 2025, Increases in the Five States with the Highest Population of Retirees.

2024	2025	$ Difference	% Difference
$64.45	$79.16	$14.71	23%

Relative to the 11% average across all 50 states and D.C., in the top five states with the highest retiree populations, the rate is much higher – 23% year-over-year.

To ensure the data is representative of broader industry trends, we also evaluated five additional plans offered by two other large carriers in California, Florida, Texas, New York, and Pennsylvania (see Methodology). These plans saw an average increase of 32% compared to 23% for three national carriers in these five states.

Monthly Medicare Part D Premium Changes: 2024 to 2025, Five Plans from Other Carriers

2024	2025	$ Difference	% Difference
$52.87	$69.76	$16.89	32%

National average data underscores the increase in premiums that many retirees will see during open enrollment. This is especially true for those in states with large populations of retirees. It is important to note that higher or lower prices for Part D premiums do not mean that the plans will offer exactly the same level of coverage or even that the same plans will be available year-over-year.

Subscribers may be encouraged to see a 10% decrease in monthly premiums for one plan included in the research, but Medicare's rating of the policy declined from 3 stars for the version offered in 2024 to 2.5 stars for the 2025 iteration, reflecting the lower level of coverage offered. This is not an isolated case – for at least the third consecutive year, the average star rating of all offered Part D plans will decrease in 2025.[iv] Another plan HealthView evaluated for further validation experienced a full star decrease from 2024 to 2025 despite increasing in price by more than 100% in at least one state.

The 2024-25 Medicare Drug Cost Trends

Our report on 2024 Part D premiums revealed a stunning average increase in premiums of 33-41% based on plan type compared to 2023. CMS' $35/month cap on higher premiums has, in part, slowed the rate of inflation relative to last year.

The substantial number of higher-cost plans rising by $35 reflects price pressure from rising drug costs and changes to cost-sharing embedded in the Inflation Reduction Act. **The conclusion from last year's report that the Act's provisions are benefiting some retirees, but driving premiums higher for the majority, remains true going into 2025.**

Key provisions of the Act that impact Part D costs include:

- Maximum annual out-of-pocket expenses will be reduced from $8,000 to $2,000 beginning in January of 2025.
- The methodology for payment of excess costs will change in 2025, from carriers picking up 20% of costs above $8,000, to carriers picking up between 60% and 80% of costs above $2,000 (the federal government will be responsible only for the remaining 20%-40%).
- Retirees will start to benefit from the negotiated prices of key medications in 2026. The prices of the first ten of these drugs were announced in August of 2024.
- The government is now able to penalize drug makers who raise their prices higher the Consumer Price for All Urban Consumers (CPI-U).

The lower cap on out-of-pocket expenses is welcome news for retirees who would otherwise exceed this amount in the coming year. It is important to note, however, that only around 25% of retirees incur out-of-pocket costs higher than $2,000 annually[v].

With the cap on premium increases, drug price inflation, and more costs being pushed to carriers who are passing them along to retirees in the form of higher premiums and a reduction in coverage, the upward direction of the cost of coverage is likely to continue.

Retirement Planning Takeaways

Prescription drug coverage may seem to be a relatively modest retirement planning expense. The approximately 25% of retirees who spend more than $2,000 in out-of-pocket costs in 2025 will see savings as a result of Inflation Reduction Act provisions that may well outweigh the increases in premiums.

Low level plans available for smaller monthly premiums may have deductibles of close to $600 a year, meaning subscribers need to spend that amount before coverage kicks in.

The cost of Part D plans evaluated for 2025 ranges from $0 to $170.40 for a high-end plan included in our research. The average cost increase for the five states with the highest population of retirees is $14.71/month, or $176.50/year.

Retirees need to consider both premiums and out-of-pocket costs. This will vary based on the drugs a retiree is taking, medical events that may require new prescriptions, and what is and is not covered by insurance. For a retiree that hits the out-of-pocket cap on drug costs or needs to pay for uncovered drugs expenses, the total cost for prescription drugs spending will be significantly higher than premiums alone. This, along with premium inflation, must be factored into savings that will be needed to address future expenses.

From an overall planning perspective, rising Part D premiums are one component of a much broader picture of overall healthcare expenses, which continue to rise significantly faster than the Consumer Price Index and other key inflation metrics.

Clients should plan on higher Part D premiums going forward and higher healthcare costs overall. Putting aside relatively modest additional savings to address these future expenses is prudent, as is the recognition that Inflation Reduction Act provisions may bend the cost curve, but not necessarily change the big picture.

Methodology

Consistent with our 2024 report, the data in this paper is based on an analysis of the changes to premiums for low, mid and high-end Medicare Part D plans offered by three of the largest carriers (Cigna, Humana and Aetna) operating in all 50 states and Washington, D.C. For 2025, Aetna will only offer a mid-level plan and is no longer offering low and high-end plans. Average increases are based on the 2025 mean price of the evaluated plans relative to their 2024 premiums.

For comparative data in the States with the highest retiree populations we reviewed two plans from AARP (UnitedHealthcare) and three from Wellcare. One of the AARP plans is not available in Pennsylvania and was excluded from this analysis.

[i] https://www.cms.gov/newsroom/fact-sheets/medicare-advantage-and-medicare-prescription-drug-programs-remain-stable-cms-implements-improvements
[ii] https://www.cms.gov/newsroom/fact-sheets/cms-releases-2025-medicare-part-d-bid-information-and-announces-premium-stabilization-demonstration
[iii] https://www.cms.gov/newsroom/fact-sheets/medicare-part-d-direct-and-indirect-remuneration-dir
[iv] https://www.cms.gov/newsroom/fact-sheets/2025-medicare-advantage-and-part-d-star-ratings
[v] https://www.barrons.com/articles/medicare-drug-costs-to-be-capped-at-2-000-a-year-in-inflation-reduction-act-51659879091

About HealthView Services

HealthView Services (HVS), founded by a team of financial professionals, healthcare industry executives, and physicians, is a leading provider of healthcare cost projection software. Our portfolio of retirement healthcare planning applications – which create comprehensive and reliable cost projections for around 40 million users annually – is used by advisors, financial institutions, employees and consumers.

Drawing on actuarial and government data, as well as 530 million medical claims, HVS applications rely on a patented data process that utilizes simple user inputs (age, gender, health conditions, income, and state) to create personalized estimates of retirement healthcare costs.

HealthView Services' HealthPlanner Plus decumulation and retirement planning software provides a new option for advisors to manage portfolios that address annual healthcare spending and other expense needs.

The data also incorporates inflation projections for each component of retirement healthcare: Medicare premiums, supplemental insurance, and out-of-pocket spending. With more than a decade of use across the financial services industry, these solutions have proven to be a powerful driver of savings and retirement planning. HVS has numerous software applications which include healthcare cost projections, long-term care costs, Medicare premiums and surcharges, Social Security optimization, and more.

HealthView Services, Inc.
55 Ferncroft Road, Suite 210
Danvers, MA 01923
sales@hvsfinancial.com
800-969-6518

https://hvsfinancial.com/