

Medicare Explained: Everything You Need to Know

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Tags: Insurance | Health

Introduction to Medicare

Medicare is a federal health insurance program established in 1965 that primarily provides coverage for individuals aged 65 and older. It consists of different parts (A, B, C, and D), each covering specific categories of healthcare services. The program is predominantly funded through payroll taxes, with premiums and general revenue also contributing to its sustainability. Medicare aims to help beneficiaries access necessary healthcare services while managing costs, allowing them to choose from various plans to best meet their needs.

Who is Eligible for Medicare?

When Medicare was introduced in 1965, eligibility was primarily focused on US citizens and legal residents who were **65 years or older**. Eligibility has expanded over the years and now also includes disabled individuals who have received Social Security Disability Insurance (SSDI) for 24 months, individuals with end-stage renal disease (ESRD), and individuals with ALS.

How Can I Find Out if a Specific Doctor or Service is Covered by Medicare?

To find out if a doctor or service is covered by Medicare, you can use the “Find Care” tool on the Medicare website <https://www.medicare.gov/>. You can also contact the provider directly and ask if they accept Medicare. If you choose the latter, it's a good idea to confirm which specific Medicare plans they accept, as there are different types.

How Can I Enroll in Medicare?

If you are eligible for Medicare, the best way to enroll in Medicare is directly online through the Social Security Administration's website <https://www.ssa.gov/medicare>. To avoid a penalty, it is best to sign up during either the Initial Enrollment Period or Special Enrollment Period.

The Initial Enrollment Period covers the seven-month period around your birthday during the year you turn 65. For example, someone born in May could enroll in Medicare anytime between February 1 and August 31 of the year in which they turn 65.

If you choose to delay Medicare enrollment due to group coverage with your or your spouse's employer, the Special Enrollment Period covers the eight months following the day you (or your spouse) retire.

If you miss the Initial Enrollment Period and Special Enrollment Period (if applicable), you will need to enroll during the General Enrollment Period that runs January 1 to March 31 each year.

You may be automatically enrolled in Medicare Part A and Part B if you were receiving Social Security benefits at least four months before turning 65.

Am I Required to Enroll in Medicare?

Technically, you are not required to enroll in Medicare. However, it is generally a good idea to enroll during either the Initial Enrollment Period or Special Enrollment Period if you would like to obtain coverage without facing penalties for late enrollment.

What are the different parts of Medicare (A, B, C, and D)?

Medicare is structured into four distinct parts—A, B, C, and D—each designed to address different aspects of healthcare needs.

Medicare Part A: Hospital Insurance

Medicare Part A covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care. Most people do not pay a monthly premium for Part A if they or their spouse paid Medicare taxes while working. However, there may be deductibles, coinsurance, and limits on the number of days covered in a hospital or skilled nursing facility.

Medicare Part B: Medical Insurance

Medicare Part B covers outpatient care, preventive services, and some medical supplies. Part B typically requires a monthly premium, which may vary based on income. There is also an annual deductible and coinsurance (generally 20% of the Medicare-approved amount) for most services after the deductible is met.

Medicare Part C: Medicare Advantage Plans

Medicare Part C is a private insurance plan that provides all the benefits of Parts A and B, and often includes additional coverage such as vision, dental, and hearing coverage. Many Medicare Advantage plans also include Medicare Part D prescription drug coverage, allowing you to get your prescription medications covered under the same plan. Premiums for Medicare Advantage plans can vary widely and may have additional out-of-pocket costs like copayments, deductibles, and coinsurance. However, they often have a maximum out-of-pocket limit.

Medicare Part D: Prescription Drug Coverage

Medicare Part D offers prescription drug coverage through private insurance plans. Part D can be purchased as a standalone plan (if you have Original Medicare) or as part of a Medicare Advantage plan that includes drug coverage. Each Part D plan has a list of covered drugs (formulary), and drugs are often categorized into tiers that affect the copayment amount. Part D plans have monthly premiums, annual deductibles, and copayments or coinsurance for prescriptions.

What is Original Medicare?

Original Medicare is a term to describe the combination of Medicare Parts A and B, which was the first form of Medicare. It is used to distinguish it from Medicare Advantage (Part C).

What is Medicare Advantage?

Medicare Advantage is a term to describe Medicare Part C. It is used to highlight the additional choices and benefits, such as vision, dental, and hearing, it offers beyond Original Medicare.

Which is Better for Me: Original Medicare or Medicare Advantage?

Whether Original Medicare or Medicare Advantage is better for you depends on many factors, such as place of residence, income, flexibility, expected and unexpected doctor visits, and supplemental health needs.

In general, Original Medicare is more favorable for those who frequently visit the doctor, are travelers or snowbirds who need to see a doctor at multiple locations, and are concerned with reducing out-of-pocket costs for large health expenses.

On the other hand, Medicare Advantage is more favorable for those who are generally healthy individuals, would like to have supplemental coverage for dental, vision, or hearing care, and are higher earners who would be subject to IRMAA.

Remember, you can always switch between Original Medicare and Medicare Advantage from one year to the next.

What is Medigap? Should I Get Medigap?

Medigap, also known as Medicare Supplement Insurance, is private health insurance designed to address expenses not covered by Original Medicare (Parts A and B). Original Medicare covers many healthcare costs but not everything, and beneficiaries often face out-of-pocket expenses like copayments, coinsurance, and deductibles. Medigap can only be used if you have Original Medicare; it doesn't work with Medicare Advantage plans (Part C).

Medigap can be purchased from a private insurer. Each plan is standardized and identified by letters (e.g., Plan G), so the benefits of a particular plan type are the same regardless of the insurer offering it. Each Medigap policy covers only one person, so couples need to buy separate policies if both want coverage. Some Medigap plans may cover only certain percentages of costs.

Depending on your Medigap plan, expenses that are covered could include Parts A and B deductibles, Parts A and B coinsurances, Part B excess charges, coinsurance for skilled nursing facilities beginning after 20 days, and foreign travel emergency care. Medigap doesn't cover things like long-term care, vision, dental, hearing aids, or private-duty nursing.

Medigap may be a good idea for people who want added financial protection with their Original Medicare coverage. Some situations where Medigap could be particularly beneficial include frequent healthcare needs, extensive hospital or specialist visits, or the desire for more predictable healthcare costs.

How Much Does Medicare Cost?

Medicare costs vary depending on the type of coverage, your income, and any additional services you choose. Here's a breakdown by each Medicare Part.

Medicare Part A

- Premiums – Most people don't pay a premium if they or their spouse paid Medicare taxes while working for at least 10 years. Otherwise, the standard premium in 2024 is up to \$505 per month.
- Deductible – \$1,632 for each benefit period in 2024. A benefit period begins the day you're admitted as an inpatient and ends when you haven't gotten any inpatient for 60 days in a row.
- Coinsurance – Begins after 60 days in hospital or 20 days in a skilled nursing facility.

Medicare Part B

- Premiums – Starts at \$174.70 per month for most beneficiaries in 2024, but higher-income earners may pay more based on MAGI from two years prior.
- Deductible – \$240 per year in 2024.
- Coinsurance – 20% of Medicare-approved amount for services.

Medicare Part C

- Premiums – Vary by plan; premiums are in addition to the Part B premium.
- Deductible – Vary by plan.
- Coinsurance – Vary by plan.

Medicare Part D

- Premiums – Varies depending on the plan and income level; higher-income earners pay an additional adjustment amount.
- Deductible – Maximum of \$545 in 2024, depending on the plan.
- Coinsurance – Depends on drugs covered under your plan's formulary and tiered pricing.

Medigap

- Premiums – Vary by plan; premiums are in addition to the Part B premium.
- Deductible – Vary by plan.
- Coinsurance – Vary by plan.

Are There Income-Based Adjustments to Medicare Costs?

Yes. The premiums for Medicare Parts B and D have income-based adjustments.

Those with higher incomes may pay an Income-Related Monthly Adjustment Amount (IRMAA). The IRMAA is based on your modified adjusted gross income (MAGI) from two years prior, and the income thresholds are adjusted annually.

Single filers with MAGI above \$103,000 and MFJ filers with MAGI above \$206,000 are required to pay a higher monthly premium for Parts B and D. The IRMAA is determined by how much over these thresholds your income is.

What is the Medicare Open Enrollment Period?

Open enrollment for Medicare is a specific period each year when people who are eligible for Medicare can make changes to their health coverage. This period, also called the Medicare Annual Enrollment Period (AEP), runs from October 15 to December 7 each year. All changes take effect on January 1 of the following year.

During this period, you may change your Medicare Advantage plan, switch from Medicare Advantage to Original Medicare, switch from Original Medicare to Medicare Advantage, or change your Part D coverage if you're in Original Medicare.

Is there a Penalty for not Enrolling in Medicare on Time?

Yes, there can be penalties for not enrolling in Medicare on time, specifically for Part B and Part D coverage. To avoid a penalty, it is best to sign up during either the Initial Enrollment Period or Special Enrollment Period.

Part B applies a penalty as an increase of 10% in your monthly premium for every 12-month period you were eligible but didn't sign up. The longer you delay, the more the penalty increases, and you may have to pay it for as long as you have Medicare.

Part D applies a penalty of 1% of the national base premium multiplied by the number of full months you delayed enrollment. This penalty is generally added to your monthly premium and continues for as long as you have Part D coverage.

How does Medicare Work if I'm Covered Under an Employer Plan?

Many people choose to enroll in Medicare Part A when they turn 65, even if they have other insurance through an employer, since Part A is usually premium-free. Part A can act as secondary insurance and cover hospital costs that your employer plan doesn't cover.

For Part B, the primary payer depends on the size of the employer. For employers with 20 or more employees, the employer plan is the primary payer, and employees can consider delaying enrollment until the designated Special Enrollment Period to avoid penalties. For employers with fewer than 20 employees, Medicare is the primary payer, and it is generally advisable to enroll when you turn 65 to avoid penalties.

You may also need to consider Part D for prescription drugs. Some employer plans provide "creditable" drug coverage that is as good as Medicare Part D, so if your employer coverage is creditable, you won't face a Part D late enrollment penalty. If you delay, make sure you enroll during the Special Enrollment Period to avoid penalties.

It is worth noting that Medicare enrollment disallows HSA contributions, so if you would like to continue contributing to an HSA, consider delaying this enrollment.

Can Medicare be Combined with Another Health Insurance Plan?

Yes, Medicare can be combined with other insurance, such as employer or spouse coverage, but how the plans work together depends on who provides the insurance and the size of the employer.

If you or your spouse have health insurance through a current employer, Medicare can act as either a primary or secondary payer, depending on the employer's size. For employers with 20 or more employees, the employer plan is the primary payer and Medicare is secondary. The opposite is true for employers with fewer than 20 employees.

Retiree insurance (insurance from a former employer) and COBRA generally act as secondary payers to Medicare. If you have COBRA or retiree coverage, you're typically required to enroll in Medicare Part A and Part B when first eligible, as Medicare will be the primary payer.

Medicare and Veterans Affairs (VA) benefits do not work together directly, but each can cover certain services not covered by the other. TRICARE requires that beneficiaries enroll in Medicare Part A and Part B to keep their TRICARE benefits.

How Does Medicare Handle Long-Term Care Coverage?

Medicare is focused on providing coverage for short-term rehabilitation and home health care, and does not provide coverage for long-term care services, which typically include assistance with daily activities (like bathing, dressing, and eating) over an extended period.

For those seeking coverage for long-term care services, it is often recommended to consider long-term care insurance, which is specifically designed to cover the costs associated with custodial care in nursing homes or assisted living facilities.

I Need More Guidance. Can You Help?

Yes, definitely! If you are considering enrolling in Medicare but would like to discuss your options, reach out to us at **FreeMind Financial Advisory** and we would be happy to provide our input. To avoid conflicts of interest, we do not sell any insurance products (such as Medicare Advantage or Medigap) and fully emphasize our educational role in this process.

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