



Medicare

Understanding the ins and outs of Medicare—
when to join, what the different parts do, and
where to go from here



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What's Medicare?

Medicare is a federal health insurance program that provides hospital and medical care for:

- U.S. citizens who are age 65 and older (citizenship requirement of at least five years)
- People with end-stage renal disease (ESRD) or amyotrophic lateral sclerosis (ALS, also known as Lou Gehrig's disease)
- Fully disabled people who have received disability benefits for at least two years

The program consists of several parts that, when combined, create two primary packages people can choose from:

 Original Medicare	 Medicare Advantage (Part C)
<p>Includes:</p> <ul style="list-style-type: none">✓ Part A—hospital care✓ Part B—doctor/medical care <p>You can also add:</p> <ul style="list-style-type: none">✓ Part D—prescription drug coverage✓ Supplemental coverage—Medigap, coverage from a former employer, or Medicaid	<p>Choice of several plan types that include:</p> <ul style="list-style-type: none">✓ Part A—hospital care✓ Part B—doctor/medical care✓ Part D—prescription drug coverage (most plans)✓ Additional benefits, such as vision and dental care (most plans)

Original Medicare provides more flexibility in piecing together the package that you want, especially when it comes to supplemental coverage. Medicare Advantage, on the other hand, may make it easier by bundling everything into one. Both have advantages and disadvantages, depending on where you live, the types of coverage you need, and your finances.



Medicare enrollment

There are a few enrollment periods you should know about.

Initial enrollment—This is your first opportunity to enroll in Medicare Parts A, B, C, and D. It's a seven-month period surrounding your 65th birthday, starting three months before your birthday month and ending three months after. Delaying enrollment can result in an increased premium for Parts A, B, and D.

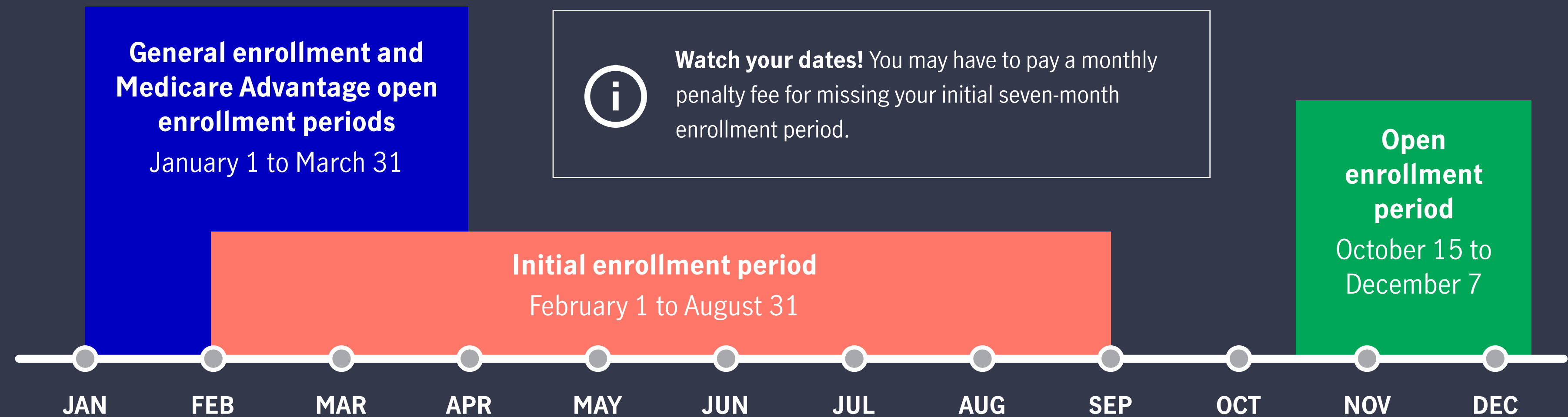
Open enrollment—This period, from October 15 to December 7 each year, is your opportunity to join, switch, or drop your Medicare Advantage plan or Part D. Any coverage changes take effect on January 1 of the following year.

General enrollment—This takes place during the first three months of each year, ending on March 31. It's your chance to sign up for Part A or Part B if you didn't during your initial enrollment period. A late enrollment penalty may apply, and your coverage becomes effective on July 1.

Medicare Advantage enrollment—This overlaps with the general enrollment period and is the period you can switch from one Medicare Advantage plan to another or drop Medicare Advantage for Original Medicare (and add Part D if you choose).

Special enrollment—You may be able to change any of your Medicare plans due to a qualifying life event, such as a residence change or retirement. This can take place at any time of the year—it's tied to the timing of the qualifying event. Changes to Parts A or B must be done within eight months of the event; Part D changes must be completed within two months.

To get a better understanding of how these work, let's look at an example and assume your birthday is May 13.



This example is for illustrative purposes only and may not be reflective of your situation.

You'll automatically receive Parts A and B in certain cases, such as if:

- You're already receiving benefits from Social Security before age 65, you'll be covered as of the first day of your birth month (May 1 in this example).
- You have ALS, you'll automatically get Part A and Part B the month your Social Security disability benefits begin.
- You're disabled, you'll automatically get Part A and Part B after receiving Social Security disability benefits for two years.

If you have ESRD, contact the U.S. Social Security Administration for help enrolling in Part A and Part B. Your coverage effective date varies based on your treatment program.

Medicare Part A

Medicare Part A is commonly called hospital insurance, and it covers several services that typically originate with a hospital stay.

- **Inpatient hospital care**, including psychiatric care, covers a semiprivate room, meals, general nursing services, operating and recovery room stays, and more.
- **Inpatient care in a skilled nursing facility** is covered under certain conditions and for a limited amount of time. Skilled nursing care must follow a minimum of a three-day hospital stay.
- **Hospice care** for terminally ill patients with a life expectancy of less than six months covers pain relief, medical and social services, homemaker services, and more.
- **Home healthcare** provides part-time skilled services if you have trouble leaving home without assistance/it's a major effort or leaving your home isn't recommended due to your illness.
- **Inpatient care in a religious nonmedical healthcare institution** is covered but only for nonmedical services and expenses such as room and board.

Part A doesn't have a monthly premium cost if you (or your spouse) worked for at least 40 quarters during your career (equivalent of 10 years). That doesn't mean it's free—Part A comes with deductibles, co-payments, and co-insurance, depending on the services you receive.

Each service covered under Part A has its own fee structure. Go to [medicare.gov](https://www.medicare.gov) to learn more about the costs for the several services Part A offers.

Consider signing up for Part A when you're initially eligible to avoid an increased premium (if you pay one). If you don't pay a premium, there's no penalty for delaying enrollment, but there's also no downside to enrolling and receiving coverage at no cost.



Medicare payment terminology

What's co-insurance? Co-insurance represents the percentage of the costs you pay versus your insurance company. For example, if your co-insurance is 20%, you're responsible for paying 20% of the bill and your insurer will pay the other 80%.

What's a deductible? Your deductible is the amount you must pay before your insurance kicks in to pay. For example, if your deductible is \$1,000 per year and you receive a bill for \$3,200 in medical services, you pay the first \$1,000 and your insurance will pay the rest.

What's a benefit period? A benefit period starts the day you're admitted to a hospital and ends the day you've been out of the hospital for 60 days in a row. If you're readmitted *after* 60 days, a new benefit period begins. If you're readmitted *within* 60 days from leaving the hospital, your original benefit period continues. Your deductible applies to each benefit period, not each year.



Medicare Part B

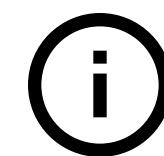
Medicare Part B, often called physician's or medical insurance, covers a lengthy list of doctor's services that are medically necessary—anything required to diagnose or treat an illness. It includes things such as:

- **Doctor's services**, which include preventive care and primarily outpatient services (although some inpatient hospital care is also included).
- **Home health services**, which are covered for as long as you need part-time skilled services, physical therapy, occupational therapy, and more while you're homebound and getting to the doctor's office is difficult or ill-advised. Custodial or personal care services that help with daily living activities aren't covered.
- **Durable medical equipment**, which refers to items such as wheelchairs, oxygen equipment, or at-home hospital beds.
- **Mental health services**, which support diagnoses such as depression and anxiety, primarily as outpatient services, but also partial hospitalization services if needed (inpatient hospital services covered through Part A).
- **X-rays, MRIs, and other diagnostic and lab tests.**

You pay a monthly premium for Part B, ranging from \$174.70 to \$594.70, depending on your income. You'll also have an annual deductible of \$240.¹ Once your deductible is met for the year, your co-payment is typically 20% of the approved costs but may vary, depending on the services you receive.

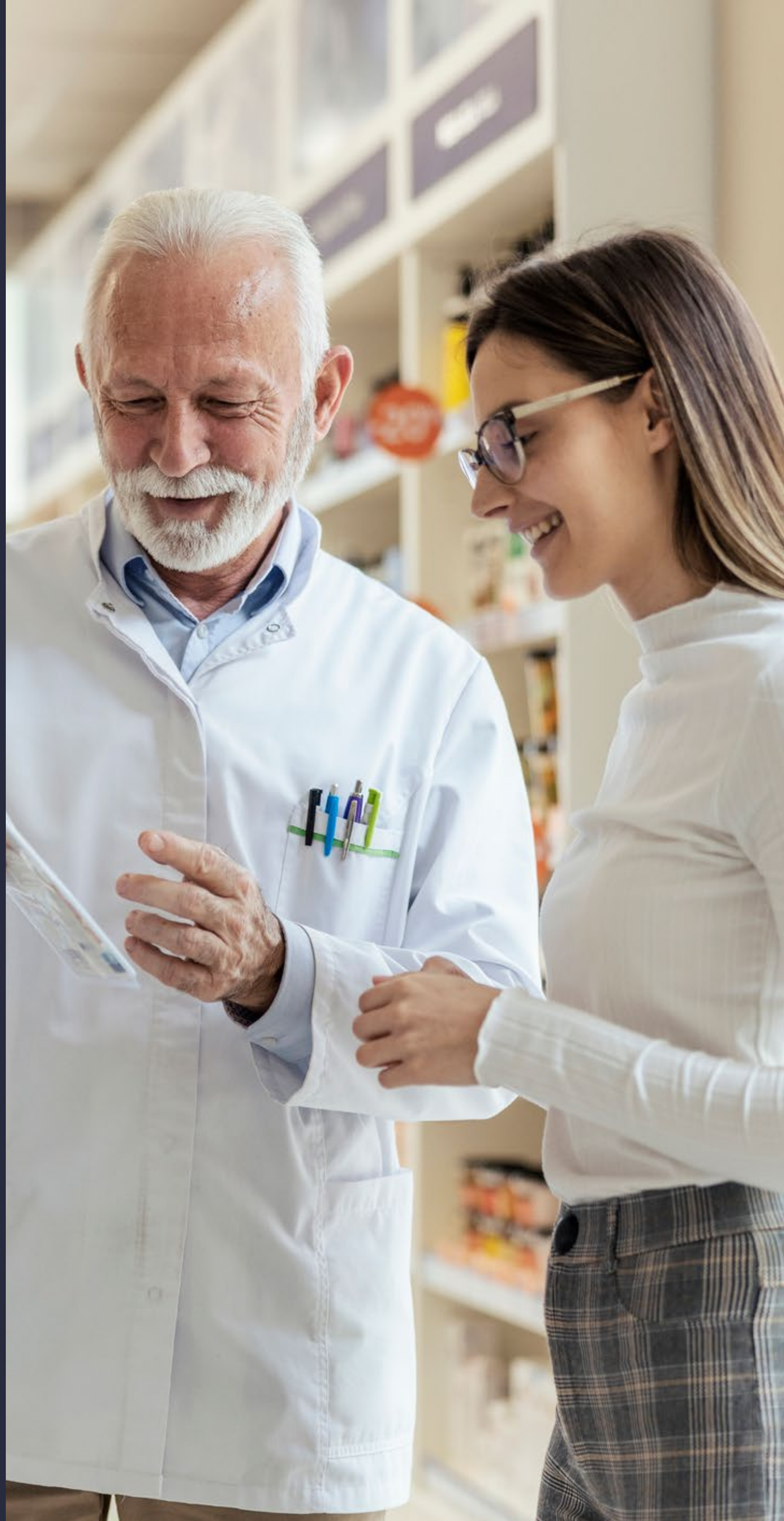
Certain preventive care measures, such as an annual physical exam and flu vaccines, aren't subject to the annual deductible or co-payments.

Your premium will increase 10% for each year you don't sign up for Part B after your initial enrollment period. Consider having a plan for Medicare before your initial enrollment period to avoid this late enrollment penalty.



Doctors aren't required to accept Medicare and can charge up to 15% more than the Medicare-approved cost. So, as an example, if you've already reached your annual deductible and your treatment costs \$100, you'd typically pay \$20. If the doctor doesn't accept Medicare, you may be responsible for paying an additional \$15 (\$35 total).

¹ "2024 costs," Centers for Medicare & Medicaid Services, cms.gov. The U.S. Centers for Medicare & Medicaid Services review and change plan costs periodically.



Medicare Part D

Medicare Part D provides prescription drug coverage and can be added as part of Original Medicare or Medicare Advantage (Part C) plans—it's optional for both.

You can choose from a list of plans available in your area. Each plan will cover different medications and can change which prescriptions they cover—called their formulary—at any time.

Your plan costs may include a monthly premium, which varies based on your income, as well as an annual deductible, co-payments, or co-insurance—it depends on the plan you choose, and costs can change each year. Other factors may affect your costs, such as:

- The prescriptions you take and whether they're covered under the plan
- Which pharmacy you use
- Whether you qualify for Extra Help, a Medicare program for people with limited resources that helps reduce your out-of-pocket prescription costs

Your premium will permanently increase 1% for each month you're not enrolled or have creditable coverage after reaching age 65. For example, signing up two years (24 months) late can result in a 24% increase in your monthly premium when you do sign up (\$10 per month would become \$12.40). Consider planning ahead to help avoid the penalty by:

- Enrolling during your initial enrollment period
- Enrolling when you lose creditable coverage through your or your spouse's work health plan
- Communicating with Medicare that you continue to have creditable coverage through your or your spouse's work health plan

See the plans available in your area to compare costs and which medications are covered by checking out [medicare.gov/plans-compare](https://www.medicare.gov/plans-compare).



What's creditable coverage? Prescription drug coverage, such as an employer's health insurance plan, which pays for at least as much coverage as Medicare Part D provides.

Medigap

The name may give it away, but Medigap aims to fill in the gaps in coverage and costs that Original Medicare leaves open.

Medicare Supplement Insurance (Medigap) policies, or plans, are purchased through private companies. These plans help turn co-payments, co-insurance, and deductibles—all of which can be challenging to budget for—into consistent premium payments. So, if you prefer working with a more fixed budget, Medigap can help you get there. If you'd rather manage through the ebbs and flows of your medical expenses as they come up, then Medigap may not make sense for you.

You can choose from several standardized Medigap plans that may vary, depending on where you live. See the next page to get an idea of the percentage of the various Original Medicare costs each Medigap plan will cover. For example, if you see 100%, it means that Medigap plan will cover 100% of the benefit listed in exchange for a fixed monthly premium payment. The more benefits the plan covers, the more expensive the monthly premium will likely be.



Benefit	Medigap plan ²									
	A	B	C	D	F ³	G ³	K	L	M	N
Medicare Part A co-insurance and hospital costs	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Medicare Part B co-payment or co-insurance	100%	100%	100%	100%	100%	100%	50%	75%	100%	100% ⁴
Blood (first three pints)	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Part A hospice care co-payment or co-insurance	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Skilled nursing facility care co-insurance	0%	0%	100%	100%	100%	100%	50%	75%	100%	100%
Part A deductible	0%	100%	100%	100%	100%	100%	50%	75%	50%	100%
Part B deductible	0%	0%	100%	0%	100%	0%	0%	0%	0%	0%
Part B excess charges	0%	0%	0%	0%	100%	100%	0%	0%	0%	0%
Foreign travel emergency	0%	0%	80%	80%	80%	80%	0%	0%	80%	80%
							Out-of-pocket limit in 2023 ⁵			
							\$6,940	\$3,470		

A few more important points:

- You must have Original Medicare before signing up for Medigap, which can't be used if you have Medicare Advantage.
- Policies and costs vary by state—consider researching the plans near you to understand what's available and the costs.
- Medigap open enrollment is a six-month period starting in the first month you have Part B and reach age 65. If you don't sign up during this window, you may not be able to. If you can sign up after open enrollment, your cost may increase.

² "Medicare & You 2024: The official U.S. government Medicare handbook," U.S. Department of Health & Human Services, September 2023. ³ If using a high-deductible plan, you may need to continue paying Original Medicare costs (co-payments, co-insurance, and deductible) up to your deductible amount before the Medigap policy kicks in. ⁴ Plan N covers 100% of Part B co-insurance; however, you will likely pay a co-payment of up to \$20 for certain office visits and up to a \$50 co-payment for emergency room visits that do not result in an inpatient stay. ⁵ The Medigap policy pays for 100% of covered services for the rest of the calendar year once you meet your yearly out-of-pocket limit and Part B deductible.

Medicare Advantage (Part C)

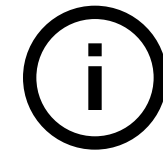
Medicare Advantage is the common name for Medicare Part C. It provides similar services to Parts A and B and, depending on the plan you choose, you may also get coverage for certain Part D and Medigap services.

You can choose from several Medicare Advantage plans. Specific plan coverage, costs, and other features may vary, depending on where you live. See below for some basic guidelines for each plan.

Plan name	Provider restrictions	Drug coverage provided?	Required to choose a primary care provider?	Specialist referrals?	Additional notes
Health maintenance organization (HMO)	In-network providers only	Yes, for most plans; Part D isn't available for those that don't	Yes, for most plans	Yes, for most plans	
HMO point of service	Out-of-network providers are allowed but may be more expensive	Yes, for most plans	Yes	Yes	
Medical savings account	None	No, separate plan required	No	No	<ul style="list-style-type: none"> • Money is deposited into an account for you to use toward medical expenses, up to your deductible • Plans tend to have a high deductible
Preferred provider organization	Out-of-network providers are allowed but may be more expensive	Yes, for most plans; Part D isn't available for those that don't	No	No, for most plans	In-network and preferred providers tend to be a more affordable option
Private fee for service	Any provider that accepts the plan's payment terms and opts into Original Medicare coverage	Maybe; Part D is available for those that don't	No	No	
Special needs plan	Varies by plan	Yes	Yes, for most plans	Yes, for most plans and services	This plan is for people with specific conditions or income limitations

To join a Medicare Advantage plan, you must:

- Enroll in Part A and B
- Live in the plan's service area—unfortunately, you can't enroll in Part C if a local doctor doesn't provide these services
- Be a U.S. citizen



Pay attention to your provider's status! Providers can join or leave a plan's network at any time. If yours leaves, you can't change your *plan* until the open enrollment period, but you can choose a new *provider* within the same plan.



Impact of the Inflation Reduction Act

The Inflation Reduction Act (passed in 2022) contains several provisions to help make prescription drugs more accessible and affordable for Medicare recipients. Some are already in effect, while others will be phased in over the next few years.

2023 improvements

- If you have Medicare Part D, you don't have to pay anything to receive recommended vaccines.
- Medicare Part D drug plans can't charge more than \$35 per month per covered prescription of insulin.
- Drug manufacturers have to pay Medicare a rebate if drug prices increase faster than the rate of inflation, which may help slow future price hikes.
- Medicare has started negotiating directly with the drug manufacturers to help lower the cost of certain brand-name Medicare Part B and Part D drugs. They've selected 10 drugs for their initial negotiations. The new pricing for these drugs will take effect in 2026.

2024 improvements

Individuals with income up to 150% of the federal poverty level may be eligible for the low-income subsidy program under Medicare Part D, also known as Medicare Extra Help.

2025 improvements

Yearly out-of-pocket costs for Medicare Part D prescription drugs will be capped. For 2025, the cap is \$2,000.

For more information, please see ["Saving money with the prescription drug law"](#) at medicare.gov.

Common missteps

Tips to help you avoid added costs, frustration, and a lapse in coverage

Choose the plan that's right for you—This may sound obvious, but your health situation is unique to you. Insight from friends and family may help you understand the program, but it doesn't decide which plans to enroll in based on that alone. Determine the package that makes the most sense for you and gives you what you need.

Check to see if your healthcare providers are considered in-network for the plan you're considering—costs tend to be lower when using in-network doctors

Don't miss key enrollment deadlines—Delayed enrollment can result in increased premiums and gaps in health coverage. Consider the following as you approach your 65th birthday:

- Familiarize yourself with the enrollment periods to sign up on time
- Know the financial impact of late enrollment penalties on your Part A, Part B, and Part D premiums (whichever are applicable)
- Connect with your human resources team if you're working past 65 to determine how to sort out your employer-provided insurance plan and Medicare
- Understand your special enrollment period if you're still receiving health coverage from your or your spouse's employer at age 65

Pay attention to your Part D formulary (if applicable)—If you choose to sign up for prescription drug coverage through Part D, stay up to date on the drugs your plan covers. Your provider can change which drugs are part of your plan at any time.

See if you qualify for financial assistance—Medicare savings programs, Extra Help, and state pharmaceutical assistance programs all exist to help those with limited income and resources. If you're concerned about the cost of your Medicare package, contact these resources to see if they can help.

[Medicaid](#) may be another option, too.



Resources

Visit [medicare.gov](https://www.medicare.gov) to create your Medicare account, find health and drug plans in your area, locate nearby healthcare providers, and learn more about how Medicare works.

Call **800-MEDICARE (800-633-4227)** to talk to a Medicare professional who can answer your questions and provide direction on your next steps.

Read through the “[Medicare & You](#)” handbook. This official document is updated annually, outlines recent changes to the program, including costs, and provides great detail into the Medicare program.

Contact your local [State Health Insurance Assistance Program](#) representatives for one-on-one counseling.





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