

When it comes to Medicare, simply understanding the basics can be a challenge. If you're enrolling for the first time, you probably have a variety of questions, including:

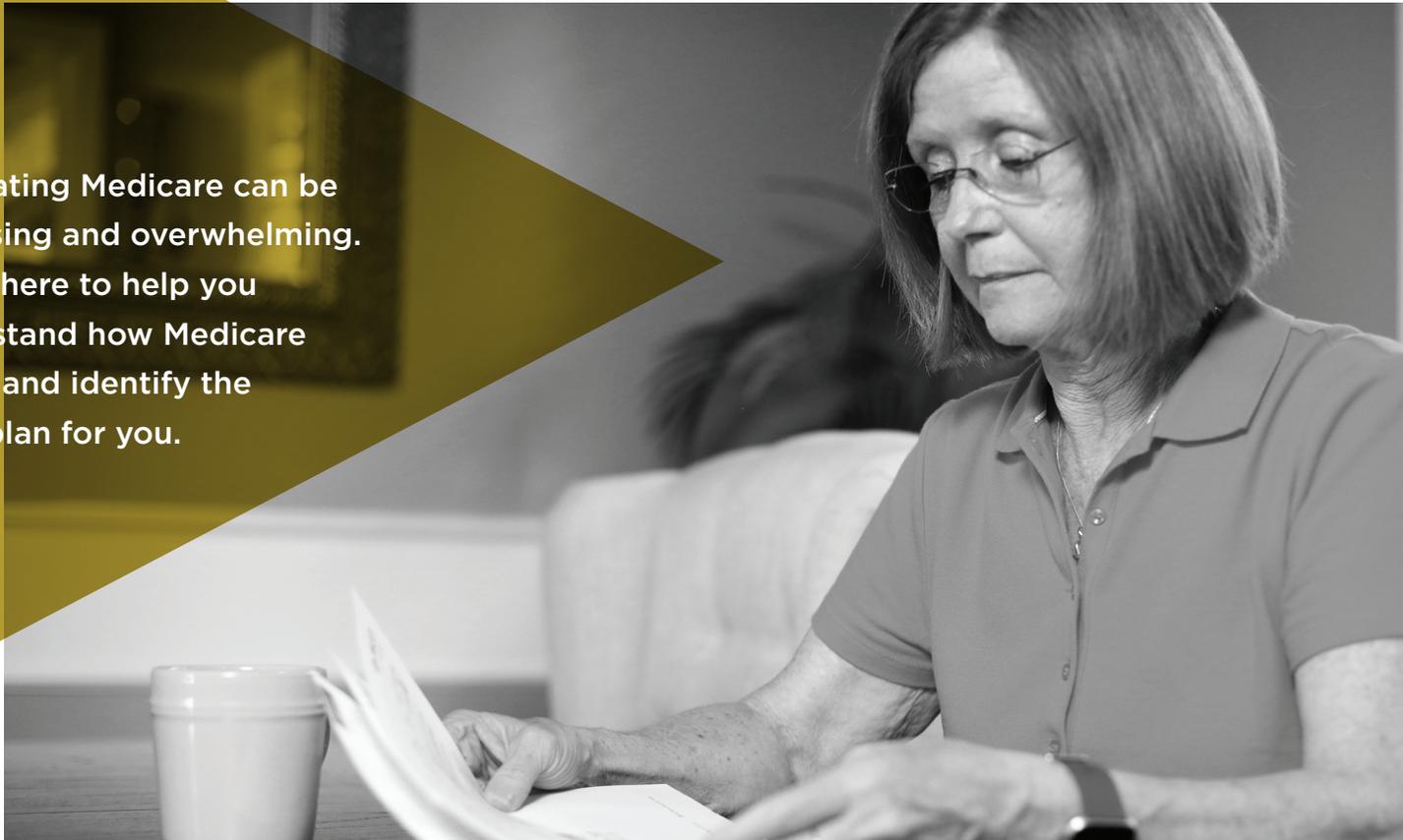
- ❗ **When is initial enrollment?**
- ❗ **How much will premiums cost?**
- ❗ **Will I still be able to see my doctor?**
- ❗ **And all those parts: Which part covers what services, and why am I paying separately for them?**

Even experienced Medicare recipients may have questions about their coverage. The most frequent question relates to costs; many older Americans may feel locked into plans and high premiums.

But did you know you have options for switching — and potentially lowering — your Medicare plan costs?

Whether you're approaching age 65 and about to enroll in Medicare for the first time or you're looking for new coverage options, read on to find out more about the basics of Medicare and discover how you can help maximize your Medicare benefits.

Navigating Medicare can be confusing and overwhelming. We're here to help you understand how Medicare works and identify the right plan for you.



The Sum of its Parts



In July 1965, President Lyndon B. Johnson signed the bill creating the original Medicare and Medicaid programs. At its conception, Medicare had two parts: Part A (hospital insurance) and Part B (medical insurance). These parts are called original Medicare.¹

Today, original Medicare still exists, with some major changes. In 2003, the Medicare Prescription Drug, Improvement and Modernization Act made it possible for insurance companies to offer private health plans, known as Medicare Advantage plans (also called Part C). The Act also added an optional prescription drug benefit known as Part D.²

From hospital services and hospice care to doctor visits and mental health services, each part of Medicare provides coverage for different services. In addition, each part has unique requirements for premiums, deductibles and coinsurance. Read on to learn more about each part and how it affects the health care you receive.

Medicare parts

AT A GLANCE³

PART A

WHAT IT COVERS

Hospital stays, hospice, skilled nursing care following a qualifying hospitalization, home health care



PART B

WHAT IT COVERS

Doctor services, outpatient services, medical equipment



PART C

WHAT IT COVERS

Same services as Part A and Part B, and often prescription drug coverage, as well as other services



PART D

WHAT IT COVERS

Prescriptions



PART A

Medicare Part A is provided through original Medicare or in a Medicare Advantage plan. It generally covers hospital-related expenses,

including stays in a hospital or a skilled nursing facility following a qualifying hospitalization, hospice care and home health care.

Most people pay nothing for Part A coverage, because they've paid Medicare taxes for 10 years or more.

However, if you've paid Medicare taxes for less than 10 years, you could pay up to \$458 in monthly premiums for Part A.

Part A runs in benefit periods, which begin the day you start getting inpatient care and end when you haven't received any care for 60 days in a row. You'll pay a deductible of \$1,408 for each benefit period. As an example, if you have a hospital stay April 1 through April 3 without subsequent care, that benefit period will end June 3. An additional hospital stay later in the same year would require a new deductible.

You'll also pay coinsurance within each benefit period. For a hospital stay, coinsurance is \$0 for the first 60 days of inpatient care during the benefit period, \$352/day for days 61 – 90 and \$704/lifetime reserve day (up to 60 days over your lifetime). Coinsurance for a skilled nursing facility is \$0 for the first 20 days of inpatient care and \$176/day for days 21 – 100 of the benefit period.⁴

2020 MEDICARE PART A COSTS⁵

Premium

If you've worked 10 years or more	_____	\$0
If you've worked 7.5 to 10 years	_____	\$252/month
If you've worked less than 7.5 years	_____	\$458/month

Deductible*

For each benefit period	_____	\$1,408
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Hospital Coinsurance*

First 60 days of inpatient care	_____	\$0
Days 61 – 90	_____	\$352/day
After day 90	_____	\$704/lifetime reserve day

Skilled Nursing Facility Coinsurance*

First 20 days of inpatient care	_____	\$0
Days 21 – 100	_____	\$176/day

*For each benefit period



PART B

Whether you receive Part B through original Medicare or a Medicare Advantage plan, two types of services will be covered: Medically necessary services and preventive services. Medically necessary services are those that are needed to diagnose or treat your medical condition, while preventive health care is designed to prevent illness from happening.

Doctor visits, lab tests and other related expenses are covered by Part B. Other items it covers include ambulance services, durable medical equipment (such as a walker or an oxygen tank), mental health treatment and limited outpatient prescription drugs.

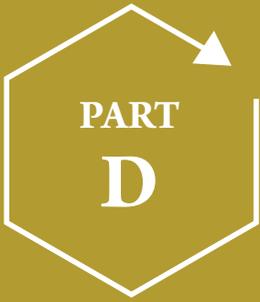
2020 MEDICARE PART B COSTS⁶

Premium

Standard premium _____ \$144.60/month
May be higher depending on income

Deductible

Annual amount _____ \$198/year
After your deductible is met, you typically pay 20% of the Medicare-approved amount



D stands for drugs — and Part D provides prescription drug coverage.

While Part B provides for limited outpatient prescriptions, Part D plans include a more extensive list of formulary and generic drugs.

Medicare recipients can choose to add a stand-alone prescription drug plan. Premiums vary by plan coverage and income levels. If you enroll in a Medicare Advantage plan, your premium may include prescription drug coverage.⁷

Individuals who need assistance paying for prescriptions or drug coverage can apply for the federal Extra Help program. You may be eligible for assistance if your annual income is up to \$18,735 for singles and \$25,365 for married couples and your assets are below specified limits.⁸ For more information about the Extra Help program, visit www.ssa.gov/benefits/medicare/prescriptionhelp/.

A late enrollment penalty is added to your Part D premiums going forward if you go without Part D or other creditable prescription drug coverage for 63 days or more after your initial Part D enrollment period. The penalty increases for every month you go without coverage.⁹

2020 MEDICARE PART D COSTS^{10, 11}

Premium

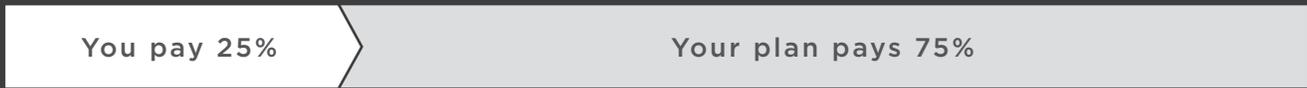
Varies by plan

Deductible Amount

Varies by plan

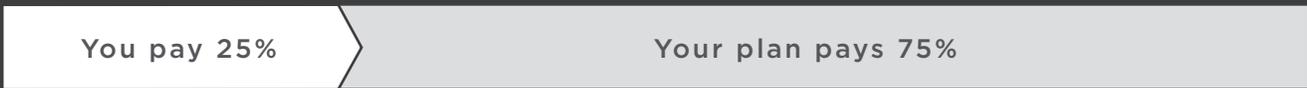
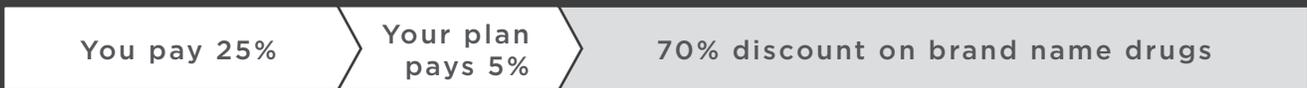
Initial Coverage Period

Begins after you meet your deductible (cost-sharing varies by plan). For example:



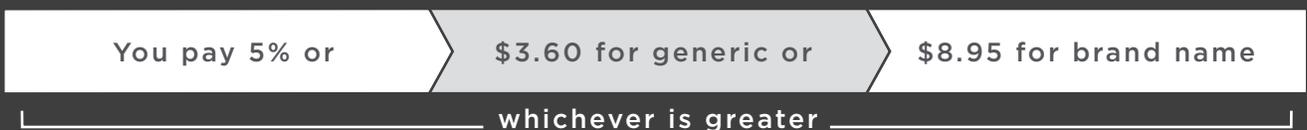
Coverage Gap

Begins when you and your plan have paid a total of \$4,020 for covered drugs (not including Part D premium)



Catastrophic Coverage

Begins when you have paid \$6,350 out-of-pocket for covered drugs (not including Part D premium)



MEDICARE SUPPLEMENT INSURANCE

Also known as Medigap, a Medicare Supplement insurance policy picks up where original Medicare leaves off. These policies are sold by private insurance companies to help cover copayments, coinsurance and deductibles that aren't otherwise covered.

These policies may also pay for additional services not covered in Parts A and B. However, Medicare Supplement policies do not provide coverage for prescription drugs, long-term care, or vision or dental services.

Medicare Supplement insurance is not the same as Medicare Advantage; Medigap is designed to cover the "gaps" in your Medicare. In fact, it's illegal for someone to sell you a Medigap plan if you have Medicare Advantage.

To purchase Medicare Supplement insurance, you must already have Medicare Part A and Part B.

The insurance company will charge a monthly premium in addition to the monthly Part B premium you pay directly to Medicare. As long as you pay the premium, Medicare Supplement policies are guaranteed renewable without regard to your health status.¹²

For Medicare recipients who divide their time between different regions, a Medicare Supplement insurance policy goes with you wherever you go. Some plans even travel with you outside of the United States.

MEDICARE SUPPLEMENT INSURANCE POLICY COSTS

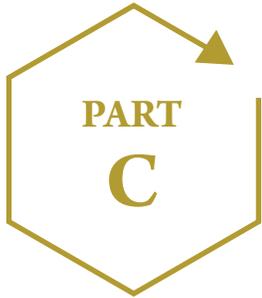
Premium

Varies by plan

Deductible & Coinsurance

Varies by plan

MEDICARE ADVANTAGE



Medicare Advantage plans take Parts A and B and, in most cases, Part D and bundle them together as a comprehensive alternative to original Medicare. Sometimes referred to as “Part C” or “MA” plans, they are offered by private insurance companies and provide coverage for one monthly premium. Some Medicare Advantage plans also provide coverage for vision, hearing and dental services — coverage that’s not provided in original Medicare.¹³

Each Medicare Advantage plan has its own premiums, deductibles and out-of-pocket limits. They also have different rules for referrals and where you can go for care, unlike original Medicare and Medicare Supplement insurance policies, which allow you to go to any doctor or facility that accepts Medicare.

While Medicare Advantage plans usually have a lower monthly premium than Medicare Supplement policies, a Medicare Advantage plan could result in higher out-of-pocket costs. However, **Medicare Advantage plans also have the benefit of covering more services**, potentially offsetting some of the cost savings a Medicare Supplement policy may provide.

Medicare Advantage plans are a less portable option than Medicare Supplement insurance policies, since most Medicare Advantage plans only operate within a certain region. This can be problematic, especially if you love to travel or split your time between residences.

In 2019, Medicare Advantage plans gained the ability to expand the services they cover, to include supplemental benefits aimed at maintaining health, such as adult day health services.¹⁴ Many Medicare Advantage plans added vision, dental and hearing coverage, as well as nutrition services and non-skilled in-home support. The additional flexibility within these plans could allow many older Americans to stay in their homes longer while still receiving the care they need.

To enroll in a Medicare Advantage plan, you must be enrolled in Medicare Parts A and B. Since Medicare Advantage plans are only available within a specific region, you must live in the plan’s service area.

MEDICARE ADVANTAGE PLAN COSTS

Premium

Varies by plan

Deductible & Coinsurance

Varies by plan

CHOOSING BETWEEN MEDICARE ADVANTAGE AND ORIGINAL MEDICARE PLUS A MEDICARE SUPPLEMENT

When it comes to deciding between a Medicare Advantage plan and original Medicare plus a Medicare Supplement policy, there are three major factors to consider:



COST Medicare Supplement policies usually require a higher monthly premium but could result in lower out-of-pocket expenses than some Medicare Advantage plans. However, Medicare Advantage plans may cost less but cover more services, which might be a better option for your monthly budget.



CHOICE With a Medicare Advantage plan, your choice of medical providers is limited to those within the HMO or PPO. The plan also may not cover services provided outside of the network. Original Medicare and Medicare Supplement policies cover any medical provider who accepts Medicare for payment. No matter which plan you choose, it's a good idea to check with specialists or hospitals to ensure they accept Medicare before receiving services.



LIFESTYLE Medicare Advantage plans are limited to certain states or regions. Medicare Supplement policies, on the other hand, are portable and provide coverage across all 50 states, and some plans include coverage outside of the country. If you're a snowbird living in more than one state throughout the year or you travel extensively, you'll probably benefit from choosing original Medicare plus a Medicare Supplement policy.

	MEDICARE SUPPLEMENT PLAN	MEDICARE ADVANTAGE PLAN
Monthly Premium	HIGHER	\$0 OR LOW
Includes Part D and Dental/Vision	NO	USUALLY
Copayments to providers	NO	YES
Up to \$10,000 in out-of-pocket costs	NO	YES
Restrictive network of doctors and hospitals	NO	YES
Allows appeal of coverage decisions to Medicare	YES	NO
Your doctor can be dropped by plan	NO	YES
Your plan can be canceled	NO	YES
Health plan decides which procedures and tests are approved	NO	YES
Allows one to travel the country and use any doctor and hospital	YES	NO



Medicare and You



INITIAL ENROLLMENT

If you're approaching your 65th birthday, you've probably started receiving an avalanche of Medicare-related advertisements in the mail. They all scream different messages: Buy this plan! Get that plan! Sign up — or make the switch — today!

When you first become eligible for Medicare, you have seven months to complete initial enrollment. The period begins three months before the month you turn 65, runs through your birthday month, and ends three months after the month you turn 65. For example, if your birthday is April 23, your enrollment period begins in January and ends in July. Once you've enrolled, coverage starts the first day of the next month.

If you miss the enrollment deadline when you're first eligible, you'll pay a late enrollment penalty — and you'll continue to pay the late enrollment penalty as long as you have Part B. You may also have to wait until the General Enrollment Period begins the following January, then wait for coverage to start on July 1 of that year.¹⁵ If your birthday is April 23 and you don't enroll by July, you'll have to wait nearly a year before coverage begins.

If you're taking Social Security benefits before age 65, you'll be enrolled in Medicare Parts A and B automatically. You will receive a Medicare card in the mail three months before your 65th birthday.

If you've delayed taking Social Security, you'll need to enroll, even if you have health insurance through an employer. It only takes a few minutes to enroll in Medicare online. To enroll, visit www.ssa.gov/benefits/medicare/.

You have a 7-month period for Medicare initial enrollment:

3 months before
the month of your
65th birthday

The month
of your
65th birthday

3 months after
the month of your
65th birthday

WHAT YOU'LL PAY

Initial enrollment includes Medicare Parts A and B. Most recipients don't pay premiums on Part A, which is covered by Medicare taxes you paid during your working years. Every recipient pays a monthly premium for Part B. For 2020, the standard premium is \$144.60/month, although that amount can vary depending on your income and when you enroll in Part B.¹⁶

Parts A and B can be received in one of two ways: Original Medicare or a Medicare Advantage plan. You can also choose to receive additional coverage through a Medicare prescription drug plan (Part D) or Medicare Supplement insurance (Medigap) plan. Additional premiums will apply to supplemental coverage.

SUBSEQUENT ENROLLMENT

Each year after your initial enrollment, you'll have the chance to change your Medicare plans. The Medicare Annual Enrollment Period (AEP) runs Oct. 15 through Dec. 7, and new coverage begins Jan. 1.

Each September, you will receive an Evidence of Coverage (EOC) document, which provides current details about your plan's coverage, premiums, coinsurance and deductibles, and more. You'll also receive an Annual Notice of Change (ANOC), a document listing any changes to your plan starting Jan. 1. It's important to review the EOC and ANOC before choosing your Medicare coverage for the following year.

Should I consider changing my plan?

While it's a good idea to review your plan every year, it might be time to look into other options if:

- 🔧 Your health has changed in some way
- 🔧 You need additional benefits
- 🔧 You've had the same plan for a long time
- 🔧 Your financial needs have changed

During the Annual Enrollment Period (AEP), you can make a variety of changes:

- > **Switch From original Medicare to Medicare Advantage, or vice versa**
- > **Switch from one Medicare Advantage plan to another**
- > **Switch from one Medicare prescription drug plan to another**
- > **Enroll in a Medicare prescription drug plan (if you haven't already)**

Starting in 2019, there's also a new Medicare Advantage Open Enrollment Period (MA OEP). It runs from Jan. 1 through March 31 and is similar to the Annual Enrollment Period but more limited in scope. During this time, you can change Medicare Advantage plans or switch from Medicare Advantage to original Medicare.

If you don't want to make changes for the upcoming year, you won't need to take any action.

Helpful Resources



APPLY FOR MEDICARE

www.ssa.gov/benefits/medicare/

COMPREHENSIVE LIST OF SERVICES IN MEDICARE PARTS A, B AND D

www.medicare.gov/what-medicare-covers/your-medicare-coverage-choices/whats-medicare

MEDICARE COSTS AT A GLANCE

www.medicare.gov/your-medicare-costs/medicare-costs-at-a-glance

EXTRA HELP WITH MEDICARE PRESCRIPTION DRUG PLAN COSTS

www.ssa.gov/benefits/medicare/prescriptionhelp/

KEY DATES

INITIAL ENROLLMENT PERIOD

Begins three months before the month of your 65th birthday and ends three months after the month of your 65th birthday

EVIDENCE OF COVERAGE (EOC) AND ANNUAL NOTICE OF COVERAGE (ANOC)

Mailed to current Medicare enrollees annually in September

MEDICARE ANNUAL ENROLLMENT PERIOD (AEP)

Oct. 15 – Dec. 7, annually

MEDICARE ADVANTAGE OPEN ENROLLMENT PERIOD (MA OEP)

Jan. 1 – March 31, annually

MEDICARE SUPPLEMENT OPEN ENROLLMENT PERIOD

Starts in the first month that you're covered under Part B, and are age 65 or older, and lasts for six months

Medicare Terms You Should Know



Benefit Period

Applies to Medicare Part A. Each benefit period begins on the first day services are provided and ends when you haven't received benefits for 60 days in a row.

Claim

A request for payment by Medicare for medical services you receive. Claims can be made by you (the insured) or by the medical facility where the service is provided.

Coinsurance

The share of costs you pay after the deductible is met, usually designated as a percentage.

Copayment

The share of costs you pay for medical services, usually designated as a set amount.

Deductible

The amount you (the insured) must pay before an insurance company will pay a claim. This is in addition to monthly premiums paid for by you.

Formulary

List of prescription drugs that are covered by a prescription drug plan.

Initial Enrollment Period

Period of time when you can enroll in Medicare for the first time. This period begins three months before your 65th birthday and ends three months after the month when you turn 65.

Medicare Advantage Open Enrollment Period (MA OEP)

During this time, Medicare Advantage enrollees can switch from their current Medicare Advantage plan to another Medicare Advantage plan or to original Medicare. Occurs each year from Jan. 1 through March 31.

Medicare Annual Enrollment Period (AEP)

Medicare enrollees can switch plans to reduce premium costs or add additional benefits. Occurs each year from Oct. 15 through Dec. 7.

Premium

The amount you pay each month for coverage. You may pay separate premiums for each part of Medicare.



Not sure where to start?

With all the options, we know that choosing the right Medicare plan for you can be a daunting task. If you're not sure where to start, call us! **We can help you navigate the different parts of Medicare and identify which benefits are important for you to receive.**

Our experienced financial professionals have access to a wide variety of plans, and we will work with you to help determine which plans fit your health and budget. Whether you're tackling initial enrollment or looking to lower your Medicare costs, we can help find the right plan to fit your needs. We'll also walk you through the enrollment process from start to finish to ensure you don't miss out on even one day of coverage.



Call us to get started today!

¹ Centers for Medicare & Medicaid Services. "CMS' program history." <https://www.cms.gov/About-CMS/Agency-Information/History/index>. Accessed Dec. 13, 2019.

² Congress.gov. "H.R.1 – Medicare Prescription Drug, Improvement, and Modernization Act of 2003." <https://www.congress.gov/bill/108th-congress/house-bill/1>. Accessed Dec. 13, 2019.

³ Medicare.gov. "Medicare costs at a glance." <https://www.medicare.gov/your-medicare-costs/medicare-costs-at-a-glance>. Accessed Dec. 13, 2019.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Medicare.gov. "Monthly premium for drug plans." <https://www.medicare.gov/drug-coverage-part-d/costs-for-medicare-drug-coverage/monthly-premium-for-drug-plans>. Accessed Dec. 13, 2019.

⁸ Q1Medicare.com. "Extra Help with Medicare Prescription Drug Plan Costs" <https://q1medicare.com/PartD-ExtraHelp-Low-Income-Subsidy-LIS.php>. Accessed Dec. 13, 2019.

⁹ Medicare.gov. "TPart D late enrollment penalty." <https://www.medicare.gov/drug-coverage-part-d/costs-for-medicare-drug-coverage/part-d-late-enrollment-penalty>. Accessed Dec. 13, 2019.

¹⁰ Eligibility Medicare. "What Is The Donut Hole?" <https://eligibility.com/medicare/part-d/part-d-donut-hole>. Accessed Dec. 13, 2019.

¹¹ Medicare.gov. "Costs for Medicare drug coverage." <https://www.medicare.gov/drug-coverage-part-d/costs-for-medicare-drug-coverage>. Accessed Dec. 13, 2019.

¹² Medicare.gov. "What's Medicare Supplement Insurance (Medigap?)" <https://www.medicare.gov/supplements-other-insurance/whats-medicare-supplement-insurance-medigap>. Accessed Dec. 13, 2019.

¹³ Medicare.gov. "How do Medicare Advantage Plans work?" <https://www.medicare.gov/sign-up-change-plans/types-of-medicare-health-plans/medicare-advantage-plans/how-do-medicare-advantage-plans-work>. Accessed Dec. 13, 2019.

¹⁴ Centers for Medicare & Medicaid Services. April 1, 2019. "CMS finalizes Medicare Advantage and Part D payment and policy updates to maximize competition and coverage." <https://www.cms.gov/newsroom/press-releases/cms-finalizes-medicare-advantage-and-part-d-payment-and-policy-updates-maximize-competition-and-coverage>. Accessed Dec. 13, 2019.

¹⁵ Medicare.gov. "Part B late enrollment penalty." <https://www.medicare.gov/your-medicare-costs/part-b-costs/part-b-late-enrollment-penalty>. Accessed Dec. 13, 2019.

¹⁶ Medicare.gov. "Getting Started with Medicare." <https://www.medicare.gov/sign-up-change-plans/getting-started-with-medicare>. Accessed Dec. 13, 2019.



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