



## Medicare Primer

If you (like most) plan on using Medicare as your primary source of health care coverage during retirement, you should have a basic understanding of how it works. Unfortunately, according to a recent study by the National Council of Aging and United Healthcare, a majority of baby boomers don't. So here's a short primer to bring you up to speed on the essentials.

### What is Medicare?

Medicare is a government health insurance program that is typically available to people sixty-five and older, or those with certain disabilities or diseases.

### How do I apply?

If you are already receiving Social Security or Railroad Retirement benefits, you do not need to do anything to enroll in Medicare. You will automatically become entitled to the benefits on the first day of the month you turn sixty-five. The government will mail you your Medicare card about three months prior to your sixty-fifth birthday.

If you have not started claiming your Social Security or Railroad Retirement benefits by the time you turn sixty-five, you will need to apply for Medicare. You can do this up to three months prior to the month you turn sixty-five, but not later than three months after the month you turn sixty-five. If you miss this initial window, you will likely have to wait until the next general enrollment period, which runs from January 1 through March 31 of each year (Beware that penalties apply to those who sign up after their initial enrollment window.). You can make certain changes to prior elections during the open enrollment period each year from October 15 through December 7.

You can enroll online at <http://www.ssa.gov/>. You can also enroll by phone or in person at any local Social Security office. If you don't know the number to your local office, call the Social Security Administration directly at (800) 772-1213 or use the office locator at <http://www.ssa.gov/>.

## **What are the “parts” of Medicare that I have heard mentioned?**

Medicare has four parts: A, B, C, and D. Think of Part A as hospital insurance. It covers all or a portion of the expenses associated with hospitals, critical access hospitals, skilled nursing facilities, inpatient psychiatric care, hospice care, and home health care.

Part B covers physician services like doctor fees, outpatient services, lab tests screenings, and ambulance services.

Part C is also referred to as Medicare Advantage and is a way to combine the benefits received under Parts A and B, as well as receive additional benefits. To be eligible for Part C, you need to be eligible for Part A and enrolled in Part B.

Part D provides prescription drug coverage. If you are eligible for Medicare, you are eligible for Part D. There are two ways to get Medicare prescription drug coverage. If you have Parts A and B you can sign up for a Medicare approved drug plan offered by an insurer in your area. If you have Part C, drug coverage is probably included in your plan.

## **What are the costs for each part?**

There are no premium costs for those eligible for Part A. If you are 65 and not eligible, however, you can still purchase coverage by paying a monthly premium. The premium is based on how many Social Security credits you have and can be as high as \$441 per month for 2013.

Part B is optional for those eligible for Part A, but those buying (i.e. not eligible for) Part A must also buy Part B. The 2013 premiums for Part B are \$104.90 per month. If your income exceeds certain amounts (currently \$85,000 for single tax-filers and \$170,000 for joint filers) your premiums will be higher.

Part C is provided by private health insurance companies that contract with the government. Because of that, the cost of Part C plans varies from state-to-state and insurer-to-insurer. To enroll, you need to be enrolled in Parts A and B, which means you will need to pay your monthly premiums with Part B as well as any premiums charged by the private insurer for your Medicare Advantage Plan.

Costs for Part D will vary. If you have Part C, chances are that prescription drug coverage is already a part of your plan. If you have Parts A and B, you can sign up for a Medicare approved drug plan offered by an insurer in your area. Premiums and medications covered will vary by plan.

## **What are the deductibles and or co-pays for each part?**

Part A deductibles are based on the length of your hospital stay. For 2013, the deductible for hospital stays is \$1,184 for the first sixty days. For days sixty-one through ninety you will be required to pay a co-pay of \$296 per day. After ninety days, you have a lifetime reserve of sixty days that you could choose to use. If you decide to use the reserve days, your co-pay would increase to \$592 per day. You are responsible for all costs beyond 150 days.

Part B has a \$147 annual deductible. Once you reach your deductible, Part B covers 80 percent of the cost of covered services. To help cover the remaining 20 percent, you may want to consider purchasing a Medigap policy (discussed below).

Part C co-pays and deductibles vary by plan.

Part D co-pays and deductibles also vary by plan, but in general, the average premium is a little more than \$30 and the annual deductible can be as much as \$325. Once you've reached your deductible, you typically need to cover 25 percent of the costs up to a certain threshold. Once you reach that limit, which is about \$2,970 in 2013, you become responsible for your costs up to another limit. After that higher limit is reached (\$4,750 out-of-pocket for 2013), your coverage kicks back in and Medicare picks up most of the additional cost.

## **What is Medigap?**

As you can see, Medicare doesn't cover everything. To fill some of those gaps, there is Medigap. Like Part C, Medigap is provided by private insurers. There are twelve kinds of Medigap plans that cover a variety of different services. This could include coinsurance, additional hospital days, deductibles, preventative care, skilled nursing, and hospice care. If you have Medicare Advantage or qualify for Medicaid, you probably won't need a Medigap plan. Not every state offers all twelve plans, so call 1-800-MEDICARE or check <http://www.medicare.gov/> to find out what is available in your area.

## **What is Medicaid?**

Medicaid is a program administered by the states and is designed to assist those who can't afford to pay for their medical care. You can qualify for Medicaid if you belong to a certain category (disabled, elderly) and you are financially needy.

## Other Resources:

- Social Security website: <http://www.ssa.gov/>
- Medicare website: <http://www.medicare.gov/>
- Centers for Medicare and Medicaid Services: <http://www.cms.gov/>
- “Medicare and You” handbook:  
<http://www.medicare.gov/publications/pubs/pdf/10050.pdf>
- Medicare plan finder for your area:  
<https://www.medicare.gov/find-a-plan/questions/home.aspx>.

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