

Medicare 101 Guide



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Welcome to the Medicare 101 Guide!

This guide will help provide you with an overview of Medicare and illustrate why it is so important to evaluate your plan options every year.

Medicare is a federal health insurance program for people who are 65 and older, some people who are under 65 and have a disability, and people with end-stage renal disease. There are four parts to Medicare that help pay for certain health care services:



Part A
Covers hospital stays and other inpatient care



Part B
Helps cover doctor visits, outpatient surgery, labs, and medical equipment



Part C (also known as Medicare Advantage)
Privatized Medicare, which means it's offered by Medicareapproved insurance companies that provide all-in-one coverage for Parts A, B, and D



Part D
Covers prescription drugs

Parts A and B are often referred to as “Original Medicare”. Many people are enrolled in Parts A and B automatically when they turn 65.



However, you may not be enrolled in Medicare prescription coverage automatically. You will need to evaluate your prescription coverage options:

- ☒ Standalone Part D
- ☒ Medicare Advantage with Part D

Your Out-of-Pocket Costs

Medicare helps pay for many health care items and services, but you will pay a share of the cost, too. Your Medicare costs may include:



Premiums

A fixed monthly amount that you pay. You may pay a premium to Medicare, to a private insurance company or to both, depending on your coverage. Most premiums are charged monthly and can change from year to year.



Deductibles

A deductible is a set amount that you pay out of pocket for covered services before your plan begins to cover a portion of the costs.



Co-payments

A co-payment, or co-pay, is a fixed amount you pay at the time you receive a covered service. For example, you might pay \$20 each time you go to the doctor or \$12 when you fill a prescription.



Co-insurance

Co-insurance is when you and your plan split the cost of a covered service. For example, you might pay 20% of the allowed amount and your plan would pay 80%.

You pay premiums outright. Deductibles, co-payments (co-pays) and co-insurance are ways that Medicare shares the cost of your care with you.



The out-of-pocket maximum is the total amount you will pay during a calendar year. Only certain types of Medicare plans have an out-of-pocket maximum. The total does not include your premium or the cost of any services that are not covered by your plan. After you reach your out-of-pocket maximum for the year, your plan will pay 100% of the amount for covered services for the rest of the calendar year.

Medicare Plan Options

There are multiple Medicare plan options that cover various health care services. You may be able to combine plan options to cover services beyond what is included in Original Medicare (Parts A and B).

	Original Medicare		Medicare Advantage	Prescription Drug Coverage	Medicare Supplement
Medicare Part	A	B	C	D	G*
Inpatient hospital stays	✓		✓		✓
Doctor office visits		✓	✓		✓
Outpatient visits		✓	✓		✓
Lab tests/imaging		✓	✓		✓
Preventive exams		✓	✓		✓
Prescription Drugs			✓	✓	

* Medicare Supplement Insurance Plans may only be used in conjunction with Original Medicare

Medicare Part A

Hospital Coverage

Medicare Part A helps pay for the care you receive when you are admitted as an inpatient in a hospital or skilled nursing facility, including but not limited to:



A semi-private room



Hospital meals



Skilled nursing services (SNF)



Special unit care (i.e. intensive care)



Prescriptions, medical supplies, and medical equipment



Lab tests and X-rays



Operating room and recovery room services



Some blood transfusions



Rehabilitation services (e.g. physical therapy received through home health care)



Skilled health care in your home (if you are homebound and only indeed part-time care)



Hospice care

You do not have to pay a premium for Part A if you or your spouse worked and paid Medicare taxes for at least 10 years.





Medicare Part B

Doctor Coverage

Medicare Part B covers doctor visits and most routine and emergency medical services. It also covers some preventive care, for example, flu shots. Here are some examples of what Part B can cover:



Doctor visits



Ambulatory surgery center services



Outpatient medical services



Some preventative care, like flu shots



Clinical laboratory services, like blood and urine tests



Durable medical equipment for use at home, like wheelchairs and walkers



Emergency room services



Skilled nursing care and health aide services for the homebound on a part-time or intermittent basis



Mental health care as an outpatient

Unlike Part A, Part B charges a monthly premium. The premium payment is deducted from your monthly check if you receive Social Security benefits. If you do not receive Social Security benefits, you will need to send a monthly premium payment to Medicare.

Medicare Part C

Medicare Advantage

Medicare Part C is also called Medicare Advantage. It's an alternative to Original Medicare (Parts A and B). Medicare Advantage plans are offered by private insurance companies who are approved by Medicare. You must be enrolled in both Part A and Part B to enroll in a Medicare Advantage plan. You will still be enrolled in the Medicare program, but instead, you will receive your health benefits through the Medicare Advantage plan instead of through Original Medicare.



Medicare Advantage plans combine coverage for hospital care, doctor visits and other medical services all in one plan.



Plans are required to provide all of the benefits offered by Parts A and B (except hospice care, which continues to be provided by Part A).



Many Medicare Advantage plans can also provide prescription coverage (which is also known as Medicare Part D) and additional benefits like routine dental and eye care.



In 2020, more than one-third (36%)¹ of all Medicare beneficiaries are enrolled in Medicare Advantage plans; this rate has steadily increased over time since the early 2000s.

¹<https://www.kff.org/medicare/issue-brief/a-dozen-facts-about-medicare-advantage-in-2020/>





Medicare Part D

Prescription Drug Coverage

Medicare Part D is prescription drug coverage. It helps pay for the medications that your doctor prescribes for you. Original Medicare (Medicare Parts A and B) does not cover prescription drugs. People who choose Original Medicare can add Part D coverage if they do not already have creditable prescription coverage or, they may choose a Medicare Advantage plan that includes Part D.



You may enroll in a prescription drug plan if you are eligible for Medicare Part A or if you are enrolled in Medicare Part B.



Prescription Drug Plans are required to cover certain common types of prescriptions (as mandated by the federal government), but each plan may choose which specific drugs it covers.



The prescriptions you take may not be covered by every Prescription Drug plan. It is very important to review each plan's prescription list (also known as a formulary), to see if your prescription medications are covered.



You are not automatically enrolled into a prescription drug plan as a Medicare beneficiary.



Part D coverage is optional, but **you will have to pay a late enrollment penalty if you go without creditable prescription coverage, and enroll in Part D at a later time.** The fee is paid indefinitely upon enrollment.

Medicare Part D

Phases of Coverage

Medicare Part D has four phases of coverage: Deductible, Initial Coverage, Coverage Gap (also known as the “Donut Hole”), and Catastrophic Coverage. If prescription costs reach certain defined thresholds, you will move from one phase of coverage to the next. This may impact your prescription costs.

PHASE	PAID BY PATIENT	PAID BY PLAN	PHASE LIMIT
Deductible	PATIENT 100% generics or brands *		Limit: \$505 Maximum Deductible limit (maximum patient cost) *some plans have coverage during the deductible for certain medications, most commonly tier 1 drugs
Initial Coverage	PATIENT Tier Copay or Coinsurance generics or brands **	PLAN the difference	Limit: \$4,660 Total drug costs limit (includes what patient pays and what plan pays) ** varies depending on plan and drug tier
Gap (Donut Hole)	PATIENT 25% generics 25% brands	PLAN 75% generics 5% + 70% (plan + drug manufacturer) brands	Limit: \$7,400 TrOOP, or True out of Pocket, is a combination of all of the patient copays as well as what the drug manufacturer pays for any brand medication
Catastrophic	PATIENT 5% or \$4.15 generics *** 5% or \$10.35 brands ***	PLAN 15% 80% Medicare (federal government subsidy)	Limit: End of Year *** whichever is greater

Medicare Supplement Plans

Medigap

Medicare supplement insurance, also known as “Medigap”, helps pay some of the out-of-pocket health care costs that Original Medicare (Parts A and B) doesn’t cover. Medigap is not a government benefit, like Medicare Parts A and B. Instead, Medigap plans are offered through private insurance companies.

- There are 10 standardized Medicare Supplement Insurance plans, labeled “A” through “N.” (These letters are not related to the Medicare Part A, B, C and D labels.) The plans and what they cover are prescribed by the federal government.
- The main purpose of a Medicare Supplement Insurance plan is to cover some of your out-of-pocket costs that are not paid/covered by Medicare Parts A and B, like deductibles, co-pays and coinsurances.
- Each standardized plan with the same letter must offer the same basic benefits, no matter which insurance company sells it. For example the basic benefits of one company’s Plan F are the same as the basic benefits of another company’s Plan F. The only difference between Medicare Supplement Insurance plans with the same letter sold by different insurance companies is usually the cost of the plan.

Medicare beneficiaries enrolled in Medicare Advantage plans are not eligible to enroll in Medicare Supplement Insurance plans.



Medicare Supplement Insurance plans can help to cover:

- ☒ Parts A and B deductibles
- ☒ Co-insurances and excess charges from providers
- ☒ Additional hospital days that are not covered after you’ve used up your Part A benefits
- ☒ Some preventive care benefits

Coverage Options and Considerations

You can customize your Medicare coverage by exploring Prescription Drug plans, Medicare Advantage plans, and Medicare Supplement Insurance (Medigap) plans. There are two enrollment “pathways” you can choose from:

Which option is better for me?

There are pros and cons to both enrollment options. If you’re unsure which is right for you, discuss your options with your pharmacist or a licensed insurance broker/agent to help determine what makes the most sense for you.

Option 1

Original Medicare + Prescription Drug Plan (with Medigap option)

You can choose to enroll in a standalone Medicare Prescription Drug Plan (PDP), in which case your hospital and medical insurance will be covered through “Original Medicare”. You’ll then have the option to sign up for a Medicare Supplement Insurance plan (“Medigap”). Medigap policies work alongside Original Medicare to provide additional coverage for medical deductibles and copays.

PROS

- ☒ Can see any doctor or provider that accepts Medicare
- ☒ Doesn’t require prior approval or referral to see a specialist or have a procedure
- ☒ Often low copays or no copays for medical care IF a Medigap policy is purchased

CONS

- If no Medigap policy is purchased:**
- ☒ Expensive medical care: High deductibles, a 20% coinsurance for medical and hospital coverage, and no out-of-pocket cost limit.
 - ☒ No vision, dental, or hearing coverage
- If Medigap policy is purchased:**
- ☒ An additional monthly premium (only if Medigap policy is purchased)

Option 2

Medicare Advantage

Alternatively, you can enroll in a Medicare Advantage Plan (also known as Part C). Medicare Advantage plans are “all-in-one” plans that provide coverage for hospital, medical, and usually prescriptions. Medicare Advantage plans that include prescription coverage are called Medicare Advantage Prescription Drug Plans. Medicare Advantage plans frequently offer other benefits such as routine hearing, vision, and dental. In most cases, you would still pay your regular Medicare Part B monthly premium.

PROS

- ☒ Usually have set low copays
- ☒ Have an out-of-pocket limit for hospital and medical coverage
- ☒ Many plans offer dental, hearing, and vision benefits

CONS

- ☒ May have limited doctor and hospital networks
- May require referral to see a specialist and prior approval for medical procedures or laboratory services

Generally, Medicare Advantage plans offer lower copays and lower monthly premiums, but much less flexibility when it comes to receiving specialized care. If you don’t have any medical conditions, a Medicare Advantage plan may be the best option for you.

Eligibility and Enrollment

Medicare Initial Enrollment Period (IEP)

The Initial Enrollment Period (IEP) occurs when you're first eligible to enroll in Medicare. It is a 7 month period that begins three months before your 65th birthday month, includes your birthday month and ends three months after you turn 65, or the 25th month of receiving Social Security disability benefits.

Medicare General Enrollment Period (GEP)

The General Enrollment Period (GEP) is when you can enroll in Medicare if you didn't sign up during IEP. The GEP is January 1 - March 31 every year. You may have to pay a penalty for late enrollment. Coverage takes effect on July 1.

Medicare Advantage Open Enrollment Period (MA OEP)

The Medicare Advantage Open Enrollment Period (MA OEP) is when you can switch from your Medicare Advantage (MA) Plan to another MA Plan, or to Original Medicare with or without a Part D plan. The MA OEP occurs each year from January 1 through March 31. You can only use this period if you are already enrolled in a Medicare Advantage Plan. Coverage takes effect on the first day of the month after enrollment.

Medicare Annual Enrollment Period (AEP)

The Annual Election Period (AEP) is the period when Medicare beneficiaries can make changes to their existing coverage for the next year. It is very important to evaluate your plan options every year as your plan's coverage might have changed.

Medicare Special Enrollment Period (SEP)

The Special Enrollment Period (SEP) allows you to enroll in Medicare or change your Medicare Part C or Part D coverage outside of standard enrollment periods without penalty due to a qualifying event, such as moving, losing coverage through an employer, or receiving assistance through Medicaid.

Medigap Open Enrollment Period

You have a six-month period that begins the month in which you enroll in Medicare Part B and are aged 65 or older. During this time, you have the guaranteed right to enroll in any Medigap plan that's available in your county, regardless of your health status. Outside of this enrollment period, you may be subject to medical underwriting, where you can be denied coverage or charged a higher monthly premium due to pre-existing health issues. In addition, most states have no yearly enrollment period for Medigap coverage.



Note:
If your employer's insurance does not offer creditable prescription coverage, you may want to sign up for Medicare and enroll in prescription coverage through a standalone prescription plan or a Medicare Advantage plan that offers prescription coverage.

Coordination of Benefits:
Medicare as a Secondary Coverage

You do not have to enroll in Medicare if you have creditable coverage from your employer. However, it can be beneficial to enroll in Medicare during your Initial Enrollment Period (IEP) even if you have health coverage already. Enrolling in Medicare Part A may not cost you anything, and Medicare can serve as your secondary insurance, potentially covering the costs for anything your primary insurance does not cover.

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