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Happy 65th Birthday... Have You Signed Up For Medicare?

Medicare is a morass. To help guide you, we offer a [podcast](#) and a summary (TLDR) which is attached to this comprehensive discussion. Pick your poison!

Medicare is a government health insurance program for U.S. citizens or legal residents aged 65 or older (or under 65 with qualifying disabilities).

It is crucial to sign up for Medicare Coverage during your initial enrollment period - unless you have other coverage from an employer plan with more than 20 employees. The initial enrollment period for Medicare runs from 3 months before your 65th birth month and ends 3 months after your 65th birth month. While you may want to avoid the pain and suffering of figuring it all out, the government gives you a financial incentive to do it on time. **If you don't sign up during your initial enrollment period, and don't qualify for a special enrollment period, you will likely have to pay more for the rest of your life and you may have more limited coverage options.**

In this blog, we sourced information from many different websites, articles, and Medicare insurance professionals in order to provide a comprehensive resource for learning about Medicare enrollment options.

Understanding How Medicare Works

Original Medicare, also known as Part A and Part B, is provided by the government and is essentially a single payer health care system for seniors and those with qualifying disabilities. About 80% of U.S. doctors participate in the program. In Original Medicare, participants have a deductible and pay a Part B monthly premium plus 20% of the cost of most outpatient care and services (called a coinsurance payment). The U.S. government pays the rest of the Medicare approved amount for the services, which most providers accept. Unlike most medical insurance plans offered by private insurance companies, *there is no yearly limit to out-of-pocket expenses with Original Medicare!*

While hospital and physician services are included in Original Medicare, routine hearing, vision, and prescription drug coverage are not. In 2003, a separate government prescription drug program (Part D) was made available to help cover some of the costs of medication. Similar to enrolling in Original Medicare, you must sign up for Medicare Part D, or have other creditable drug coverage, to avoid paying a late enrollment penalty later.

Lastly, there are a variety of other Medicare insurance options which can reduce the risk of high out-of-pocket costs associated with deductibles and coinsurance payments. Private insurance companies can help reduce the risk of high out-of-pocket costs and help provide coverage not included with Original Medicare - such as routine vision and hearing. We describe Original Medicare and the associated private insurance programs in more detail below.

Original Medicare:

Part A (Hospital Insurance 2023)	Part B (Medical Insurance 2023)
Inpatient Hospital Care	Doctor's Visits
Skilled Nursing Services	Outpatient Hospital Services
Hospice Care	Durable Medical Equipment
	Physician Administered Drugs
\$1600 deductible per hospital benefit period	\$226 deductible per year
No coinsurance payment for first 60 days	20% coinsurance payment
After 60 days, copayments are required	
No monthly premium with at least 40 quarters of Medicare-covered employment	\$164.90 monthly premium in 2023 (income adjusted)

There is no yearly limit for out-of-pocket expenses for Parts A and B.

Additional Medicare Insurance Options:

Your deductibles and coinsurance payments can quickly add up under original Medicare. If you want insurance to pay for healthcare costs not covered by the government, there are basically two choices, both in the form of private insurance.

- 1. Medicare Advantage Plans (also called "Part C") or
- 2. Medicare Supplement Plans (also called "Medigap" insurance) paired with a Prescription Drug Plan (Part D)

Medicare Advantage (Part C)	Medicare Supplement (Medigap)	Prescription Drug Coverage (Part D)
All in one alternative	Pairs with Part A and Part B	Can be a stand-alone option
Covers same benefits as Part A & Part B	Helps fill in the gaps in Original Medicare coverage	Can be included in Medicare Advantage Plans
Often includes Part D	Does not include Part D	Can be combined with Medigap

Medicare Advantage (Part C) plans bundle Part A (hospital coverage), Part B (medical coverage) and usually **Part D (prescription drug coverage)** into one plan which can be like an HMO or a PPO, depending on the plan you choose.

- HMO type Part C plans generally require a referral from a primary care physician before seeing a specialist and have lower monthly premiums, but higher out-of-pocket costs than **Medicare Supplement plans**.
- PPO type **Part C plans** generally don't require referrals for specialists and allow out of network non-emergency coverage, but with a higher copay. The devil is in the details. Although your **Part C Plan** may be a PPO, out-of-network doctors may require upfront payments and leave you to deal with getting even a partial reimbursement from the insurance company.

Medicare Supplement Plans (Medigap plans) allow you to go to any doctor or hospital that takes Medicare without a referral. **Medigap plans** no longer cover prescription drugs, but stand-alone **Part D prescription plans** can be joined separately. **Medigap plans** generally have higher monthly premiums but lower out-of-pocket costs than **Medicare Advantage plans**.

Enrolling in Medicare

- Most people qualify for Part A, without paying a premium. If you qualify for *premium free* Part A, you can sign up for Part A coverage 3 months before you turn 65 or any time after you turn 65. Your participation in an employer plan may affect when you decide to enroll.
- If your own or your spouse's employer (if you participate in your spouse's plan) has more than 20 employees, you can postpone signing up for Part A or Part B without incurring any penalties. If you lose employer coverage in the future, you will qualify for a Medicare Special Enrollment Period and can sign up for Medicare Part A and/or Part B without penalties during that time. Cobra coverage, retiree health plans, VA coverage and individual health plans are not considered coverage based on current employment and are not eligible for a Special Enrollment Period.
- It is wise to consult your group health plan during the initial Medicare enrollment period to see if they require you to sign up for Medicare or if enrolling in Medicare will affect your coverage in some way. For example, **Medicare enrollment ends your ability to contribute to a Health Savings Account (HSA)**.
- If you are covered by a group health plan from an employer with less than 20 employees, the rules are more complicated, and you should consult your employer.
- If you are not employed and not covered by a group health plan, it behooves you to sign up for Medicare coverage during your initial enrollment period in order to avoid penalties.

Additional Details on HMO Style Medicare Advantage Plans (Part C)

These are all in one plans, including Part A, Part B and usually Part D.

- You must have Part A & B to enroll in a **Medicare Advantage Plan**.
- You must pay a Part B premium + a **Medicare Advantage** premium.
- Plan availability differs by region, and you must reside in the **Medicare Advantage** plans service area to enroll.

- You must designate a primary care provider and get referrals to see specialists. If your specialists or doctors are not in the plan's network, there will be additional costs.
- Most plans offer extra benefits such as vision, hearing and dental.
- Enrollment in, or changes in **Medicare Advantage plans**, can be made every year during the open enrollment period, which takes place annually between October 15th and December 7th.
- During the **Medicare Advantage** Open Enrollment Period (January 2nd to March 31st), some Medicare changes may be allowed as well.

Additional Details on Medicare Supplemental Plans (aka Medigap Plans)

These plans help fill in the payment gaps in original Medicare (Part A & B), such as co-insurance, copayments, and deductibles.

- You must have Part A and Part B in place to enroll.
- You must pay Part B premium (and Part A if you don't qualify for premium free Part A) + **Medicare Advantage** premium.
- You can use any provider who takes Medicare without a referral.
- To get prescription drug coverage, you need a **Medicare Part D prescription plan**.
- **You can enroll in Medigap without a medical underwriting review during the 6-month period that begins from your Part B effective date. After this period, underwriting may be required, and you can be denied coverage.**
- Any standardized **Medigap** policy is guaranteed renewable even if health problems arise as long as you continue to pay the premium.
- Medicare will pay its share of the Medicare-Approved Amount for covered health care costs, and then the **Medigap** policy pays its share.
- Most plans cover emergencies during the first 60 days of a trip abroad, but you pay a \$250 deductible plus 20% of the cost of treatment up to a lifetime limit of \$50,000.
- **Medigap** plans don't cover routine things that Original Medicare didn't cover, though some plans do include extras like preventative vision, and hearing coverage.
- **Birthday Rule** - California enacted a birthday rule for **Medigap** open enrollment, which begins on your birthday and lasts for 60 days after. During this time, you can elect a new **Medigap** policy with equal or lesser benefits without going through medical underwriting. There are other states with birthday rules including Idaho, Illinois, Louisiana, Nevada, Missouri, Oregon and Nevada, though the rules may vary. Some states have an open enrollment period that is not tied to your birthday, and you can switch at any time without underwriting or providing medical information.

Prescription Drug Coverage (Part D)

Medicare prescriptions drug plans (Part D) help pay prescription drug costs not covered by Original Medicare. In Original Medicare, Part B only covers drugs procured at a doctor's office or hospital outpatient setting.

- You must be enrolled in either Part A or Part B to enroll in **Part D**.
- **Part D** enrollment is optional, but Medicare eligible individuals must have "creditable" drug coverage or pay a penalty. "Creditable" means very similar to Part D coverage.

- Can be used with an Original Medicare Plan and/or a [Medigap Plan](#) or [Medicare Advantage Plan](#) that doesn't cover prescription drugs.
- **Part D** plans have their own list of covered drugs (called formularies) that they place in several tiers. Drugs in each tier have different costs.
- Does not provide coverage abroad.
- Enrollment or changes in **Part D Prescription Drug Plans** can be made every year during the open enrollment period which takes place between October 15th and December 7th.

Considerations When Choosing a **Medicare Part D Plan**:

- The medications you take and how frequently you take them (are they on the plan's formulary and in what tier).
- Generics that you can take as an alternative to your prescription drugs.
- Where you fill your prescriptions - there may be preferred pharmacy networks.
- Your plan's annual deductibility. This is the amount you pay before the plan begins to pay. Not all drugs have deductibles.
- The coverage phases change as you go through the year. Dollar amounts are for 2023.
 - Deductible phase – you pay 100% of the prescription drug costs. Not all plans have a deductible.
 - Initial Coverage Phase – You pay a copay based on drug's tier and where you fill the prescription. You remain in this phase until you and your plan spend \$4660 combined on drugs, including your deductible.
 - Coverage Gap (Donut Hole) – Once you and your plan spend \$4660, you enter the donut hole and pay 25% of the cost of all drug tiers until you spend \$7400. The applicable manufacturers' drug discounts count towards your out-of-pocket expenses.
 - Catastrophic Coverage – Once your out-of-pocket drug costs reach \$7400, you pay no more than 5% of the cost for covered drugs for the rest of the year.
- Plans can change annually and so may your medication needs. It is important to reevaluate your **Part D** plans each year to take advantage of Open Enrollment which runs from October 15 and December 7 and when you can make changes.

Penalties for Not Signing up for Medicare on Time

If you are already receiving Social Security benefits at age 65, you will automatically be enrolled in Original Medicare during the first day of the month you turn 65. Otherwise, it is up to you to sign up.

- Part A late enrollment penalty
 - If you have to buy Part A, and you don't buy it when you're first eligible for Medicare, your monthly premium may go up 10%.
 - You'll have to pay the penalty for twice the number of years you didn't sign up.
- Part B late enrollment penalty
 - You'll pay an extra 10% for each year you could have signed up for Part B but didn't. This penalty lasts for as long as you have Medicare.
 - You may also pay a higher premium depending on your income.

- **Part D** late enrollment penalty
 - You'll pay an extra 1% of the national average premium for each month you go without creditable drug coverage and should have had it (that's 12% a year).
 - You may also pay a higher premium depending on your income.

What if You Want to Change Your Medicare Insurance Plans?

It is easier to change from a **Medicare Supplemental Plan (Medigap)** to a **Medicare Advantage Plan** than vice versa. So, if you think you may want a supplemental plan, sign up for one during the initial enrollment period or a qualifying special enrollment period. Unfortunately, if you decide later to change from a **Medicare Advantage Plan** to a **Medicare Supplemental Plan**, the insurance company may require medical underwriting which includes looking at past medical history and current health status before selling you a plan. Then, the company can refuse to sell you a plan or charge you higher premiums.

How to Get Started?

1. If you have concluded that it is time to enroll in Medicare, sign up with Social Security:
 - a. By phone: 1-800-772-1213
 - b. Online: at www.ssa.gov/benefits/medicare
 - c. In person (when available): Find a nearby office at www.ssa.gov/locator/
2. If picking your doctors is important, a **Medicare Supplemental plan** is perhaps the best option. Ask if your doctors take Medicare.
3. Know where you want to get your prescriptions filled and have a list of all the drugs you take so you can see what is covered under the various **Part D** plans.
4. Consider talking to an independent Medicare insurance agent. They are knowledgeable and can input your circumstances (doctors, drugs, etc.) into their models to find out the best solution for you.

Summary

- Sign up for Medicare Coverage during your initial enrollment period if you want to avoid penalties - unless you have other coverage from an employer plan with more than 20 employees.
- If you or your spouse are currently employed, it is best to talk to your current healthcare plan to find out the impact of enrolling in Medicare on your existing healthcare coverage and your HSA account.
- Once you sign up for Medicare, you basically have 2 choices for layering private Medicare Insurance onto government provided Medicare to pay for costs not covered by the government:
 - Medicare Advantage (Part C) Plan
 - or
 - Medicare Supplement Plan (Medigap) + Part D Prescription Plan
- In general, there is more network flexibility with a Medicare Supplement Plan (Medigap) than with a Medicare Advantage (Part C) Plan. If choosing your doctors is important to you, consider a Medicare Supplement Plan (Medigap) + Part D Prescription Plan.

- When choosing a Part D Prescription Drug Plan, it is important to look at where you get your prescriptions filled. You should also compare the medications you take to the plan's formulary tiers to minimize out-of-pocket costs.
- What plan is best for you is highly personal based on your current and anticipated health status, your desire for ease of access to your preferred doctors or specialists, the amount and type of drugs you take and where you fill your prescriptions.
- Medicare.gov is an excellent resource for answers to specific questions.

If you need help with finding a professional who can help you make the right choices for Medicare, get in touch. We can point you in the right direction.

Need help sorting this all out? Make an appointment with us to help you through it.

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