

Medicare Basics: What, When, Where, and How

The ABC(& D!) of Medicare

PART A: HOSPITAL INSURANCE

Part A is intended to help offset the expense of being admitted to a hospital. In addition to covering inpatient hospital care it will, in some instances, cover follow-up nursing home, hospice and home care. The premiums that pay for this insurance were already paid as part of the Social Security taxes withheld from your paychecks during your working years.

PART B: MEDICAL EXPENSE COVERAGE

This component of Medicare covers necessary medical care, such as physicians' services, and helps offset some expenses not covered by Part A, such as preventive care. As with Part A, it has an annual deductible and co-payment requirements. However, Part B is optional and monthly premiums must be paid throughout re-tirement to maintain coverage. Part B coverage typically costs \$104.90/month, but the premium could be higher for higher-wage earners. Paying the premium is easy – it is taken directly out of Social Security checks unless otherwise instructed. While coverage is optional, there is a 10% penalty assessed for every year past 65 that a retiree does not enroll, unless they have been enrolled in an employer plan. (See When to Enroll below.)

PART C: MEDICARE ADVANTAGE PLANS

These are alternative plans to the original Medicare Plans A plus B. The providers that execute these plans for Medicare function more like HMO and PPO plans offered by employers: some allow only “in-network” care, while the others allow service through anyone who has agreed to the Medicare payment plan. To opt for this coverage, which has an additional premium, you still need to be enrolled for Parts A and B. While a privately obtained Medigap policy is recommended for those insured under Parts A and B, Part C is intended to cover that insurance need as well (excluding prescription drugs). A few key factors to look for in a Part C plan:

While premiums matter, overall plan expenses ultimately matter most; scrutinize the copays, the co-insurance and the yearly deductibles as well. Attractively low premiums might not tell you the whole story about the value of a Medicare Advantage plan.

How inclusive is the plan network? Assuming the plan has one, does it include the hospitals you would choose and the physicians that now treat you?

PART D: THE PRESCRIPTION DRUG BENEFIT

This part is also optional. It is only accessible for an additional premium, and this premium may escalate with any delay in enrollment. For those not already covered under a policy that offers at least as much coverage as Medicare Part D, the fees increase by 1 percent of the monthly premium for each month that passes enrollment. Even if you do not have much in the way of prescription drug expenses, it may be more economical in the long run to enroll at age 65. Also, enrollment reopens every year so that seniors can reevaluate their drug plans and adjust for the year ahead. With multiple providers in each state, researching providers and comparing companies to anticipated needs is something to consider. Also look at the list of approved drugs (the formulary). If the drugs you want or need aren't listed, you are probably going to have to open your wallet to pay for them. The frustrating thing about formularies is how they change; drugs on this year's list may not always be on next year's list.

When, Where & How to Sign Up for Medicare

Medicare enrollment is automatic for some of us. If you are age 65 and eligible to receive Social Security benefits (or married to someone eligible to receive them), then you are also automatically eligible for Medicare Part A (free hospital insurance) and Medicare Part B (medical insurance for which you pay premiums), a.k.a. "original Medicare".¹ If this is the case, then you'll get a red-white-and-blue Medicare card in the mail 3 months before your 65th birthday.²

Others may need to sign up. You can apply to receive Medicare benefits even if you haven't retired. If you're coming up on 65 and you don't yet receive Social Security benefits, SSDI or benefits from the Railroad Retirement Board, visit your local Social Security Administration office or dial (800) 772-1213 or go to www.ssa.gov to determine your eligibility.^{1,2}

If you are eligible, you have the choice of accepting or rejecting Part B coverage. If you want Medicare Part A and Medicare Part B, then you should sign your Medicare card and keep it in your wallet. If you don't want Part B, you put an "X" in the refusal box on the back of the Medicare card form, and send the form to the address shown right below where your signature goes. About four weeks later, you will get a new Medicare card indicating that you only have Part A coverage.³

When you are enrolled in Medicare Part A & Part B (sometimes called “original Medicare”), you can join a Medicare Advantage plan (Part C). Anyone enrolled in Part A, B or C becomes eligible for prescription drug coverage (Part D).¹

If you are 65 or older and aren’t eligible for Medicare Part A, you can still sign up for Part B as long as you are a U.S. citizen or a legal resident of this country for five years or longer.¹

If you choose not to enroll in Part B during your initial enrollment period, you have another annual chance to sign up for it during a “general enrollment period” from January 1 through March 31, with Part B coverage commencing July 1.¹

If you already have medical insurance through a group health plan at your workplace or your spouse’s work- place, you can either enroll in Part B while you are still covered by that plan or enroll in Part B within eight months of leaving your job or losing your health coverage, whichever happens first.¹

When can you add or drop forms of Medicare coverage? Medicare has enrollment periods that allow you to do this.

*The initial enrollment period is seven months long. It starts three months before the month in which you turn 65 and ends three months after that month. You can enroll in any type of Medicare coverage within this seven-month window – Part A, Part B, Part C (Medicare Advantage Plan), and Part D (prescription drug cover- age). If you don’t sign up for Part D coverage during the initial enrollment period, you may have to pay a penalty to add it later.⁴*Once enrolled in Medicare, you can only make changes in coverage during certain periods of time. For ex- ample, the annual enrollment period for Part D is October 15-December 7, with Part D coverage starting January 1. (You can also drop Part D coverage, leave one Part C plan for another, or switch from a Part C plan to original Medicare or vice versa in this period.)⁴*There is also an annual open enrollment period from January 1-February 14. During this one, you can switch out of a Part C plan and go back to original Medicare with Part A & B coverage starting on the first day of the month following that switch. If you do this, you have until February 14 to also join a Part D plan if you want to add drug coverage to complement Parts A and B. Part D coverage kicks in at the start of the month after the Part D plan receives your enrollment form.⁴

Special situations. Individuals with end-stage kidney failure who need dialysis or a transplant may qualify for Medicare regardless of age. Upon diagnosis, they can contact the SSA. Medicare coverage usually takes effect three months after a patient begins dialysis. People with Lou Gehrig’s

Disease (ALS) are automatically enrolled in Medicare as soon as they begin receiving SSDI payments. Americans who are under 65 and disabled also qualify for Medicare.^{2,3}

Do you have questions about your eligibility, or that of your parents? Your first stop should be the Social Security Administration - (800) 772-1213 or www.socialsecurity.gov. You can also visit www.medicare.gov and www.cms.hhs.gov.

Citations.

1 - www.socialsecurity.gov/pubs/10043.html#a0=2 [9/25/12]

2 - www.medicare.gov/sign-up-change-plans/get-parts-a-and-b/when-and-how-to-get-parts-a-and-b.html [2/27/13]

3 - www.slnh.org/Pay-Bills/FAQ/Medicare-FAQ.aspx#4 [2012]

4 - www.medicare.gov/Publications/Pubs/pdf/11219.pdf [10/12]