



# Medicare 101 & FAQs



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to get individualized Medicare guidance.  
Available M-F, 9am to 8pm ET

## Medicare 101

Medicare is a form of public health insurance for people 65 and older, those with a qualifying disability, End-Stage Renal Disease (ESRD), or ALS (also called Lou Gehrig's disease). It helps cover costs associated with hospital stays, doctor visits, prescription drugs, and other medical expenses. The [cost of Medicare](#) includes premiums, deductibles, and out-of-pocket expenses. These costs can vary depending on your plan, income, and level of care.

**Here are some key things to know about Medicare:**

**[Medicare Part A \(Hospital\)](#):** Generally, Part A covers services such as hospital care, skilled nursing care in a semi-private room in a skilled nursing facility, nursing home care (not custodial), hospice, and home health services. Enrollment is automatic if you are already receiving Social Security benefits. You can enroll by visiting the [Medicare](#) website during a 7-month window: 3 months before you turn 65, the month you turn 65, and three months after you turn 65, unless you are still working. Normally, there are no premiums for this coverage if you or your spouse paid Medicare taxes while working but there are [deductibles](#) for each benefit period.

**[Medicare Part B \(Health Insurance\)](#):** Generally, Part B covers services such as preventive care, ambulance services, durable medical, and services to diagnose and treat an ailment. Some people are automatically enrolled such as those who are already receiving Social Security benefits. If you are not automatically enrolled, you typically have the same 7-month enrollment period that you have to enroll in Part A.

Part B requires a monthly premium, typically based on income and an annual deductible where you may pay 20% or more for certain medical expenses.

Parts A and B [do not cover everything](#) including general dental work, routine eye or hearing examinations, or hearing aids or eyeglasses.

**[Medicare Part C \(Medicare Advantage\)](#):** This plan uses private insurance companies to provide Medicare Part A and Medicare Part B benefits. You generally will get the same coverage as you would for Part A and Part B with an option to enhance the coverage to include coverage for services such as dental, vision, and hearing. Some plans even provide prescription drug coverage. The cost for Part C is in addition to Part B costs and it depends on several factors including if the plan charges a premium, pays part of the Part B premiums, yearly deductibles, and the type of service. You can enroll in Medicare part C during certain times of the year. You can search for Medicare Part C coverage using [this link to the Medicare website](#).

**[Medicare Part D \(Prescription Plan\)](#):** Part D helps to pay for prescriptions. The cost of this plan varies based on your annual income and you pay this amount in addition to Part B. You would have to enroll during the [enrollment period](#). You may not need Medicare Part D if you have Part C Medicare Advantage with prescription drug coverage.

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**Medicare Supplemental Insurance (Medigap):** This is an additional private insurance you can purchase to fill-in the “gaps” left by Medicare Part A and Part B such as copayments, coinsurance, and deductibles. You must have Medicare Part A and B to get Medigap coverage. You cannot use Medigap coverage if you have a Part C Medicare Advantage Plan. The cost of the plan varies. Some plans price your premiums based on the age when you get the plan, others increase the premiums as you get older, and some plans have the same rate for all participants. If you miss the [enrollment period](#), which is six months that normally starts the month you turn 65, you can be denied coverage.

Now that you have the basic information, the key is tailoring the best medical coverage for your needs. Here are some guidelines:

**Medicare Part A and B may be a better choice if:**

- You want a large choice of medical providers and doctors. You typically have more choices of medical providers with Medicare Part A and B than Part C (Medicare Advantage).
- You want the cheapest coverage. Part C (Medicare Advantage) oftentimes can be in addition to your Medicare Part B coverage.
- You are one of the lucky ones who have retiree medical coverage.

**Part C Medicare Advantage may be a better choice if:**

- You want additional coverage like hearing, vision, and dental. Medicare Part B does not offer this coverage.
- You want a limit on your out of pocket expenses. There is no out-of-pocket expense limit for Part A or B. With Medicare advantage, there is a cap. After the cap, the plan typically pays all expenses.
- You want to pay less for outpatient services. Medicare Part B typically charges about 20% coinsurance for many outpatient services. You can choose a Medicare advantage plan that lowers the cost of your out-of-pocket expenses. Of course, the more your plan covers, the higher the premium.

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## Frequently Asked Questions

### When to sign up?

Many people ask when can I take Medicare. You can take **Medicare** upon turning age 65, but that doesn't mean that you're required to sign up at that point. Whether or not you need to take steps to sign up depends on several factors. It's important to get this right because missing a key deadline could literally cost you for the rest of your life.

### What if I'm already receiving Social Security benefits?

If you started collecting Social Security before age 65 and are ready to join Medicare at that point, you don't have to do anything! You will automatically be signed up for Medicare Parts A and B and should receive a welcome packet 3 months before your 65<sup>th</sup> birthday. If for some reason you want to defer your coverage, you can do that, you just have to **contact Social Security** and submit a signed request.

### What if I don't plan to receive Social Security at age 65?

If you wish to join Medicare at age 65 but are waiting until your full retirement age or later to begin collecting Social Security, you'll need to actively enroll in Medicare. For people who have retired or no longer have access to insurance through an employer, it's generally a best practice to go ahead and sign up. You can begin the process up to 3 months before your birthday. You will have a slightly different initial enrollment period (IEP) if your birthday is the first of the month. For example, the IEP for an individual who turned 65 on June 1 would run from February 1 through August 31.

### I'll still be working at age 65. Should I go ahead and enroll in Part A anyway?

Most people enroll in Medicare Part A (which is the basic hospital coverage that doesn't cost you anything) upon turning age 65, even if they're still working and/or have health insurance coverage through their own job or a spouse's job. Since it doesn't cost you anything out of pocket, it's generally a best practice to help ensure you don't miss an important deadline when you do stop working.

### The HSA exception: Is there any reason I wouldn't enroll in Medicare upon turning 65?

If you're still working, you may opt to defer any Medicare enrollment, particularly if you are signed up for a health insurance plan that allows you to contribute to a Health Savings Account (HSA) and you wish to continue making those contributions after age 65. **Once you're enrolled in Medicare, you are no longer eligible to contribute to an HSA.** Note that you can still **SPEND** your HSA dollars after age 65 (you can even use it to pay your Medicare premiums!) you just can't deposit any new money in the account once you're enrolled in Medicare.

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## When should I stop contributing to my HSA?

The current rules for contributing to HSAs state that if you have any other coverage (such as Medicare), you're not allowed to contribute new dollars to your HSA from the month you joined onward. This gets a little sticky when it comes time to enroll in Medicare since it has a 6-month lookback period if you enroll after age 65 (but not before the month of reaching age 65). Depending on when you enroll in the year, you may need to stop HSA contributions earlier than you think – especially if that 6-month lookback takes you into the previous calendar year.

### An example

Let's say you're planning to work until you're 67 in order to reach your full retirement age for Social Security, and you defer Medicare until then as well in order to continue funding your HSA. If your birthday (and therefore your retirement, SS, and Medicare enrollment date) is July 1 or later that year, you'll just need to make sure you stop making contributions to your HSA during the calendar year of your retirement six months prior to your birthday. This also includes any employer contributions.

However, if you retire and enroll in Medicare before June 30<sup>th</sup>, your Medicare enrollment will be considered to have started 6 months earlier, which takes you into the prior calendar year. Technically that means that some of your HSA contributions from the previous calendar year may be disallowed. Keep this in mind as you are choosing your retirement date.

It's worth re-iterating that the 6-month lookback is only if you start Medicare AFTER age 65 – if you turn 65 on July 1 and enroll, you could still contribute 50% of the annual limit that year.

If you're not participating in an HSA-eligible plan, then it's best to enroll in Medicare Part A on your 65<sup>th</sup> birthday, then add Part B upon retirement.

## How long do I have to enroll in Medicare after I retire?

Once you're age 65 or older and you no longer have coverage through an employer plan, even if you choose to enroll in COBRA, you have 8 months to enroll (Special Enrollment Period) in Medicare Part B to avoid a penalty. If you miss the deadline, then you may have to pay a penalty for as long as you have Part B and you may not be able to enroll until the January 1 – March 31 window, which doesn't start coverage until July 1. In other words, you risk a gap in coverage PLUS a lifetime of penalties.

It's a best practice to go ahead and enroll in Medicare Part B as soon as you decide to retire in order to avoid this scenario. [This page on the Social Security website](#) walks you through how to apply.

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## **What about the other parts of Medicare like Part C&D?**

Coverage for Medicare Parts A and B are universal – everyone enrolled has the same coverage. Beyond that, there are additional voluntary options you may want to explore if you need more coverage beyond the basics. The two ways to enhance your Medicare are through Part C or Part D, which is prescription drug coverage.

## **I'm looking for an all-inclusive Medicare plan – is that Part C?**

Yes, Part C, now called Medicare Advantage plans are basically “all in one” plans that include coverage for things NOT covered by original Medicare-like vision, hearing, and dental. This can affect what doctors you see and how much you pay for coverage.

## **How does Medicare Advantage work?**

Medicare Advantage plans act as enhancements for people who want better coverage than Original Medicare (Part A and Part B). Medicare Advantage plans offer coverage for things like vision, hearing, and dental as well as prescription drugs. Original Medicare does not.

Medicare Advantage plans are run by private insurance companies and choosing one is a bit like choosing a plan at open enrollment at work – you can change plans each year at open enrollment, and you'll have to deal with deductibles, co-insurance, and copayments. Also, these policies often have high out-of-pocket limits (up to \$8,300 for in-network coverage). Medicare Advantage is optional, and you can go in and out of it on an annual basis.

## **How is Medicare Advantage different from Medigap?**

Great question! Medigap is designed to plug the “gap” in costs that Original Medicare doesn't cover like copays and deductibles, but doesn't offer comprehensive coverage like Medicare Advantage, which also covers dental, vision, and hearing. In addition, you may still have to purchase Medicare Part D if prescription drug coverage is not included in your Medigap policy.

If you decide you don't want to pay for the all-inclusive coverage offered by an Advantage plan, you may decide to purchase a Medigap policy (also often called “Medicare Supplement” policies) if you prefer not to have surprises with medical care or just want to make sure your costs are covered with hospital and doctor visits. Premiums are higher than Medicare Advantage, but out-of-pocket costs can be less, depending on usage.

Medigap policies are also sold by private insurance companies and can change every year and are specific to each state.

The best time to buy a Medigap policy is during your initial or Special Enrollment Period because you will generally get better prices and more choices at that time, even if you have health problems. If you wait, you may not be able to purchase a Medigap policy, or it may cost more due to pre-existing conditions.

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### **When does a Medicare Advantage plan make sense?**

If you are in good health, or when you want a simple, all-in-one plan that covers everything, including dental, vision, hearing, and prescription.

### **When does a Medigap Supplement policy make sense?**

If you have serious medical conditions with expensive treatment and care costs, or when you want a plan that just helps out with the costs that Original Medicare doesn't cover like co-pays and deductibles.

### **When does a Medicare Advantage plan NOT make sense?**

- When you have additional retiree coverage through your former employer or union, which usually operates similarly to a Medigap plan.
- When you're planning to move states soon – plans are state-specific, so you may want to wait to decide where you will live before enrolling.
- When you're just not sure – knowing that you can always enroll in a different plan next year makes this less of a “forever” decision and more of a “this year” decision.
- If you are planning to enroll in a Medigap policy, as mentioned previously, you should enroll during your initial or Special Enrollment Period.

### **When do I need Medicare Part D for prescription drugs?**

If you opt to stick with Original Medicare or if prescription drug coverage is not included in your Medigap policy, then you'll most likely want to enroll in a Part D plan, which is the part of Medicare that covers your prescriptions. This is another aspect of Medicare that you can change each year, and it's definitely something you want to review at open enrollment each year.

### **What do I need to consider when choosing a Part D plan?**

- If you take a name-brand prescription, make sure the plan you're choosing covers it, and make sure you understand the rules of that coverage. For example, some plans may require you to try a generic first before they will cover the name brand. Your doctor can help with this.
- Because Part D plans are offered by private insurance companies, the coverage can change each year. It's a best practice to review your plan each and every year to make sure the drug formularies haven't changed and that there isn't a more affordable plan out there that works for you.
- If you're relatively healthy and don't take any daily medications, you may opt for a low coverage plan to be there in case of illness.

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### **What happens if you don't get Part D?**

There is no requirement that you enroll in Medicare Part D, and you can add, change, or drop coverage each year. If you forgo coverage for a year, the risk is that you will need a prescription drug that is expensive and will have to pay for it out of pocket without any insurance coverage. In addition, as outlined previously, those who do not enroll during their initial enrollment period, or immediately after losing their employer coverage, could be assessed a late enrollment penalty that extends for the entire time you pay Part D premiums. You can change your drug plan each year, which could be necessary based on coverage changes or your personal situation. However, if you drop the coverage you may have to wait until the next open enrollment window to re-enroll. This could mean an expensive gap in coverage, and you'll likely pay a late enrollment penalty.

### **What's the most important thing to know about Medicare?**

There are a lot of moving parts to healthcare coverage through Medicare, but the biggest takeaway is that unless you are still working at the age of 65 and have coverage through work, it's a best practice to enroll in Medicare Parts A and B and potentially D. All the other parts have annual enrollment periods, which means if you make a mistake, it could cost you, but in most cases, not for the rest of your life.

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