

GETTING THE MOST FROM MEDICARE

If you are retired or thinking of retiring, you likely are concerned about your health care needs. Most people age 65 or older who are citizens or permanent residents of the United States are eligible for Medicare, a federal program that provides health insurance to retired individuals, regardless of their medical condition.

Medicare coverage has several parts: Medicare Part A provides basic hospital insurance while Medicare Part B covers other medical costs. A third part, Medicare Part C (Medicare Advantage), is a program that allows you to choose among several types of health-care plans. Prescription drugs are covered under the Medicare prescription drug benefit known as Medicare Part D.

MEDICARE PART A (HOSPITAL INSURANCE)

Generally known as hospital insurance, Part A covers services incurred by inpatient hospital care. These are the costs associated with an overnight stay in a hospital, skilled nursing facility, or psychiatric hospital, including charges for the hospital room, meals, and nursing services. Part A also covers hospice care and home health care.

You are eligible for Medicare Part A without paying a monthly premium if at age 65:

- You receive or are eligible to receive Social Security or Railroad Retirement Board benefits based on your own work record or on someone else's work record (as a spouse, divorced spouse, widow, widower, divorced widow, divorced widower, or parent), or
- You or your spouse worked long enough in a government job where Medicare taxes were paid.

In addition, if you are under age 65, you can get Part A without paying a monthly premium if you have received Social Security or Railroad Retirement Board disability benefits for 24 months, or if you are on kidney dialysis or are a kidney transplant patient. Even if you're not eligible for free Part A coverage, you may still be able to purchase it by paying a premium.

MEDICARE PART B (MEDICAL INSURANCE)

Generally known as medical insurance, Part B covers other medical care. Physician care—whether you received it as an inpatient at a hospital, as an outpatient at a hospital or other health-care facility, or at a doctor's office—is covered under Part B. Laboratory tests, physical therapy or rehabilitation services, and ambulance service are also covered. Although Medicare Part B is optional, most people sign up for it. If you want to join a Medicare managed care plan or a Medicare private fee-for-service plan, you'll need to enroll in both Parts A and B. And Medicare Part B is never free. You'll pay a monthly premium for it, even if you are eligible for premium-free Medicare Part A.

WHAT IS NOT COVERED BY MEDICARE PARTS A AND B?

Some medical expenses are not covered by either Part A or B. These expenses include:

- Your Part B premium
- Deductibles, coinsurance, or co-payments that apply
- Most prescription drugs
- Routine physical exams
- Dental care
- Hearing aids
- Eye care
- Custodial care at home or in a nursing home

Medicare Part C may cover some of these expenses, or you can purchase a supplemental Medigap insurance policy that will help cover what Medicare does not.

MEDICARE PART C (MEDICARE ADVANTAGE)

Medicare Advantage plans are health plan options that are part of the Medicare program. If you join one of these plans, you generally get all your Medicare-covered health care through that plan. This coverage can include prescription drug coverage. Medicare Advantage plans include:

- Medicare Health Maintenance Organization (HMOs)
- Preferred Provider Organizations (PPO)
- Private Fee-for-Service Plans
- Medicare Special Needs Plans



When you join a Medicare Advantage plan, you use the health insurance card that you get from the plan for your health care. In most of these plans, there are extra benefits and lower co-payments than in the original Medicare plan. However, you may have to see doctors that belong to the plan or go to certain hospitals to get services.

To join a Medicare Advantage plan, you must have Medicare Part A and Part B. You will have to pay your monthly Medicare Part B premium to Medicare. In addition, you might have to pay a monthly premium to your Medicare Advantage plan for the extra benefits that they offer.

MEDICARE PART D (PRESCRIPTION DRUG)

Everyone with Medicare can get prescription drug coverage, which may help lower prescription drug costs and help protect against higher costs in the future. Medicare prescription drug coverage is insurance provided by private companies. The insurance covers both brand-name and generic prescription drugs. Beneficiaries choose the drug plan and pay a monthly premium. If you decide not to enroll in a drug plan when first eligible, you may pay a penalty if you choose to join later.

HOW MUCH DOES MEDICARE COST?

Medicare costs the same for any eligible individual. This means that everyone who is eligible for Medicare will pay the same amount for coverage, regardless of medical condition. The deductible amounts and premiums change annually, however.

WHO ADMINISTERS THE MEDICARE PROGRAM?

The Centers for Medicare & Medicaid Services, a division of the U.S. Department of Health and Human Services, has overall responsibility for administering the Medicare program and sets standards and policies. But it's the Social Security Administration (SSA) that processes Medicare applications and answers questions about eligibility.

As a beneficiary, however, you deal mostly with the private insurance companies that actually handle the claims on the local level for individuals with Medicare coverage. Insurance companies that handle Medicare Part A claims

are known as Medicare intermediaries, and insurance companies that handle Part B claims are known as Medicare carriers.

Managed care plans handle Part C claims, and private insurers process Plan D claims. Although the same private insurance company may handle both Part A and Part B claims, Part A and Part B are very different in regard to administration (e.g., different deductibles and co-payment requirements). There is virtually no overlap; it is as if you have two separate health insurance policies.

HOW DO YOU SIGN UP FOR MEDICARE?

Any individual who is receiving Social Security benefits will automatically be enrolled in Medicare Parts A and B at age 65 when he or she becomes eligible. If you are not receiving Social Security benefits before age 65, you will be automatically enrolled when you apply for benefits at age 65. But if you decide to delay retirement until after age 65, remember to enroll in Medicare Parts A and B at age 65 anyway because your enrollment won't be automatic. If you're going to be automatically enrolled in Medicare, you'll receive an initial enrollment package by mail from the SSA, usually three months before your 65th birthday.

Of course, even if you sign up for Part A, you don't have to enroll in Part B, or you can decide to delay enrolling. But first, carefully read the information contained in your initial enrollment package. It explains the consequences of not enrolling at age 65 (e.g., you may have to pay a higher premium later) and will help you learn more about the Medicare program.

Enrolling in the Medicare plans may seem complicated or confusing. You may want to consult with your physician and a trusted financial adviser, such as your CPA, before choosing the various options available.

For information about enrolling in Medicare, call the SSA at (800) 772-1213. More information about the plans themselves and their rates is available at the official Medicare website: <http://www.medicare.gov>. 

