Why You Should Care About Medicare

Medicare can be tough to understand. It doesn't have to be.

WE'RE LIVING LONGER AFTER WE RETIRE. Life expectancy of a newborn in the United States today is almost 79 years.[1] But there's a rub to our lengthy life expectancies: dramatically higher healthcare costs.

The cost of medical expenditures we'll need to account for is steadily on the rise. Medical costs are expected to increase by nearly 8% in 2019.[2] Having the right Medicare plan in place can help keep these expenses manageable in retirement.

However, Medicare's complexity can make it all seem somewhat confusing. Imagine being asked to put together a jigsaw puzzle without having seen the picture on the box lid first. That's how many of us feel as we begin navigating our options as we plan for what's next.

Come along as we dig into the basics of what everyone approaching retirement age should know about this important component of planning for the future.



What is Medicare?

The federal government began playing a direct role in our healthcare with the 1966 launch of Medicare and its sister program, Medicaid. Medicare's goal: provide affordable national health insurance for older Americans.

Who is eligible?

You are eligible for Medicare if:

- You're 65 years or older, AND
- You or a spouse paid at least 10 years of Medicare taxes.

People younger than 65 with qualifying disabilities and medical conditions may also be eligible.

Key Points

- Healthcare continues to be one of the largest expenses in retirement.
- Medicare can help address healthcare costs. However, the complexity of the programs and their eligibility requirements can make it difficult to understand.
- Your financial advisor can help you see how your choices may ultimately impact your financial planning for retirement.

[1] Source: "Mortality in the United States, 2017," CDC, 11/18

[2] Source: "Global Medical Trend Rates Report," 9/18

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What are the different parts of Medicare?
There are four parts to Medicare.

1. Medicare Part A—This is hospital coverage.

FIGURE 1
Medicare Part A Coverage

Hospital stays and associated services including:
A semi-private hospital room
Hospital meals
General nursing
Skilled nursing facility care
Care on special units, including intensive care
Drugs, supplies, and equipment as part of inpatient treatment
Long-term care hospital care
Hospice care
Skilled healthcare for the homebound
Operating room and recovery services

2. Medicare Part B—This is medical coverage. There is a monthly premium for this coverage.

FIGURE 2
Medicare Part B Coverage

Medically necessary services and preventative services including:
Clinical research studies
Emergency ambulance services
Durable medical equipment
Mental health
Second opinion before surgery
Limited outpatient prescription drugs
Doctor visits
Surgery
Lab tests

3. Medicare Part C—This is private insurance. More frequently called Medicare Advantage, these are Medicare-approved health insurance plans through private insurance companies. Those enrolled in these plans still have to enroll in the Original Medicare plans (Parts A and B), but their coverage comes from Medicare Advantage. Most Medicare Advantage plans offer prescription drug coverage, too. In addition, there are other private plans besides Medicare Advantage.

FIGURE 3
Medicare Part C Coverage

All the benefits of Part A and Part B plus:
Prescription drug coverage is included in many Medicare Advantage plans
Additional benefits depending on the plan

4. Medicare Part D—This is prescription drug coverage. It's a federal program that helps subsidize prescription drug costs for Medicare enrollees—all who are enrolled in Original Medicare (Part A or Part B) and some of those with Medicare Advantage (Part C). There is a monthly premium for coverage. Be aware how it will affect your other drug coverage.

FIGURE 4
Medicare Part D Coverage

Prescription drugs including:
Federally mandated types of drugs Part D plans are required to cover
Each plan has its own specific coverage rules for paying for or subsidizing prescription drugs
Commercially available vaccines
Drugs available by prescription for purchase in the United States

How much does Medicare cost?

Just like any insurance plan you're familiar with, you'll be paying premiums no matter which plan you end up choosing. You'll also have deductibles, copayments, and coinsurance. The amount depends on the plan that you select.

What is not covered by Original Medicare (Part A and Part B)?

You may be surprised but most dental care, eye exams related to prescription glasses, hearing services, routine foot care, and long-term care are among the list of what's not covered by Part A or Part B. Medicare Advantage (Part C) plans typically cover these services.

When can I enroll?

Your Initial Enrollment Period is your first opportunity to enroll. From three months before you turn 65 to three months after, you can enroll for Original Medicare (Part A and Part B). Even if you still have employer coverage, you need to apply for Part A.

If you missed signing up, you can enroll in Part A, Part B, or both between January 1 and March 31. The enrollment period for Medicare Advantage (Part C) and Part D is April 1 through June 30. To change a plan, the window opens October 15 and runs to December 7 every year.

Be aware: Penalties may apply for late enrollment of if you miss your initial enrollment window.

What if I delay enrolling?

If you don't enroll in Original Medicare (Part A or Part B), it could cost you. For each year you wait to enroll in Part A, you will be charged an additional 10% for twice the time period you waited. For example, if you were two months behind, you'd pay 10% extra each month for four months. For each 12-month period you wait for Part B, you'll pay 10% extra for however long you have Part B.

If you're working beyond age 65 and are covered by your company's insurance, you may be able to put off enrolling in Part B without facing penalties.

How does a Medicare supplement insurance plan fit?

Private insurance companies offer these optional plans to help with out-of-pocket expenses, such as deductibles, premiums, and copayments, for those who are still enrolled in Original Medicare (Part A and Part B). This is different than Medicare Advantage (Part C) in that it works alongside Original Medicare (Part A and Part B) instead of being an alternative. Your open enrollment window for these supplemental plans—often called Medigap—begins six months after you're 65 or older and enrolled in Medicare Part B. Make sure you enroll during this period or you might not get accepted once the window closes.

How do I keep up on the latest developments in Medicare?

Visit the official Medicare website at Medicare.gov today. You can also keep up-to-date by following @MedicareGov on Twitter for all the latest news.

Have more questions?

This list is simply a starting point for you to begin considering your options and how they can impact you. Your financial advisor can help. Talk with him or her today to see how your choices may ultimately impact your financial planning for retirement.

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