

Understanding Medicare and its Parts

Health-care costs have been a growing issue in the United States for years. Many people might worry that they can't afford all their medical bills or insurance. This could leave some people with tough decisions about their health and finances.

The Medicare program was developed by the government to protect the health and well-being of millions of Americans. Over time, Medicare has provided more and more Americans with access to the quality and affordable health care they need. Understanding the basics of Medicare will be useful when you're deciding on Medicare coverage to fit your individual needs.

What is Medicare, and who can get it?

Medicare is a government health insurance program administered by the Centers for Medicare & Medicaid Services (CMS). According to CMS data, over **65.6 million people** were Medicare beneficiaries as of **June 2023**, including over **47 million** enrolled in Medicare Part D (prescription drug coverage)

If you answer yes to at least one of the following statements:

- I'm 65 years of age or older.
- I'm under 65, but I receive disability benefits from the Social Security Administration (SSA) or the Railroad Retirement Board (RRB).
- I have amyotrophic lateral sclerosis (ALS, or Lou Gehrig's disease).
- I have end-stage renal disease (ESRD), which is permanent kidney failure that requires a transplant or dialysis.

...then you are likely eligible for Medicare benefits. You must be at least 65 years old and an American citizen or permanent legal resident of at least five consecutive years. You may also qualify at any age through disability or by having end-stage renal disease or amyotrophic lateral sclerosis.

The parts of Medicare explained

There are four main "parts" of Medicare insurance: Part A, Part B, Part C, and Part D. Medicare Part A (hospital insurance) and Medicare Part B (medical insurance) together make up Original Medicare. Medicare Part C, also known as Medicare Advantage, and Medicare Part D (prescription drug coverage) allow you to get Medicare plans through private insurance companies that contract with Medicare. There is also Medicare Supplement insurance (also called Medigap), which is sold by private companies.

Original Medicare

Original Medicare refers to Medicare Part A (hospital insurance) and Medicare Part B (medical insurance). Most of those eligible are automatically enrolled in Medicare Part A and Part B when they turn 65. If you've been receiving Social Security or Railroad Retirement Board (RRB) disability benefits for 24 consecutive months, Medicare enrollment is also automatic for you. If you have ALS, you'll be automatically enrolled the same month that you start receiving SSA or RRB disability benefits.



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Most Medicare beneficiaries do not pay a premium for Medicare Part A. Medicare Part B typically requires a premium. For 2024, the standard monthly premium for Part B is **\$174.70**, but higher-income individuals may pay more.

Medicare Advantage (Part C)

Medicare Advantage (Medicare Part C) offers another way to get Original Medicare coverage. Most Medicare Advantage plans include prescription drug coverage. Medicare Advantage plans may have lower costs than Original Medicare and may provide additional benefits; details vary among insurance companies and individual plans.

Medicare Part D

The Medicare Part D program provides prescription drug coverage. For 2024, the base beneficiary premium is **\$34.70**, and it is expected to rise to **\$36.78** in 2025 due to premium stabilization under the Inflation Reduction Act.

Most beneficiaries have to pay a premium for Medicare Part D, along with other costs such as copayments and coinsurance, which vary among plans. Although Medicare Part D is optional, if you don't enroll when you're first eligible, you may face a **Late Enrollment Penalty (LEP)**.

Late Enrollment Penalty: The penalty is calculated as **1% of the national base beneficiary premium** for every month you were eligible for Part D but did not enroll. As of 2024, the base beneficiary premium is \$34.70, which means the penalty is **about \$0.35 per month** for every month you delayed enrollment. For example, if you delayed enrollment by 12 months, your penalty would be **12% of \$34.70, or approximately \$4.16**, added to your monthly Part D premium.

This penalty remains in effect for as long as you are enrolled in Medicare Part D.

Additional health insurance options

Original Medicare doesn't cover everything. If you stay with Original Medicare, you can purchase a Medicare Supplement (Medigap) plan to help cover out-of-pocket costs like coinsurance, copayments, and deductibles. Medigap premiums vary by plan and location, with **Plan G**, the most comprehensive, averaging around **\$155 per month** in 2023.

Timing is important

Knowing when to enroll in the various types of Medicare coverage might save you late-enrollment penalties and may help you get the coverage you want in a timely manner.

Making an informed decision

If you're new to Medicare, you may want to determine which type of Medicare insurance plan will fit your health-care and financial needs. If you're still employed or have coverage such as veteran's benefits, check with your plan administrator to see how this insurance works with Medicare. It's also important to decide if you need prescription drug coverage. Once your Medicare benefits kick in, don't forget to schedule your complimentary "Welcome to Medicare" physical exam with a doctor, and be sure to ask about any preventive services he or she might recommend.



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