

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 a CMS report, over 65 million people were Medicare beneficiaries as of 2021, including over 47 million enrolled in Medicare Part D (prescription drug coverage).

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

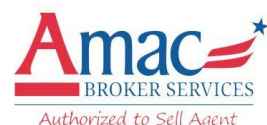
- I'm 65 years of age or older.
- I'm under 65, but I receive disability benefits from the Social Security Administration (SSA) or the Railroad Retirement Board (RRB).
- I have amyotrophic lateral sclerosis (ALS, or Lou Gehrig's disease).
- I have end-stage renal disease (ESRD), which is permanent kidney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



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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) programs that let you 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), and is in some ways central to your Medicare coverage. That is, the Medicare plan options described below require you to be enrolled in Medicare Part A, Part B, or both (depending on the type of plan); some plan options are meant to work alongside your Original Medicare coverage, while Medicare Advantage offers an alternative way to get that coverage – more on this follows later in this article.

Most of those eligible are automatically enrolled in Medicare Part A and Part B when they turn 65; if you’re already receiving Social Security Administration (SSA) or Railroad Retirement Board (RRB) benefits, you’ll “age in” automatically. If you’ve been receiving SSA or RRB disability benefits for 24 consecutive months, Medicare enrollment is also automatic for you. On the other hand, if you have ALS, you’ll be automatically enrolled the same month that you start receiving SSA or RRB disability benefits.

Some people need to sign up for Medicare. If your circumstances don’t fit the criteria above, or if you have ESRD, you’ll need to enroll in Medicare through the SSA or RRB.

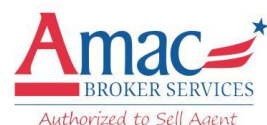
- To contact the Social Security Administration, you can visit their website or call 1-800-772-1213. TTY users can call 1-800-325-0778. Representatives are available Monday through Friday, from 7AM to 7PM.
- If you worked for a railroad, you can visit the Railroad Retirement Board website or call 1-877-772-5772. TTY users call 1-312-751-4701. Monday through Friday, 9AM to 3:30PM, to speak to an RRB representative.

Most Medicare beneficiaries do not pay a premium for Medicare Part A. In brief, Medicare Part A covers inpatient care in facilities such as (but not limited to) hospitals and skilled nursing facilities. Medicare Part A also covers hospice care and limited home health care.



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Medicare Part B is medical insurance that covers doctor visits, medically necessary services and supplies, preventive services, and certain other items and services. Beneficiaries typically have to pay a premium to receive Part B coverage.

The federal government manages Original Medicare, which operates as a fee-for-service plan. Most beneficiaries pay a deductible as well as a copayment or coinsurance for these services.

Medicare Advantage

Medicare Advantage (Medicare Part C) is another way you can get your Original Medicare, Part A and Part B, coverage. The exception is hospice care, which is still covered under Part A rather than through Medicare Part C. Most Medicare Advantage plans include prescription drug coverage. Types of Medicare Advantage plans include (but aren't limited to) Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), Private Fee-for-Service (PFFS) plans, Special Needs Plans (SNPs), and Medical Savings Account (MSA) plans. 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. You can sign up for a stand-alone Medicare Part D Prescription Drug Plan to work alongside your Original Medicare coverage, or you can get all your Medicare coverage through a Medicare Advantage Prescription Drug plan.

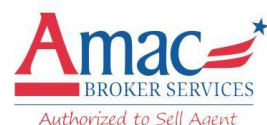
If you enroll in a stand-alone Medicare Prescription Drug Plan (or a Medicare Advantage Prescription Drug plan), make sure you choose a plan that covers your medications. Every Medicare Prescription Drug Plan has a formulary that lists the drugs it covers, and many plans make their formularies available online. A plan's formulary may change at any time. You will receive notice from your plan when necessary.

Most beneficiaries have to pay a premium for Medicare Part D, along with other costs such as copayments and coinsurance; these costs vary among plans. Although this insurance is optional, if you don't enroll when you're first eligible for Medicare, you may face a late enrollment penalty. The penalty is 1% of the national base beneficiary premium per month for EVERY month you were eligible but chose not to join (Base Beneficiary premium is \$33.37 for 2022 and 1% is .3337). This penalty remains in effect for as long as you are enrolled in Part D.



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Additional health insurance options

Original Medicare doesn't cover everything. If you decide to stay with Original Medicare (instead of switching to Medicare Part C), you can purchase a Medicare Supplement (also called Medigap) plan to help cover Original Medicare's out-of-pocket costs, such as coinsurance, copayments, and deductibles. Original Medicare doesn't include prescription drug coverage, so you would likely also want to add a stand-alone Medicare Prescription Drug Plan.

Medicaid is another possible option to help cover health-care costs for those eligible for the program.

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. Take a look at Medicare Enrollment and Election Periods to find out when to sign up.

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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