Understanding Medicare

Everybody likes having choices, but sometimes having an abundance of options can be overwhelming. That’s exactly what makes choosing a Medicare plan so complicated. But with a little research, it’s much easier to make the right decisions for your health and budget.

This booklet helps you understand the details of Medicare, so you’ll be prepared when the time comes for you to decide on a plan. You’ll learn about the different parts of Medicare, your share of costs for coverage, enrollment deadlines, tips for choosing a plan and much more. There’s also a glossary of terms and a list of resources where you can get even more information – both online and in person.
# Five Things You Need to Know about Medicare

## Eligibility requirements
- You are age 65 or older, have a qualifying disability, or experience another special situation.
- You are a U.S. citizen or legal resident (for at least five consecutive years).

## You have two Medicare options
There are only two distinct ways to receive Medicare:
- Original Medicare – Parts A and B
- Medicare Advantage plan – Part C

However, within these two options you have many choices – prescription drug coverage (Part D), supplemental coverage and more. To decide which is right for you takes time and a little homework.

## Timing is crucial
You can sign up for Original Medicare or a Medicare Advantage plan three months before you turn 65, your birthday month and three months after. If you have a qualifying disability, contact the Social Security Administration (1-800-772-1213, TTY 1-800-325-0778, Monday – Friday, 7:00 a.m. – 7:00 p.m.) for your enrollment timeframe. If you wait, you could pay more for coverage. If you continue to work, additional rules may apply.

## Medicare doesn’t cover everything
It’s important to know that Medicare doesn’t cover all of your health care expenses. You may have copays, deductibles, coinsurances and other payments for both Original Medicare and a Medicare Advantage plan. Also, Original Medicare does not include prescription Part D drug coverage, and there will be other gaps in coverage that you may need to cover with additional insurance.

## Your plan choices are not permanent
If your needs change, you have an opportunity each year to change plans.
Preparing for Your Medicare Coverage

There are a few things to take care of before you can enroll in Medicare. If you’re already drawing your Social Security benefits, and you’ll be turning 65, the Social Security Administration will automatically enroll you in Parts A and B. If you are not drawing these benefits, you need to enroll yourself either online or at your local Social Security office. You also need to decide what to do with your current health care coverage, if you have it.

Social Security, Medicare and you

The Social Security Administration:
- Handles most of the paperwork for joining Medicare
- Will automatically enroll you in Medicare Parts A and B if you’re drawing Social Security benefits when you turn 65, and determine your premium costs
- Will determine if you’re eligible for extra help with the cost of Medicare coverage
- NOTE: If you worked for the railroad, contact the Railroad Retirement Board to sign up. (1-877-772-5772, TTY 1-312-751-4701, Monday – Friday, 9:00 a.m. – 3:30 p.m. CST)

Current health care coverage

Before making any decisions about Medicare coverage, it is important to look at your current health care coverage. If you’re receiving coverage from an employer or union, it is important to assess whether or not you want to continue receiving that coverage, or if it would be better to opt out of that coverage and select a Medicare plan.

Paying Your Share of Medicare

No matter what type of Medicare plan you choose, you will have to pay for part of the coverage. When shopping for Medicare, it’s important to consider all of these types of payments, as they vary widely from plan to plan. Otherwise, you may end up paying much more than you expected.

Terms to learn:

- **Coinsurance**  Splitting health care costs based on a percentage. For example, with Original Medicare, Medicare might pay 80% of a service, while you would pay 20% of the Medicare-approved amount. Your out-of-pocket cost will differ based on the total cost of service.

- **Copayment**  A fixed amount, for example $10 or $20, paid for a specific service or product, like a doctor visit or prescription drug.

- **Deductible**  A pre-set amount of money that the Medicare recipient typically pays before Medicare or a private insurance company will start covering costs.

- **Premium**  The periodic payment to Medicare or an insurance company for health care and/or prescription drug coverage. It is usually a monthly payment.
Your Medicare Options

**Original Medicare (Parts A and B)**

If you choose Original Medicare, Parts A and B, you may decide to add on a stand-alone Part D plan for prescription drug coverage and/or Medigap for costs not covered by Parts A and B. Part D and Medigap are available through private insurance companies.

<table>
<thead>
<tr>
<th>Part A</th>
<th>Helps cover the cost of inpatient hospital stays, skilled nursing facilities, hospice care and some home health care services. There is no premium for most people.</th>
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<tbody>
<tr>
<td>Part B</td>
<td>Helps cover doctor visits, outpatient care and some home health services. Most people pay a premium based on income.</td>
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<tr>
<td>Stand-Alone Part D (PDP)</td>
<td>Helps cover the cost of outpatient prescription drugs. There are monthly premiums paid to a private insurance company. NOTE: Enroll when you first become eligible or you may be subject to penalties later.</td>
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<tr>
<td>Medigap</td>
<td>There are several standardized plans available through private insurance companies that help cover costs not covered by Parts A and B. You cannot have a Medigap policy and a Medicare Advantage plan at the same time.</td>
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**More choices to make**

While there are two main “paths” you can take when you choose Medicare coverage, there are many choices within those paths. Even within these options there are many choices, which is why it is so important to do your research and learn which plan would best suit your unique needs.

- **AB**
- **ABD**
- **AB medigap**
- **ABD medigap**
Medicare Advantage Plan (Part C)

If you choose a Medicare Advantage plan through a private insurance company, you have coverage for the same services covered by Parts A and B, but your cost sharing will differ from Original Medicare. Additional benefits may also be included in the plan.

**Part C** Medicare Advantage plan – Helps cover inpatient hospital care and outpatient care, such as doctor visits, preventive health screenings and other services. (Part C covers everything covered by Original Medicare Parts A and B.)

**Part D** Outpatient prescription drug coverage is included in most Medicare Advantage plans.

**Additional benefits** Some plans may include routine vision, routine hearing, routine and preventive dental, wellness programs and more as part of the plan.

**Supplemental benefits** Some plans may include additional coverage, such as dental, for a fee. You must elect to have this coverage.

**More choices to make**
A Medicare Advantage plan, the other main “path,” offers many options within options as well. Every insurance company offering this type of plan has different costs and benefits, so you need to investigate exactly what each plan covers. Remember that Part C covers all of the services covered by Parts A and B.