



Understanding Medicare

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Medicare coverage can be one of the more confusing pieces of the retirement puzzle. Today, we'll review each of the different Medicare options, as well as some key enrollment dates to remember.

Medicare is the federal health insurance program for people 65 and older, as well as younger people with disabilities and individuals with end stage renal disease. Once eligible, there are two main types of Medicare you can choose from, Original Medicare and Medicare Advantage.

Original Medicare: Parts A, B, and D

Original Medicare consists of Medicare Part A, which is hospital insurance, and Medicare Part B, which is medical insurance. Under Original Medicare, you'll pay a premium for Part B, which is adjusted at certain income levels. As you receive services, you will need to satisfy an annual deductible after which you'll usually have a 20 percent copay for Medicare-approved services.

Prescription drug coverage is not included with Original Medicare. To receive drug coverage, you must purchase a separate plan, known as Medicare Part D.

You can pay out of pocket for the costs not covered by Original Medicare, or you can purchase a Medicare supplement known as a Medigap policy to help cover these costs. Some supplemental policies also cover services Original Medicare does not, such as medical care when you travel outside of the U.S.

Medicare Advantage (Part C)

Medicare Advantage, also known as Medicare Part C, is more of an all-in-one health plan. These plans must include all services offered in Part A and Part B and will typically also include drug coverage, as well as some of the services not covered by Original Medicare, such as vision, hearing, and dental care.

Under Medicare Advantage, you're still subject to the Part B premium, and you will typically be limited to healthcare providers within the plan's network. Whereas with Original Medicare, you may go to any provider that accepts Medicare.

Key Differences Between Medicare Options

Original Medicare and Medigap

- Higher monthly premiums
- More predictable out-of-pocket costs
- Greater flexibility in choosing healthcare providers

Medicare Advantage

- Lower premiums
- Higher and less predictable out-of-pocket costs
- Provider network restrictions

When to Enroll in Medicare

Understanding when to enroll in Medicare is critical. If you are already receiving Social Security benefits, the Social Security Administration will automatically enroll you in Part A and Part B when you reach age 65. If not, you have a seven-month initial enrollment period.

Initial Enrollment Period Timing

- Begins three months before the month you turn 65
- Includes the month you turn 65
- Ends three months after the month you turn 65

If you enroll before the month you turn 65, your coverage begins on the first day of your birth month. If you enroll during or after your birth month, coverage begins on the first day of the following month.

If you are still working and covered by an employer health plan—or covered under a spouse's employer plan—you may qualify for a special enrollment period and may not need to enroll right away.

The special enrollment period allows eight months to enroll, starting the month after your employment ends or the month after employer-sponsored health coverage ends, whichever comes first.

Considerations for Delaying Enrollment

You are not required to enroll in all parts of Medicare when you are first eligible, but delaying coverage can have consequences. For example, if you enroll in a Medicare supplement when you are first eligible, you generally do not need to medically qualify for coverage. Enrolling later may require medical underwriting.

Additionally, delaying enrollment in Part B or Part D can result in permanent penalties, which often outweigh any short-term savings from postponing coverage.

Getting Help Choosing a Plan

Medicare plans beyond Part A and Part B, vary based on where you live. The various plans can be difficult to compare, so we encourage you to check out resources such as senior resource centers, insurance brokers that represent multiple carriers, and, of course, your CAPTRUST advisor to help you choose the Medicare plan that's best for you.

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