

Please note: This is a transcription so there may be slight grammatical errors.

Bri Smith:

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 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% copay for Medicare approved services. For prescription drug coverage, you will need to purchase an additional plan, known as 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 US. Medicare Advantage or 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. 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. Now let's talk about costs.

Premiums for Original Medicare plus a Medicare supplement are going to be higher than a Medicare Advantage plan. However, Medicare Advantage has higher out of pocket costs. Medicare Advantage can be a good option if you're in good health, are willing to have healthcare provider restrictions, and are willing to risk costs varying yearly based on changes in your health. Original Medicare with a Medicare supplement is the best option if you want to be able to choose healthcare providers and manage your costs to a relatively predictable, albeit higher level each year.

It's important to understand when you will need to enroll in Medicare. If you're receiving social security, the Social Security Administration will automatically sign you up for Part A and Part B when you reach age 65. Otherwise, you have a seven month enrollment window, starting three months prior to the month you turn 65 and ending three months after the month in which you turned 65. If you enroll prior to the month you turn 65, your coverage will begin on the first day of your birth month.

If you sign up during the month you turn 65 or after, your coverage will begin on the first day of the following month. However, if you're still working and have employer coverage or are covered under a spouse's employer coverage, you may qualify for a special enrollment period and not need to enroll at 65. The special enrollment period gives you eight months to sign up starting the month after your qualifying employment ends or the month after your employer-based group health coverage ends, whichever comes earlier.

It's important to know that you are not required to sign up for all parts of Medicare when originally eligible, but there may be some disadvantages to waiting. For instance, if you sign up for a Medicare supplement when you're originally eligible for Medicare, you do not need to medically qualify for coverage. Anytime afterwards, adding or changing a Medicare supplement may require medical underwriting. Additionally, if you sign up for Part B or Part D later, you'll be subject to a penalty that will likely outweigh the cost benefit of delaying coverage.

Hopefully this video helps you better understand the basic structure of Medicare and when you need to enroll. Other than Part A and Part B, the other plans available are going to 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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