

# Medicare, the Parts and Pieces

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## Introduction

Health care insurance is a complicated issue and when you add the federal government into the picture it, predictably, becomes even more convoluted often causing those over 65 to struggle with their Medicare decisions. The questions, 'Which part covers which service?', 'Which parts are mandatory and which are optional?', and 'Which option, among the many, is best for me?' can be overwhelming, particularly to an older adult who has always had their health insurance provided for them through an employer. Ferreting out the needed information, evaluating the choices and navigating the details of the application process is daunting. The good news is that Medicare has a fairly user friendly web site [www.medicare.gov](http://www.medicare.gov) with lots of information. Following is a snapshot of the salient points regarding Medicare, the different parts and pieces, as well as some resources for help in the process.

## Part A

**Part A** is often referred to as major medical or the hospital coverage. It is not optional, you would not want it to be and, in most cases, the premiums are covered by the funds you or your spouse have already paid into the Medicare system during your working years. Part A is designed to cover large, expensive medical procedures and their related costs. Among the things covered are semiprivate rooms, meals, general nursing, home health care under certain conditions, durable medical equipment (wheelchairs, hospital beds, oxygen, and walkers), hospice care, and blood transfusions.

The deductible costs for Part A are somewhat confusing, utilizing a 'benefit period' versus being annualized. The Medicare web site defines the benefit period as beginning 'the day you are admitted as an inpatient in a hospital or skilled nursing facility (SNF)'. The benefit period ends when you haven't received any inpatient hospital care (or skilled care in a SNF) for 60 days in a row. If you go into a hospital or a SNF after one benefit period has ended, a new benefit period begins. You must pay the inpatient hospital deductible for each benefit period. There is no limit to the number of benefit periods; you could conceivably have several in one year at a cost of \$1,316 per benefit period in 2017.

Most people will want to sign up for Medicare Part A during what is referred to as the Initial Enrollment Period - three months before the month you turn 65 through the three months following your 65<sup>th</sup> birthday, a total of seven months. Signing up during this period, even if you are still covered under another health plan, is important as delaying can result in a penalty when you do sign up later. You can sign up by phoning the Social Security Administration or apply online at [www.ssa.gov](http://www.ssa.gov) under the 'Benefits' tab.

## Part B

Medicare **Part B** is the traditional medical coverage for doctors' services, clinical laboratory services, outpatient medical and surgical services, supplies, and outpatient hospital services. There is a monthly premium which is indexed to your annual income. This premium, beginning at \$134 per month for 2017 and indexing up depending on your income, is deducted from your social security but you can refuse if

you are covered under some other plan that covers your medical insurance such as an employer sponsored plan. After a small deductible (\$147 in 2014) Medicare will pay 80% of the remaining eligible portion of any medical bills. Unlike Part A, Part B's deductible is only paid annually.

As with Part A, many people will want to sign up for Medicare Part B during what is referred to as the Initial Enrollment Period. If you are still covered under an employer plan you may delay signing up for Part B but will need to do so within 8 months of losing your employer coverage or you will have to wait for the next open-enrollment period (between January 1 and March 30 each year) and may also have to pay a higher premium for Part B for the duration of your Medicare coverage. As with Part A, you can sign up by phoning the Social Security Administration or apply online at [www.ssa.gov](http://www.ssa.gov) under the 'Benefits' tab.

### **Medigap or Medicare Supplement**

Since being responsible to pay 20% of your medical bills over the course of a year can still be an expensive proposition there are **Medigap or Medicare supplement** insurance policies sold through private companies. Medicare supplement insurance can cover copayments, coinsurance, deductibles and other expenses that Medicare doesn't cover such as medical care when you travel outside the U.S. You must already have Medicare Part A and B in order to apply for a Medigap policy and the monthly premium varies depending on which company and plan you choose.

Buying a Medigap policy is more complicated than signing up for Part A or Part B because there are multiple policies available through multiple insurance companies. Evaluating and choosing a policy that will work best for your situation is important.

Even deciding when to sign up for a Medigap policy can be challenging. If you sign up during your initial enrollment period around your 65<sup>th</sup> birthday, you can buy any Medigap policy sold in your state for the same premium dollars as a healthy 65 year old even if you have health problems. However once your initial enrollment period has ended, the insurance companies are allowed to use medical underwriting to make a decision about whether or not to insure you and also what the price of that insurance will be. As with Part B, if you have alternative insurance through an employer during your initial enrollment period and do not sign up for Medigap insurance at that time you have an additional window to sign up once you lose your alternative insurance.

### **Part C or Medicare Advantage**

In much of the available Medicare information any mention of a Part C is conspicuously missing. Medicare **Part C** is also referred to as **Medicare Advantage**. These are private plans run through Medicare that are equal to Part A and Part B coverage and many even include the Part D prescription drug coverage as well. Depending on the plan chosen they can also function as a Medigap policy and may be more cost effective than adding a Medigap policy to original Medicare. These plans do work with healthcare provider networks so checking to make sure that your doctors are considered in-network is key to making them cost efficient. Using in-network providers can also get tricky if you travel a lot, spend part of the year in another location or often get referrals from your primary-care doctor to specialists who may be out of network.

Medicare Advantage plans are required to have an annual cap on out-of-pocket spending and some plans offer coverage for vision, dental, assisted living and/or nursing home care. As with Medigap, Medicare

Advantage plans are state specific and detailed information and pricing are found by contacting the provider company directly. You may switch to a Medicare Advantage plan during any regular enrollment period without incurring any penalties.

## **Part D**

Medicare **Part D** is the drug coverage portion of Medicare. While you enroll for Part D through Medicare you do have some choice over the type of plan and therefore the amount of the monthly premium as well as the amount of the deductible you will pay. As of 2017, no drug plan was allowed to have a deductible of more than \$400. There is also an option of either a co-payment, usually a set amount that you are required to pay, or coinsurance, usually a percentage that you pay as your share of the cost of any prescriptions. Specific drug coverage differs under each plan so it pays to compare plans on the Medicare web site at this link <https://www.medicare.gov/find-a-plan/questions/home.aspx>.

There are a couple of caveats with Part D. If you are part of a Medicare Advantage plan that has drug coverage and you also join a Part D plan you will be dis-enrolled from your Medicare Advantage plan. Also, as with Parts A and B, if you neglect to sign up during your initial enrollment period when you are first eligible there is a penalty for late enrollment.

## **Additional Resources**

Medicare consultants are available if you feel you need more help than the Medicare.gov web site can give you. Care needs to be taken with the choice of a consultant, a look into the background, experience and credentials is needed. Most have either a healthcare or insurance background. The State Health Insurance Assistance Program (SHIP) has information available including phone numbers and email addresses for questions and counseling at their web site at [www.shiptalk.org](http://www.shiptalk.org). The AARP web site [www.aarp.org](http://www.aarp.org) posts numerous articles and information about healthcare for seniors, including information about and changes to Medicare coverage. The individual companies providing the coverage for the Medicare Supplement, Medicare Advantage and Part D insurance can also answer questions about their individual plan offerings.