



FINANCIAL LITERACY

Facts About Retirement and Medicare

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The rising cost of health care in the United States has become a worrisome risk to a financially-secure retirement. With that in mind, it's important to understand the various components of Medicare, the federal government program that provides health insurance to most Americans age 65 and older.

For Americans 65 and older, any conversation about health care must include Medicare. Your eligibility for this program at age 65 means that your health insurance will likely become more affordable, and you won't be denied coverage for pre-existing conditions.

It's important to understand what happens with regard to Medicare when you retire and how you can obtain the best and most cost-effective coverage. This white paper covers some important aspects of the Medicare program.

What Is Medicare?

The original Medicare and Medicaid programs were signed into law at the Truman Library in Independence, Missouri, by President Lyndon Johnson on July 30, 1965, with former President Harry Truman looking on. In 1945, President Truman

MEDICARE HEALTH INSURANCE

Name/Nombre
JOHN L SMITH

Medicare Number/Número de Medicare
1EG4-TE5-MK72

Entitled to/Con derecho a	Coverage starts/Cobertura empieza
HOSPITAL (PART A)	03-01-2016
MEDICAL (PART B)	03-01-2016

was the first sitting president to endorse national health insurance.

The original Medicare legislation (Title XVIII) extended health-care coverage to almost all Americans age 65 or older. On July 1, 1966, when Medicare was implemented, more than 19 million Americans initially enrolled in the program. About 48 million Americans age 65 and older are now enrolled in Medicare, as well as another 9 million or so younger people with disabilities.

Subsequent legislation has made a number of changes to the program since 1965.

How Is Medicare Financed?

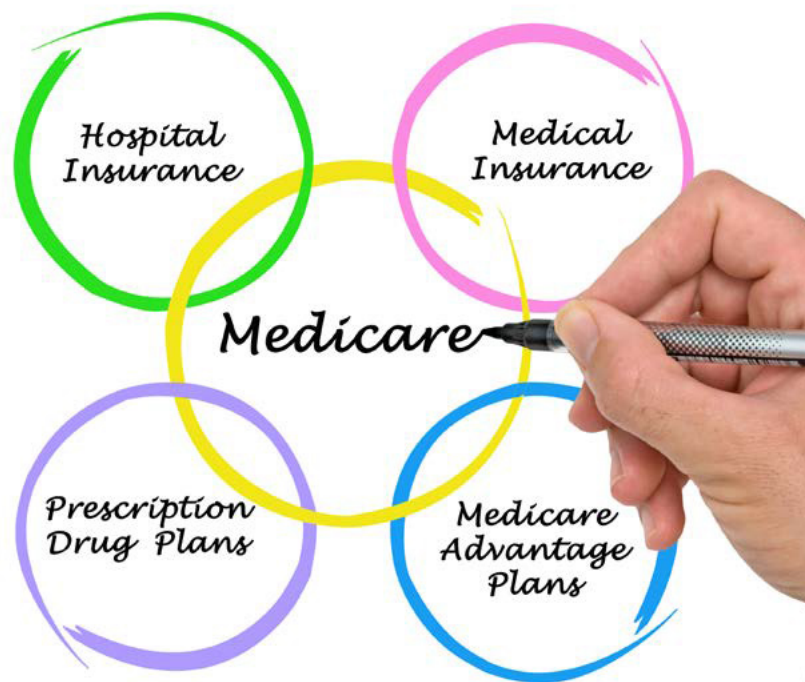
There are 3 primary sources of Medicare funding:

- 1. Medicare Part A (hospital insurance):** Medicare Part A is financed largely through a 2.9% payroll tax paid by employees and their employers (1.45% each). That amount increases to 2.35% on earnings over \$200,000 single/\$250,000 married, employees only), which goes into the Part A Trust Fund that helps pay the eligible hospital expenses of Medicare beneficiaries.
- 2. Medicare Part B (medical insurance):** Medicare Part B, which helps pay for doctors' services, outpatient care, and home health care, is paid for primarily by general government revenues, with Medicare beneficiary premiums accounting for about 25% of the Part B financing.
- 3. Medicare Part D (prescription drug coverage):** Medicare Part D, which helps cover the cost of prescription drugs, is also paid for primarily through general government revenues. Some state payments and beneficiary premiums finance the balance.

Who Is Eligible for Medicare?

Medicare Part A (hospital insurance) is provided at no cost to U.S. citizens and permanent residents of the United States who meet certain eligibility requirements. Anyone enrolled in Medicare Part A can, on an optional basis, enroll in Medicare Part B (Medical Insurance) by paying a monthly premium. Medicare beneficiaries with higher incomes will pay higher Part B premiums.

- **Age 65 or older:** Beginning at age 65, you are eligible for Medicare if you or your spouse worked for at least 10 years (40 quarters) in Medicare-covered employment and you are a citizen or permanent resident of the United States. You do not need to be receiving Social Security retirement benefits to qualify for Medicare at age 65.



- **At any age:** A citizen or permanent resident of the United States who has end-stage renal disease (ESRD) can get Medicare at any age. In addition, regardless of age, someone who has been entitled to Social Security disability benefits for 24 months or who receives a disability pension from the Railroad Retirement Board and meets certain conditions is eligible for Medicare. Finally, someone with ALS (Lou Gehrig's disease) will automatically receive Medicare the month Social Security disability benefits begin.

If you are not certain about your eligibility for Medicare, you can call the Social Security Administration tollfree at 800-772-1213 or visit the official government [website for Medicare](#).

What Medicare Does Not Cover

It's important to know what Medicare does not cover so you can avoid surprises.

- 1. Teeth, eyes, and ears.** Generally speaking, Original Medicare does not cover dental work and routine vision or hearing care. This means it does not cover dentures, which can run anywhere from about \$1,000 to more than \$5,000 for a complete set. A single tooth implant cost close to \$4,000. However, if a dental condition involves an emergency or complicated procedure, it could be covered. Routine vision checks are generally not covered. But if you have an eye condition like glaucoma or cataracts, basic Medicare will cover your care. If you decide to go with an Advantage Plan, there's a good chance dental and vision will be included. However, it will likely be limited.
- 2. Medical care outside the United States.** If you plan to travel the world after your turn 65, you need to know that basic Medicare generally does not cover care you receive outside the United States. If you choose an Advantage Plan, emergencies are often covered worldwide. However, routine care received overseas might not be. In this situation, you can look into travel-medical policies specifically targeted at the 65-and-over crowd. Depending on the specifics of the coverage and your age, these policies can cost about \$175 or more per month.
- 3. Long-term care.** In general, Medicare does not cover long-term care. There are insurance policies that cover it, although they can be pricey. And the older you are, the more they cost. On average, an American turning 65 today will spend \$138,000 in future long-term-care costs, according to a 2017 Bipartisan Policy Center report. Long-term care includes things like daily help with bathing and eating.

Enrolling in Medicare at Age 65

There are 2 ways in which you can enroll in Medicare at age 65.



- 1. If you are already receiving Social Security or Railroad Retirement benefits:** If you're already receiving Social Security retirement or disability benefits or Railroad Retirement benefits, you will automatically be enrolled in Medicare at age 65. You should receive a package of Medicare information, together with your Medicare card, in the mail. If you don't receive the package by your 65th birthday, contact the Social Security Administration toll-free at 800-772-1213.
- 2. If you are not yet receiving Social Security or Railroad Retirement benefits:** If you'll be turning age 65 in a few months and are not yet receiving Social Security or Railroad Retirement benefits because, for example, you've decided to delay retirement, you need to call or visit your local Social Security office to enroll in Medicare. You can also enroll in Medicare online. You can enroll in Medicare at age 65, even if you don't plan to retire at age 65. The recommendation is that you contact your local Social Security office or enroll online about 3 months before your 65th birthday.



MEDICARE Part B

Medicare Part B

You will be automatically enrolled in Medicare Parts A and B. But because you have to pay a premium for Medicare Part B, you have the option of turning it down. If you do not enroll in Medicare Part B during your initial enrollment period, you can enroll later during a “general enrollment period” from January 1 through March 31 of each year, with your coverage then beginning the following July.

Be aware that your monthly premium could increase 10% for each 12-month period you were eligible for, but did not enroll in, Medicare Part B.

Medicare Coverage Options

Medicare provides you with choices on how to receive your Medicare benefits. You can choose to receive your Medicare benefits either through Original Medicare or through a Medicare Advantage plan:

1. Original Medicare (Parts A and B): Original Medicare is operated by the federal government and consists of Part A (hospital insurance) and Part B (medical insurance). With Original Medicare, you choose your doctors, hospitals, and other health-care providers. Most people do not have to pay a premium for Part A because they or their spouse paid Medicare taxes while employed. Part B is optional because it does

require payment of a monthly premium.

Most people enrolled in Part B will pay a premium of \$135.50 per month in 2019. Higher-income Medicare beneficiaries will pay more.

You have the option to enroll in Part D – Medicare Prescription Drug Plan. It’s run by private insurance companies and helps cover the cost of your prescription drugs. Because there are gaps in the coverage provided by Parts A and B, you also have the option to purchase a Medicare Supplement or “Medigap” insurance policy, also sold by private insurance companies, to help fill those gaps.

2. Medicare Advantage Plans (Part C): Medicare Advantage plans are generally HMO or PPO plans, although private fee-for-service plans are also available and are run by private insurance companies that are approved by and under contract with Medicare.

You can choose to receive your Medicare benefits through a Medicare Advantage plan if you elect both Medicare Parts A and B. The Medicare Advantage plan will then provide other benefits covered by Parts A and B, with the exception of hospice care. The plan might provide additional benefits that aren’t otherwise covered by Original

Medicare, such as prescription drug coverage. Unlike Original Medicare, though, Medicare Advantage plans usually require that you either use plan doctors, hospitals, and other health-care providers or pay more for the services you receive.

With a Medicare Advantage plan, you do not need to, and cannot, purchase a supplemental Medigap insurance policy. Medicare Advantage plans, however, may have a monthly premium you must pay, in addition to the Medicare Part B premium. You might also be charged a copayment amount for covered services you use.

Initial Enrollment Periods

When you initially enroll in Medicare, you'll need to choose between Original Medicare and Medicare Advantage. Your initial enrollment period is the 7-month period that begins three months before you turn age 65, includes the month you turn age 65, and ends 3 months after the month you turn age 65.

If you decide to enroll in Original Medicare, you'll then need to decide if you want to purchase a Medicare Prescription Drug Plan and/or a Medigap policy.

Annual Enrollment Periods

While your initial choice of Medicare options is an important decision, it is not an irrevocable decision. Each year, you'll have these opportunities to change your Medicare coverage:

1. Open enrollment period: You can make the following changes during the annual open enrollment period (between October 15 and December 7), with the new coverage taking effect on January 1 of the next year:

- ▶ An individual covered by Original Medicare can switch to a Medicare Advantage Plan.
- ▶ An individual with Original Medicare can add or switch Medicare Prescription Drug Plans and/or Medigap insurance policies. There might be medical underwriting requirements.

- ▶ An individual with a Medicare Advantage Plan can switch between Medicare Advantage Plans or drop Medicare Advantage, switch to Original Medicare, and add Medicare Prescription Drug Plan and/or Medigap insurance coverage.

2. Medicare Advantage Disenrollment Period (January 1–February 14): An individual enrolled in a Medicare Advantage Plan can switch to Original Medicare and can also join a Medicare Prescription Drug Plan. Coverage begins on the 1st day of the month after the plan office receives your enrollment form. There is no right to buy a Medigap plan without satisfying medical underwriting requirements.

3. General Medicare Part B Enrollment Period (January 1-March 31): An individual who did not enroll in Medicare Part B when first eligible can sign up from January 1 through March 31 of each year, with the coverage taking effect on July 1 of that year. If you didn't sign-up for Part B when you were initially eligible, you may have to pay a late enrollment penalty for as long as you have Medicare. Your Part B premium may increase 10 percent for each 12-month period that you could have had Part B coverage but didn't sign up for it.



4. **Special enrollment period:** There are situations for which you may not need to enroll in Medicare Part B when you first become eligible. For example, you or your spouse might still be working and covered by a group health plan, meaning that you don't need Part B coverage. In this instance, you can enroll in Part B without a late enrollment penalty at the following times:
5. **Anytime while you have group health coverage based on current employment.**
6. **During the 8-month period that begins the month after the employment ends or the group health plan coverage ends, whichever happens first.** If you have COBRA coverage, you must enroll in Part B during the eight-month period beginning the month after the employment ends.
7. If you enroll in Part B during a special enrollment period, you then have a 6-month Medigap open enrollment period, which gives you a guaranteed right to purchase a Medicare Supplement Insurance policy.

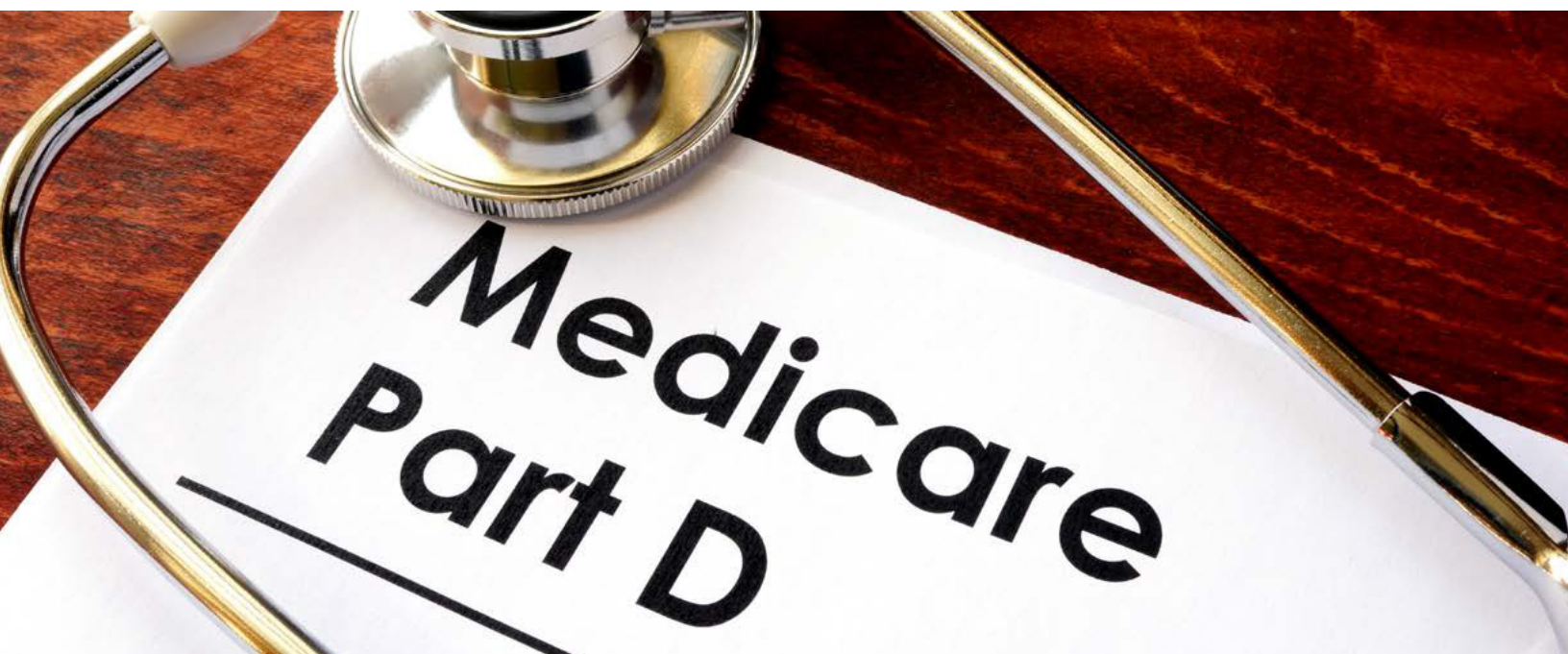
Caution: If you receive health-care coverage, including prescription drug coverage, from a current or former employer, union, or other source, you should contact the benefits administrator before dropping any of

your current coverage and/or enrolling in any of the Medicare coverage options. It is important that you understand how your insurance works with Medicare before making any changes.

If You Need Help Paying Your Premiums

If you cannot afford to pay your Medicare premiums and other health-care costs, there are federal and state programs available for people with limited income and resources. Here are some examples.

1. **Medicare savings programs:** States have programs that pay Medicare premiums and, in some cases, might also pay Medicare Part A and B deductibles and co-insurance amounts. To qualify for a Medicare savings program, you must have Medicare Part A and meet specific state requirements with regard to your income and financial resources. To find out if you qualify, call or visit your State Medical Assistance (Medicaid) office or call Medicare at 800-633-4227. Ask about getting help to pay your Medicare premiums.
2. **Extra help paying for Medicare Part D (prescription drug coverage):** You automatically qualify to receive extra help paying for Medicare Prescription Drug Coverage if you (1) have full Medicaid coverage, (2) belong to a Medicare



savings program, or (3) receive Supplemental Security Income (SSI) benefits. You may qualify for the Medicare low-income subsidy (LIS) to help pay prescription drug costs if your annual income and your financial resources are below specified limits. For more information, contact your State Health Insurance Assistance Program (SHIP) or Medicare at 800-633-4227.

- 3. Medicaid:** Medicaid is a joint federal and state program that helps pay medical costs if you have limited income and financial resources and meet other eligibility requirements. Some people qualify for both Medicare and Medicaid (and are therefore called “dual eligibles”). Medicaid requirements vary from state to state. Contact your State Medical Assistance (Medicaid) office for more information and to see if you qualify.
- 4. State Pharmacy Assistance Programs (SPARs):** Some states have SPARs that help certain people pay for prescription drugs based on criteria such as financial need, age, or medical condition. Each SPAR has its own rules and helps in different ways. To find out about a SPAR in your state, call your State Health Insurance Assistance Program (SHIP).



Online Resources

There are so many pieces and parts to Medicare that it can get confusing. We don't have room here to cover all the details. Please visit www.medicare.gov, the official U.S. government website for Medicare. It is a comprehensive, easy-to-use online resource that allows you to accomplish the following:

1. Check your Medicare eligibility.
2. Review what Medicare covers.
3. Compare Medicare health plans, prescription drug plans, and Medigap plans in your area, including how much they cost and the services they provide.
4. Locate helpful phone numbers and websites, such as for your State Health Insurance Assistance Program (SHIP).
5. Learn about your Medicare rights and how to file a Medicare appeal.
6. Download many helpful Medicare-related publications.

Medicare also provides a secure online service for accessing your personal Medicare information, located at www.MyMedicare.gov. After registering on the site, you'll be able to do the following:

1. Complete a questionnaire that will enable Medicare to process your bills correctly.
2. Track your health-care claims.
3. Request a replacement Medicare card.
4. Check your Medicare Part B deductible status.
5. Track the preventive services you can receive.
6. Find information about your current Medicare health and/or prescription drug plan or search for a new one.