

# Ten Things You Must Know ABOUT MEDICARE

Heading into your retirement years brings a slew of new topics to grapple with, and one of the most maddening may be Medicare. Figuring out when to enroll, what to enroll in and what coverage will be best for you can be daunting. To help you wade easily into the waters, here are ten essential things you need to know about Medicare.

## Medicare Comes with a Cost

Medicare is divided into parts. Part A, which pays for hospital services, is free if you or your spouse paid Medicare payroll taxes for at least ten years. (People who aren't eligible for free Part A can pay a monthly premium of several hundred dollars (up to \$505). Part B covers doctor visits, outpatient services, home health care, durable medical equipment (like wheelchairs, walkers, and other equipment), and other preventive services (see below). It comes with a monthly price tag; new enrollees pay about \$174.70 per month. [i] Part D, which covers prescription drug costs, also has a monthly charge that varies depending on your plan. The Part D base beneficiary premium is \$34.70 a month or \$55.50 per month if supplemental benefits (like drug costs) are added. [ii] In addition to premium costs, you'll also be subject to co-payments, deductibles and other out-of-pocket expenses.

## You Can Fill the Gap

Beneficiaries of traditional Medicare will likely want to sign up for a Medigap supplemental insurance plan offered by private insurance companies to help cover deductibles, co-payments, and other gaps. You can switch Medigap plans at any time, but you could be charged more or denied coverage based on your health if you choose or change plans more than six months after you first signed up for Part B. Medigap policies are identified by letters A through N. Each policy that goes by the same letter must offer the same basic benefits; the only difference between same-letter policies is the cost. Plans F, G, and N are the most popular plans. iii

## There Is an All-in-One Option

You can sign up for traditional Medicare -- Parts A, B, and D, and a supplemental Medigap policy. Or you can go an alternative route by signing up for Medicare Advantage, which provides medical and prescription drug coverage through private insurance companies. Also called Part C, Medicare Advantage has a monthly cost, in addition to the Part B premium, that varies depending on your chosen plan. With Medicare Advantage, you don't need to sign up for Part D or buy a Medigap policy. Like traditional Medicare, you'll also be subject to co-payments, deductibles, and other out-of-pocket costs (the maximum you will spend is \$8,850 in 2024), although the total costs tend to be lower than for traditional Medicare. In many cases, Advantage policies charge lower premiums but have higher cost-sharing. Your choice of providers may be more limited with Medicare Advantage than with conventional Medicare.

## High Incomers Pay More

Choose traditional Medicare, and if your income is above a certain threshold, you'll pay more for Parts B and D. Premiums for both parts can come with a surcharge when your adjusted gross income (plus tax-exempt interest) is more than \$103,000 if you are single or \$206,000 if married filing jointly. High earners pay about \$244.60 to \$594.00 per month for Part B, depending on their income level. They also pay extra for Part D coverage, from about \$12.90 to \$81.00, on top of their regular premiums. i

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## When to Sign Up

You are eligible for Medicare when you turn 65. If you are already taking Social Security benefits, you will be automatically enrolled in Parts A and B. You can turn down Part B since it has a monthly cost; if you keep it, the cost will be deducted from Social Security if you already claimed benefits.

For those who have not started Social Security, you will have to sign up for Parts A and B. The seven-month initial enrollment period begins three months before the month you turn 65 and ends three months after your birthday month. Sign up in the first three months to ensure coverage starts when you turn 65.

If you are still working and have health insurance through your employer (or if your working spouse's employer coverage covers you) you may be able to delay signing up for Medicare. But you will need to follow the rules, and must sign up for Medicare within eight months of losing your employer's coverage, to avoid significant penalties when you do eventually enroll. v

## A Quartet of Enrollment Periods

There are several enrollment periods, in addition to the seven-month initial enrollment period. Suppose you missed signing up for Part B during that initial enrollment period and you aren't working (or aren't covered by your spouse's employer coverage). In that case, you can sign up for Part B during the general enrollment period. That runs from January 1 to March 31 and your coverage starts the month after you sign up. Remember that you will have to pay a 10 percent penalty for as long as you have Medicare for each 12-month period you delay in signing up for Part B. Those covered by a current employer's plan can sign up later without penalty during a special enrollment period, which lasts for eight months after you lose employer coverage (regardless of whether you have retiree health benefits or COBRA). If you miss your special enrollment period, you will need to wait for the general enrollment period to sign up. Open enrollment, which runs from October 15 to December 7 every year, allows you to change Part D plans or Medicare Advantage plans for the following year,

if you choose to do so. People can now change Medicare Advantage plans outside of open enrollment if they switch into a plan given a 5-star quality rating by the government, as long as a 5-Star plan is available in your area. In 2024, there are no 5-Star rated stand-alone Medicare Part D plans available to the general public, only 5-Star rated employer/union plans. vi

## Costs in the Doughnut Hole Shrinking

One cost for Medicare is decreasing -- the dreaded Part D "doughnut hole." That is the period during which you must pay out of pocket for prescription drugs. For 2024, the coverage gap begins when a beneficiary's total drug costs reach \$5,030. vii While in the doughnut hole, Medicare will pay 75% of the cost of generic drugs in 2024. You pay the remaining 25%. The same discount goes toward brand-name prescription drugs once you reach the coverage gap, including if you buy your prescriptions at a pharmacy or order them through the mail. Catastrophic coverage, with the government picking up most costs, begins when a patient's out-of-pocket costs reach \$8,000. viii

## You Get More Free Preventive Services

Medicare beneficiaries can receive a number of free preventive services. You get an annual free "wellness" visit to develop or update a personalized prevention plan. Beneficiaries also get a free cardiovascular screening every five years, annual mammograms, annual flu shots, and screenings for cervical, prostate and colorectal cancers. ix

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## Important Disclosures

All information is believed to be from reliable sources; however LPL Financial makes no representation as to its completeness or accuracy.

Medicare's rules can be confusing for many people. The Medicare website ([medicare.gov](https://www.medicare.gov)) can be a valuable resource. Every year, Medicare also mails Medicare & You to beneficiaries and makes this fact-filled publication available online. You may want to review it to make sure you have an accurate understanding of the Medicare program.

This article was prepared by The Kiplinger Washington Editors.

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## Footnotes

- i Fact sheet 2024 Medicare costs ([Medicare.gov](https://www.medicare.gov))
- ii How Much Does Medicare Part D Cost? ([NerdWallet](https://www.nerdwallet.com))
- iii Best Medicare Supplement (Medigap) Providers Of 2024 ([Forbes](https://www.forbes.com))
- iv Fact sheet 2024 Medicare costs ([Medicare.gov](https://www.medicare.gov))
- v How to Apply for Medicare Part B (Medical Insurance) During Your Special Enrollment Period ([Social Security Administration](https://www.ssa.gov))
- vi Special Enrollment Periods for Medicare Advantage Plans and Medicare Part D Drug Plans ([Medicare Rights Center](https://www.medicare.gov))
- vii What is the Medicare 'Donut Hole,' or Part D Coverage Gap? ([NerdWallet](https://www.nerdwallet.com))
- viii Medicare Part D donut hole ([MedicareInteractive.org](https://www.medicareinteractive.org))
- ix Your Medicare Benefits ([Medicare.gov](https://www.medicare.gov))

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