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Understanding the complexities of Medicare

While they're working, many Americans become accustomed to getting health insurance through their employer. They make their initial selections and then update their choices once a year when its time to renew and during life events like adding to the family or, perhaps, starting a new job.

But virtually all U.S. residents face a milestone when they reach age 65 and qualify for Medicare, which provides a new and, possibly, more complex approach to health insurance.

Keep in mind that even if you take early Social Security benefits at age 62, you must wait until age 65 for Medicare.

Breaking down Medicare's parts

Part A: Hospital insurance

Helps pay for:

- Inpatient hospital care
- Hospice care
- Skilled home-health services for homebound patients

Part A also helps with short-term inpatient care in Medicare-certified skilled nursing facilities, but only if the patient is there for rehabilitation — not for long-term or custodial care.

Qualifying

Once you reach age 65, you qualify for Part A. It's unlikely you will be charged a monthly premium if you have worked and paid the Medicare payroll tax for a minimum of 10 years.

Part B: Medical insurance

Helps pay for:

- Doctors' services
- Outpatient hospital care
- Medical equipment and supplies

- Some preventive services

Qualifying

All U.S. citizens and all legal aliens who have lived in the United States for at least five years qualify for Part B at age 65. No work history is required, but everyone who wants Part B must pay a monthly premium.

Monthly premiums are based off the worker's modified adjusted gross income (MAGI) from filed taxes with higher income individuals paying more. Your first opportunity to sign up for Part B is the initial enrollment period, which begins three months before and ends three months after your 65th birthday month.

Part C: Medicare Advantage

Part C offers an option to buy health insurance from the private sector as an alternative to joining the "traditional Medicare" program that comes from the government.

If you choose a Part C plan, you will generally get all of your Medicare-covered services, including all services, supplies, and drugs that are otherwise covered by Parts A, B, and D, from your Part C plan instead. However, Part C plans typically restrict your choices of health care providers.

Medicare enrollees who choose Part C must continue to pay their Part B premiums, and Medicare will pay the plan a monthly fee. You might have to pay an additional monthly premium depending on the plan.

Part D: Prescription drug coverage

The optional Part D covers prescription drugs. If you have Part A, Part B, or both, you will qualify for Part D.

Like Part C, Part D comes from a private company, not directly from the government. When you turn age 65, you will have the right to enroll in one of several Medicare-approved Part D prescription drug plans.

Medicare pays most of the cost of Part D. However, if you choose Part D, you will pay a monthly premium to the company you select.

Supplementing your coverage

Medicare alone is not likely to be enough. To help minimize out-of-pocket expenses, many retirees have some other arrangement to supplement Medicare's coverage. Some options include:

- Former employer health insurance — Your former employer may let you carry its group health plan into retirement. If you are retired and eligible for Medicare, your employer's group health plan is your Medicare supplement.
- Medigap insurance — Medigap is supplemental health insurance you buy from a private insurance company to fill in some of the gaps in Part A and Part B. Medigap policies pay some or

all of Medicare's deductibles and copayments, and some cover a few services that Medicare doesn't.

- Medicare Advantage Part C — Part C is not a true Medicare supplement because it replaces Medicare's coverage. But if you have Part C, you will not need a Medicare supplement.

As always, if you have any questions on this topic or any others, feel free to contact any of us at any time.

We are happy to help.

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This article contains basic information about Medicare, services related to Medicare, and services for people with Medicare. If you would like to find more information about the government Medicare program, please visit the official U.S. government site at medicare.gov.

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