

Medicare Basics: 11 Things You Need to Know

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Heading into retirement brings a slew of new topics to grapple with, and one of the most maddening may be Medicare. Figuring out when to enroll in Medicare and which parts to enroll in can be daunting even for the savviest retirees.

There's **Part A, Part B, Part D, medigap plans, Medicare Advantage plans** and so on. And what the heck is a doughnut hole, anyway?

To help you wade into the waters of this complicated federal health insurance program for retirement-age Americans, here are 11 essential things you must know about Medicare.

Medicare Comes With a Cost

Medicare is divided into parts. **Part A**, which pays for hospital services, is free if either you or your spouse paid Medicare payroll taxes for at least 10 years. (People who aren't eligible for free Part A can pay a monthly premium of several hundred dollars.) **Part B** covers doctor visits and outpatient services, and it comes with a monthly price tag—the standard premium in 2020 was \$144.60 per month and rose to \$148.50 in 2021. **Part D**, which covers prescription-drug costs, also has a monthly charge that varies depending on which plan you choose; the average Part D basic premium in 2021 is about \$30 a month, roughly the same as last year. In addition to premium costs, you'll also be subject to co-payments, deductibles and other out-of-pocket costs.

Fill Medicare's Coverage Gaps With a Medigap Plan

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, and usually the only difference between same-letter policies is the cost. Plan F is the most popular policy because of its comprehensive coverage, but as of 2020, Plan F (along with Plan C) is unavailable for new enrollees. The closest substitute for Plan F is Plan G, which pays for everything that Plan F did except the Medicare Part B deductible. Anyone enrolled in Medicare before 2020 can still sign up for plans F and C.

Consider Medicare Advantage for All-in-One Plans

You can choose to 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 which plan you choose**. 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. In many cases, Advantage policies charge lower premiums than medigap plans but have higher cost-sharing. Your choice of providers may be more limited with Medicare Advantage than with traditional Medicare, and recent research has found that sicker enrollees often dump Medicare Advantage in favor of original Medicare.

High Incomers Pay More for Medicare

If you choose traditional Medicare and your income is above a certain threshold, you'll pay more for Parts B and D. The income thresholds for 2021 haven't been announced yet, but using 2020 numbers, premiums for both parts come with a surcharge when your adjusted gross income (plus tax-exempt interest) is more than \$88,000 if you are single or \$176,000 if married filing jointly. **Surcharges are based on adjusted gross income from two years earlier.** In 2021, high earners pay \$207.90 to \$504.90 per month for Part B, depending on their income level in 2019, and they also pay extra for Part D coverage, from \$12.30 to \$77.10, on top of their regular premiums.

When to Sign Up for Medicare

If you are already taking Social Security benefits, you will be automatically enrolled in Parts A and B. You can choose to 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 yourself 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. To ensure coverage starts by the time you turn 65, sign up in the first three months.

If you are still working and have health insurance through your employer (or if you're covered by your working spouse's employer coverage), 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.

A Quartet of Medicare Enrollment Periods

There are several enrollment periods, in addition to the seven-month initial enrollment period. If 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), you can sign up for Part B during the general enrollment period that runs from Jan. 1 to March 31. Coverage will begin on July 1. But you will have to pay a 10% penalty for life for each 12-month period you delay in signing up for Part B. Those who are covered by a current employer's plan, though, can sign up later without penalty during a special enrollment period, which lasts for eight months after you lose that employer coverage. If you miss your special enrollment period, you will need to wait until the general enrollment period to sign up.

Open enrollment runs from Oct. 15 to Dec. 7 every year during which you can change Part D plans or Medicare Advantage plans for the following year, or switch between Medicare Advantage and original Medicare. Advantage enrollees also can switch to a new Advantage plan or original Medicare between Jan. 1 and March 31. And if a Medicare Advantage plan or Part D plan available in your area has a five-star quality rating, you can switch to that plan outside of the open enrollment period.

A Filled Doughnut Hole for Medicare Part D

In 2020 the dreaded Part D "doughnut hole" was filled. That hole is a coverage gap in which you used to face much higher out-of-pocket costs for your drugs, but that is no longer the case. **For 2021, the coverage gap begins when the total amount your plan has paid for your drugs reaches \$4,130 (up from \$4,020 in 2020).** At that point, you're in the doughnut hole, where you'll now receive a 75% discount on both brand-name and generic drugs. Prescription drug manufacturers pick up 70% of that tab and insurers 5%. You pay the remaining 25%. Catastrophic coverage, with the government picking up most costs, begins when a patient's out-of-pocket costs reach \$6,550, the maximum spending limit for beneficiaries in 2021, which is \$200 higher than 2020's cap. Any deductible paid before you

entered the doughnut hole counts toward that annual maximum as does the 25% you contributed while in the doughnut hole and the 70% that pharmaceutical companies paid on your behalf.

Medicare Offers 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.

Medicare Expands Telehealth Offerings

Although most Medicare Advantage plans have been covering telehealth for years, traditional Medicare used to restrict the service only to certain devices and practitioners, and patients had to be at a Medicare facility. When **the coronavirus pandemic** hit, telehealth was expanded so that patients could use smartphones in their own homes to consult with a broader range of medical professionals, a feature that is expected to become permanent. But Medicare offers no discounts for telehealth, and in most cases beneficiaries pay the same cost for virtual visits as those in an office—20% of the bill with the Medicare Part B deductible applying.

What Medicare Does Not Cover

While Medicare covers your health care, it generally does not cover long-term care—an important distinction. Under certain conditions, particularly after a hospitalization to treat an acute-care episode, Medicare will pay for medically necessary skilled-nursing facility or home health care. **But Medicare generally does not cover costs for "custodial care"—that is, care that helps you with**

activities of daily living, such as dressing and bathing. To cover those costs, you will have to rely on your savings, long-term-care insurance or Medicaid—if you meet the income and asset requirements. Traditional Medicare also doesn't cover routine dental or eye care and some items such as dentures or hearing aids.

You Have the Right to Appeal a Medicare Decision

If you disagree with a coverage or payment decision made by Medicare or a Medicare health plan, **you can file an appeal.** **The appeals process has five levels, and you can generally go up a level if your appeal is denied at a previous level.** Gather any information that may help your case from your doctor, health care provider or supplier. If you think your health would be seriously harmed by waiting for a decision, you can ask for a fast decision to be made and if your doctor or Medicare plan agrees, the plan must make a decision within 72 hours.

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