

7 THINGS YOU NEED TO KNOW ABOUT MEDICARE



As you head into retirement, we want to provide you with as much information as possible to help you understand your important federal retirement benefits.

This whitepaper contains information gathered primarily from Medicare.gov, and is only intended to be a general overview of the Medicare program as it exists in January 2023. To get specific information and advice pertaining to your unique situation, it's important to meet with your personal financial advisor. Keep in mind that the Medicare program is subject to change, and certain aspects of it vary by state.

1 IT'S NOT FREE

Medicare will not cover all of your health care costs when you retire.

Although studies have shown Medicare to be cheaper than individual health plans offered by private insurers, it's far from free.

For most people, health care will be their largest retirement expense—even with Medicare. In fact, some estimates rank health care at the top of the list of retirement expenses, exceeding housing and recreation costs combined.

An average retired couple aged 65 in 2022 may need approximately \$315,000 saved (after tax) to cover health care expenses, according to Fidelity Investments.¹ Of course, your costs will depend on longevity, health factors, and retirement age, as well as whether tax-deferred or after-tax dollars are being spent on health care services.

A broader estimate from HealthView Services found that total projected lifetime health care premiums (including Medicare Parts B and D, supplemental insurance and dental insurance) for a healthy 65-year-old couple retiring in 2021 were projected to be \$662,156.²

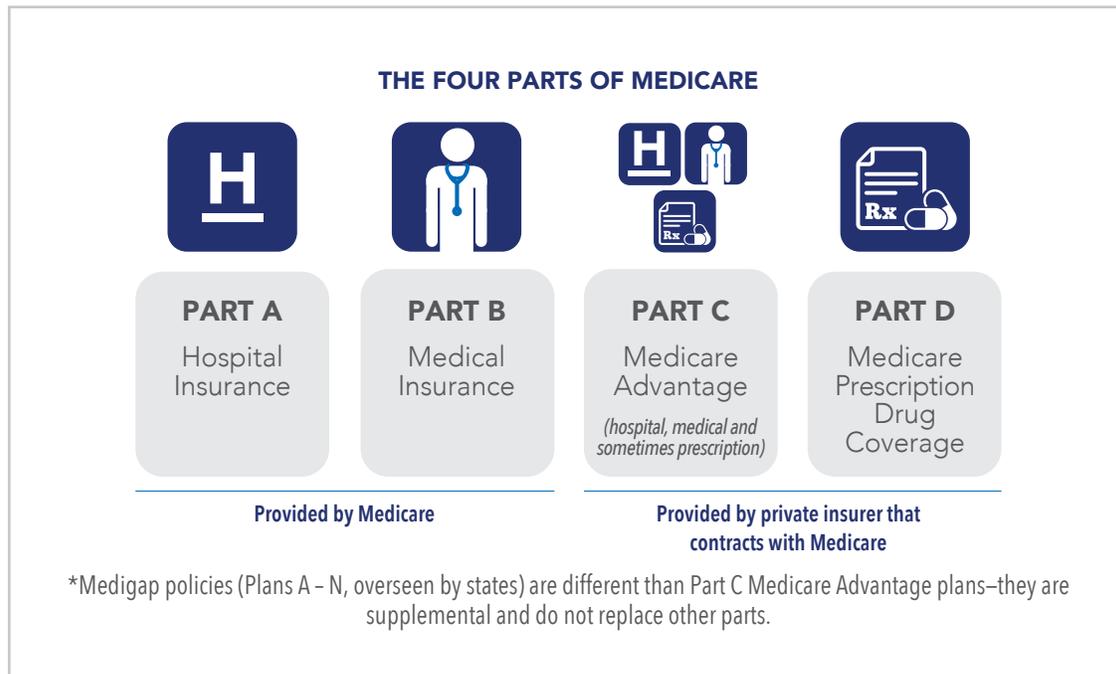
2 THERE IS NO OUT-OF-POCKET ANNUAL OR LIFETIME LIMIT

It's important to know that there is no yearly or lifetime out-of-pocket maximum when it comes to Medicare. And for Part B, you usually pay at least 20% coinsurance for approved costs, no matter how high they are.

3 THE ALPHABET SOUP OF MEDICARE "PARTS"

Six months before you turn 65, you'll receive a catalog from the government: "Medicare & You." It's also available via downloadable PDF³ if you need some help falling asleep at night. Visit <https://www.medicare.gov/medicare-and-you>





While the program can seem overwhelming, here are the basics on Medicare Parts, along with their **2023 costs**. Keep in mind that a higher income bracket means **more costly Part B and Part D** premiums.

PART A

(Original Medicare - Hospital Insurance)⁴

Premiums for Medicare Part A, which pays for hospital care, are free for most people who've worked (and their spouses). It typically covers in-patient care at a hospital, as well as short skilled nursing facility and/or hospice stays. Part A also usually covers services like lab tests, surgery, doctor visits, and home health care related to a hospital stay. (Not all stays are covered; it is important to check beforehand.) For people who are frequently admitted to the hospital, the out-of-pocket costs can quickly skyrocket.

Part A has a **\$1,600 deductible for each "benefit period,"** or health-care incident requiring hospitalization in 2023. It's important to remember that Part A is designed for inpatient care up to 60 days, and in addition to your deductible, longer stays carry high coinsurance charges with no annual or lifetime maximums.

Here are the coinsurance charges you will pay for longer hospital stays in 2023:

- Days 1-60: \$0 coinsurance for each benefit period
- Days 61-90: **\$400 coinsurance per day** of each benefit period
- Days 91 and beyond: **\$800 coinsurance per each "lifetime reserve day"** (you have a total of 60 "lifetime reserve days" that can be used toward the same or different hospital stays)
- Beyond lifetime reserve days: **You pay all costs**

PART B

(Original Medicare - Medical Insurance)⁴

Medicare Part B is medical insurance, covering services and supplies that are medically necessary to treat a health condition. This can include outpatient care, lab work, preventive services, ambulance services, and durable medical equipment. For 2023, retirees pay the standard premium of \$164.90 each month. People in higher income brackets pay more.

The yearly deductible for Part B is \$226 in 2023. After your deductible is met, you typically pay 20% coinsurance for Medicare-approved amounts for most services from approved providers, with no yearly maximum on what you may have to shell out.

PART C

(Medicare Advantage)⁵

Medicare Part C, or Medicare Advantage, is not a separate benefit, it's the name used for private health insurers providing Medicare benefits. The companies providing these policies are paid by Medicare for approved expenses.

Medicare Advantage plans replace Parts A and Parts B, and usually replace optional Part D (drug) coverages. Federal law mandates that Part C cover all of the services provided by original Medicare Parts A and B except hospice care, which is always provided by Medicare. Part C providers are also required to cover emergencies and urgent care within the U.S. (but not outside the country).

Some Medicare Advantage plans include a reduction in the Part B premium. And many offer extra benefits, such as dental care, eyeglasses, or wellness programs, and Medicare prescription drug coverage (Part D).

Plan benefits and premium costs can change from year to year. There are many types of plans to choose from, and coverages, plan requirements, provider networks, and costs vary by carrier.

Here are the types⁵ of Part C plans you may find:

HMO (Health Maintenance Organization) plans—In an HMO, you can only go to doctors, health care providers, or facilities in the plan's network, except in an urgent or emergency situation. You may also need to get a referral from your primary care doctor for tests or to see other doctors or specialists.

PPO (Preferred Provider Organization) plans—In a PPO, you pay less if you use doctors, hospitals, and other health care providers that belong to the plan's network and more if you use doctors, hospitals, and providers outside of the network.

PFFS (Private Fee-for-Service) plans—PFFS plans allow you to go to any doctor, health care provider, or hospital as long as they accept the plan's payment terms. The plan determines how much it will pay doctors, other health care providers, and hospitals, as well as how much you must pay when you get care.

SNPs (Special Needs Plans)—SNPs provide focused and specialized health care for specific groups of people, like those who have both Medicare and Medicaid, live in a nursing home or have certain chronic medical conditions.

MSA (Medical Savings Account) plans—These plans combine a high-deductible health plan with a bank account. Medicare deposits money into the account (usually less than the deductible). You can use the money to pay for your health care services during the year. MSA plans don't offer Medicare drug coverage. If you want drug coverage, you have to join a Medicare Prescription Drug Plan.

For more information on available plans, consult with your financial advisor.

MEDIGAP

(Medicare Supplement Insurance)^{6,7}

Medigap plans are NOT Part C plans. They are not compatible, and if you have a Part C plan, it is illegal for anyone to sell you a Medigap policy. Medigap policies do not replace Original Medicare Plans A or B, in fact, you are required to have Parts A and B in order to purchase a Medigap policy. Medigap policies are supplemental and only cover one spouse—each person has to buy their own policy.

In general, a Medigap policy is private insurance that helps supplement or pay some of the costs not covered by original Medicare Parts A and B, including copayments, coinsurance, and deductibles. Some Medigap policies also offer coverage for services that Original Medicare (Parts A and B) doesn't cover, like medical care outside the U.S. If you have Original Medicare and you buy a Medigap policy, Medicare will pay its share of the Medicare-approved amount for covered health care costs, then your Medigap policy pays its share. Medigap policies generally don't cover long-term care, vision or dental care, hearing aids, eyeglasses, or private-duty nursing.

Insurance companies must sell standardized policies identified by most states by letters A through N (the letters A-C adding to immense consumer confusion.) They must all provide the same basic benefits, but some policies offer additional benefits and costs vary widely. Medigap policies are guaranteed renewable as long as you pay the premium. However, premiums can go up. You may drop a Medigap policy, but you may not be able to get it back.

Side-by-side comparison chart⁷ of Medigap plans A through N:

✓ = the plan covers 100% of this benefit X = The policy doesn't cover that benefit % = The plan covers that percentage of this benefit N/A = Not applicable

Medigap Benefits	Plan A	Plan B	Plan C	Plan D	Plan F*	Plan G*	Plan K	Plan L	Plan M	Plan N
Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Part B coinsurance or copayment	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓***
Blood (first 3 pints)	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Part A hospice care co-insurance or copayment	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Skilled nursing facility care coinsurance	X	X	✓	✓	✓	✓	50%	75%	✓	✓
Part A deductible	X	✓	✓	✓	✓	✓	50%	75%	50%	✓
Part B deductible	X	X	✓	X	✓	X	X	X	X	X
Part B excess charge	X	X	X	X	✓	✓	X	X	X	X
Foreign travel exchange (up to plan limits)	X	X	80%	80%	80%	80%	X	X	80%	80%
Out-of-pocket limit**	N/A	N/A	N/A	N/A	N/A	N/A	\$6,940 in 2023	\$3,470 in 2023	N/A	N/A

* Plans F and G also offer a high-deductible plan in some states. With this option, you must pay for Medicare-covered costs (coinsurance, copayments, and deductibles) up to the deductible amount of \$2,700 in 2023 before your policy pays anything. (Plans C and F aren't available to people who were newly eligible for Medicare on or after January 1, 2020.)

** For Plans K and L, after you meet your out-of-pocket yearly limit and your yearly Part B deductible, the Medigap plan pays 100% of covered services for the rest of the calendar year.

*** Plan N pays 100% of the Part B coinsurance, except for a copayment of up to \$20 for some office visits and up to a \$50 copayment for emergency room visits that don't result in inpatient admission.

Part D

(Prescription Drug Coverage)⁸

Individuals are eligible for Part D prescription drug coverage (administered by private insurance companies) if they're signed up for Medicare Part A and B (or Part C replacement). Prescription drug coverage varies by plan and types of drugs covered. Additionally, if you don't sign up for Part D (or Part C including drug coverage) when you're first eligible, you may have to pay a Part D late enrollment penalty⁹ for as long as you have a Part D plan. The penalty amount depends on how long you went without it.

Additionally, higher income individuals pay an extra premium amount based on their adjusted gross income as reported on their tax returns from two years prior—from \$12.20 to \$76.40 per month extra in 2023 (based on 2021 tax returns.) This extra amount is collected by Medicare, not your insurance carrier, and most people have this extra amount taken out of their Social Security check. For a further explanation of the additional premiums, see the section on Higher-Income Beneficiaries.

Part D plans are allowed to charge deductibles of up to \$505 in 2023, but deductibles vary, and some Part D plans don't have a deductible. Once you have spent \$4,660 on covered drugs in 2023, you're in the coverage gap. Catastrophic coverage kicks in when you've spent \$7,400 out-of-pocket in 2023.^{10,11,12} The percentage you save in the coverage gap will increase each year. In addition, you'll continue to get the 75% discount on covered brand-name prescription drugs.¹³

4 WHAT MEDICARE DOESN'T COVER IS A LOT

Neither Parts A nor B cover any of the following, although Part C Medicare Advantage or Medigap supplemental plans may offer some coverages depending on their policy terms.

- Care outside of the U.S.
- Eye exams (except for diabetics), vision care, or eyeglasses
- Hearing exams or hearing aids
- Most dental care services or dentures
- Acupuncture or alternative treatments
- Routine foot care (except for diabetics)
- Amounts not covered by deductibles and coinsurance (20%)
- Limited physical therapy, occupational therapy, speech pathology services
- Medicare and most health insurance, including Medicare Supplement Insurance (Medigap), don't pay for long-term care. This type of care (also called "custodial care" or "long-term services and supports"). Medicare Part A may cover care in a certified skilled nursing facility (SNF). It must be medically necessary for you to have skilled nursing care (like changing sterile dressings).

More than one-half of older adults, regardless of their lifetime earnings, are projected to experience serious long-term services and supports (LTSS) needs and use some paid LTSS after turning 65. More than one-third (39%) will receive nursing home care.¹⁴ Medicare doesn't cover custodial care, if it's the only care you need. Most nursing home care is custodial care, which helps you with activities of daily living (like bathing, dressing, using the bathroom, and eating)¹⁵. The cost of nursing care varies by state, but it is always expensive at an average \$7,908 per month for a semi-private room as of 2021¹⁶.

5

MEDICARE IS MANDATORY... KIND OF

There are only certain times when people can enroll in Medicare. The first time you can enroll is called your “Initial Enrollment Period.” Your 7-month Initial Enrollment Period usually begins three months before you turn 65, includes the month you turn 65, and ends three months after you turn 65. If you are already receiving Social Security benefits, you don’t need to do anything to enroll in Medicare. You will be automatically enrolled in Medicare Parts A and B effective the month you turn 65.

Medicare isn’t exactly mandatory, but it can be complicated to decline. It is very important to check with an expert when making decisions about your Medicare options to better understand how your Medicare plan choices may impact your finances.

It is possible to forgo Medicare altogether, however, Part A at least is free for most people, and you won’t pay anything if you choose not to use it. Refusing both Medicare Part A and Part B is possible, but you must cease all your monthly benefits to do so. That means you cannot get Social Security benefits anymore and must refund anything you have already acquired when you renounce the program.

The bottom line? Do not wait to research Medicare and do not wait to decide to enroll.

If you are at least 64 years and 9 months old, you can get an estimate of how much you may pay for Part A and Part B by using the Medicare Eligibility and Premium Calculator. Visit [Medicare.gov/eligibilitypremiumcalc](https://www.medicare.gov/eligibilitypremiumcalc) or call 1-800-MEDICARE (1-800-633-4227 or TTY 1-877-486-2048)

If Not Automatically Enrolled Your 7-Month Initial Enrollment Period							
No Delay				Delayed Start			
If you enroll in Part B	3	2	1	The month you turn 65	1	2	3
	months before the month you turn 65	months before the month you turn 65	month before the month you turn 65		month after you turn 65	months after you turn 65	months after you turn 65
Sign up early to avoid a delay in getting coverage for Part B service. To get Part B coverage the month you turn 65, you must sign up during the first three months before the month you turn 65.				If you wait until the last four months of your Initial Enrollment Period to sign up for Part B, your start date for coverage will be delayed.			

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YOU HAVE 3 MONTHS AFTER YOU TURN 65 TO SIGN UP...OR YOU COULD PAY MORE

If you do not enroll in Part A and Part B during your Initial Enrollment Period, you will have to wait to sign up and you may have to pay a lifetime late enrollment penalty—and that penalty increases the longer you wait. Similarly, not enrolling in a Part C or Part D plan at 65 may cause your premiums to be higher permanently.

Late enrollment penalties:

- Are added to your monthly premium.
- Are not a one-time late fee.
- Are usually charged for as long as you have that type of coverage (for most people, that's a lifetime penalty).
- Go up the longer you wait to sign up – they're based on how long you go without coverage similar to Medicare.



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YOU USUALLY PAY FOR MEDICARE BY HAVING IT DEDUCTED FROM YOUR SOCIAL SECURITY CHECK

Premiums for most Medicare plans may be deducted directly out of your Social Security benefit check, so keep that in mind when planning your monthly retirement income. If you are not already receiving Social Security benefits when you turn 65, you must sign up for Medicare through the Social Security Administration during a Medicare enrollment period.

If you are already receiving Social Security when you turn 65, Medicare Parts A and B are automatically deducted from your check, and coverage starts the first of the month that you turn 65 years old. Medicare Part B premiums must be deducted from Social Security benefits if the monthly benefit amount covers the deduction. If the monthly benefit does not cover the full deduction, you will be billed quarterly. You must proactively decline Part B if you have or choose different coverage.

You may elect deduction of Medicare Part C (Medicare Advantage) and/or Part D from your Social Security benefit, but it is your responsibility to ensure that the right premium deductions take place. Enrollments in Medicare Parts C and D (private plans) are not automatic and you must choose your private insurer and proactively enroll. You have other options (besides Social Security check deduction) to pay the premiums for these private plans, which differ by provider. Most offer check, automatic debit, or credit card payments.

RULES FOR HIGHER-INCOME BENEFICIARIES¹⁷

If you have higher income, you'll pay an additional premium amount for Medicare Part B and Medicare Part D prescription drug coverage. The additional amount is known as the income-related monthly adjustment amount. The Social Security Administration determines if you'll pay higher premiums and uses your recent federal tax return provided by the Internal Revenue Service (IRS) to make the adjustments based on your modified adjusted gross income (MAGI).

For Medicare Part B, if the Social Security Administration determines that you're a higher-income beneficiary, then you will pay a larger percentage of the total cost of Part B. Also, if your income is above a certain limit, you'll pay an income-related monthly adjustment amount in addition to your plan premium for Part D drug plans.

Income-Related Monthly Adjusted Amounts for 2023:

The standard Part B premium for 2023 is \$164.90. If you're single and filed an individual tax return, or married and filed a joint tax return, the following chart applies to you. (If you're married and file separately, please visit [Medicare.gov](https://www.medicare.gov) for more info.)

2023 Modified Adjusted Gross Income (MAGI)	2023 Part B Monthly Premium Amount	Prescription Drug Coverage Monthly Premium Amount
Individuals with a MAGI of less than or equal to \$97,000 Married couples with a MAGI of \$194,000 or less	2023 standard premium = \$164.90	Your plan premium
Individuals with a MAGI above \$97,000 up to \$123,000 Married couples with a MAGI above \$194,000 up to \$228,000	Standard premium + \$65.90	Your plan premium + \$12.20
Individuals with a MAGI above \$123,000 up to \$153,000 Married couples with a MAGI above \$246,000 up to \$306,000	Standard premium + \$164.90	Your plan premium + \$31.50
Individuals with a MAGI above \$153,000 up to \$183,000 Married couples with a MAGI above \$306,000 up to \$366,000	Standard premium + \$263.70	Your plan premium + \$50.70
Individuals with a MAGI above \$183,000 and less than \$500,000 Married couples with a MAGI above \$366,000 and less than \$750,000	Standard premium + \$362.60	Your plan premium + \$70.00
Individuals with a MAGI equal to or above \$500,000 Married couples with a MAGI equal to or above \$750,000	Standard premium + \$395.60	Your plan premium + \$76.40

[Medicare.gov](https://www.medicare.gov), <https://www.ssa.gov/benefits/medicare/medicare-premiums.html>

If you have any questions about how Medicare fits in to your retirement plan, don't hesitate to contact us to discuss your individual situation.

Call us today
to schedule a free consultation
1 (800) 838-3079



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