



Medicare Basics

What is Medicare

Medicare is a federal government program that provides health insurance to people age 65 and over. To be eligible, you must be a U.S. Citizens or permanent legal resident with at least five years of continuous residence. Younger people who have received Social Security Disability Insurance (SSDI) benefits for 24 months also qualify. Additionally, people with End Stage Renal Disease (ESRD) or Amyotrophic Lateral Sclerosis (ALS) are eligible for Medicare benefits as soon as they are eligible for SSDI without having to wait 24 months. 55 million people currently have Medicare coverage.

If you are eligible for Medicare, your coverage includes:

Part A: Hospital Insurance

Part A covers inpatient hospital care, skilled nursing facilities and some home health care. Most people do not have to pay a monthly premium for Part A coverage. Part A does have a deductible and additional co-payments. The deductible for 2021 is **\$1,484**. The Part A inpatient hospital deductible covers beneficiaries' share of costs for the first 60 days of Medicare-covered inpatient hospital care in a benefit period.

Part B: Medical Insurance

Part B, the Supplementary Medical Insurance (SMI) program, covers doctor visits (but not routine exams), medically necessary supplies and equipment, physical and occupational therapy, outpatient mental health services and other outpatient hospital services. Part B coverage also includes certain preventive benefits like mammograms and cardiovascular screenings. While Part B is an optional program, most people enroll when first eligible as there are higher premium costs for those enrolling later.

Part B has a monthly premium that is deducted from Social Security, Civil Service, Railroad Retirement benefits or is paid directly each quarter for those eligible for Medicare who are not receiving Social Security benefits. Your premium is based on income.

The 2021 monthly premium for Part B is **\$148.50** on average for those individuals whose income is less than \$88,000, or less than \$176,000 for beneficiaries who file a joint tax return.

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Higher income seniors pay an even higher premium. Depending on their income, 2021 premiums will range from **\$207.90 to \$504.90**. The Centers for Medicare & Medicaid Services (CMS) has information on their website (www.cms.gov) about premium rates for those with higher incomes.

The annual deductible in 2021 for Medicare Part B beneficiaries is **\$203**. Co-payments also apply to most Part B services.

If you have experienced a “life changing event,” such as death of a spouse, divorce or retirement in the past 2 years and your income has decreased, you might be eligible for relief. Read more about what qualifies as a life-changing event in the Social Security Administration’s publication *Medicare Premiums: Rules for Higher-Income Beneficiaries* at www.ssa.gov.

Part C: Medicare Advantage

Part C allows Medicare beneficiaries to enroll in private plan, such as a Health Maintenance Organization (HMO) or Preferred Provider Organization (PPO). You must be entitled to Part A and enrolled in Part B. In addition to the Part B premium, you usually pay one monthly premium for the service included in a Part C plan. Part C plans receive payments from Medicare to provide all Medicare covered benefits including hospital and physician services and, in most cases, prescription drug benefits.

Part D: Prescription Drugs

Part D is an optional program, requiring a separate enrollment if you want to receive coverage for prescription drugs. Part D is offered through private insurance plans that contract with Medicare. Part D plans also have a monthly premium and an annual deductible that you have to meet before the plan will pick up the cost of your prescriptions. The annual deductible **in 2021 may not exceed \$445**. After you meet your deductible, your plan will help pay for your covered prescription drugs. Your plan will pay some of the cost, and you will pay a copayment or coinsurance. Once both you and your plan have spent **\$4,130** in drug costs, you are responsible for paying no more than 25% of prescription drug costs. Once you have paid **\$6,550** in prescription drug costs out-of-pocket, you will pay no more than 5% of your drug costs for the rest of the year.

What is not covered?

Medicare does not cover most long-term care and covers only limited home health care and nursing home costs, usually following a hospital stay. It also does not cover routine dental, eye care or hearing aids.

Who is eligible for Medicare?

Generally, individuals are automatically entitled to Medicare if:

- They are 65 years old and have 40 quarters of work credit in Social Security covered employment, or
- Their spouse is eligible for Medicare.

- Individuals may also be eligible if:
- They are 65, and
- They or their spouse worked in Medicare-covered employment.

Younger individuals may qualify for coverage if they receive Social Security Disability benefits or have end stage renal disease. Also, individuals without the required 40 quarters of covered employment may buy into Medicare Part A and pay a monthly premium, and also have the option of enrolling in Part B.

When am I automatically enrolled?

If you are not 65 yet, but are already receiving Social Security retirement or disability benefits, you will be automatically enrolled in Part A and will have the opportunity to enroll in Part B in the month you turn 65 or after 24 months of receiving disability benefits. You will receive a Medicare Initial Enrollment Period package three months before your 65th birthday.

When do I need to apply?

If you are approaching age 65 and not receiving Social Security benefits, you must contact Social Security to apply for Medicare benefits. You will not get Medicare information sent to you automatically.

The open period to apply for Medicare is 3 months prior to your 65th birthday, the month of your 65th birthday and 3 months after your 65th birthday. For example if your birthday is on June 1, you will have from March 1-September 1 to apply. **Social Security recommends applying 3 months before you turn 65.**

There is a penalty for delaying enrollment in Part B. Your monthly premium for Part B may go up 10% for each full 12-month period that you were eligible and could have enrolled in Part B but didn't. However, the penalty does not apply if you delayed enrollment because you were actively employed and covered in a workplace plan or covered by an employed spouse's workplace plan. If you are working past age 65 and have health coverage from an employer, you should consult with your employers' benefit administrator about your health coverage options.

What can I do if my income is very limited and I can't afford the premiums, co-payments and deductibles?

Medicare Savings Programs (MSPs), also called Medicare buy-in programs, provide financial assistance to Medicare eligible individuals with limited finances to help pay for premiums, co-payments, or deductibles. The three main programs are: the **Qualified Medicare Beneficiary (QMB)**, the **Specified Low-income Medicare Beneficiary (SLMB)**, and the **Qualifying Individual (QI) Program**.

Contact your state agency that administers Medicaid for specific information on each program. States may use different rules to count income and assets when determining eligibility.

Low-income individuals enrolled in a Medicare Part D plan may also be eligible for **Extra Help with Medicare Part Prescription Drug Plan Costs**. The **Social Security Administration (SSA)** administers the **Extra Help Program**. Applications may be made online at www.ssa.gov or by calling Social Security toll-free at 1-800-772-1213 (TTY 1-800-325-0778).

Where you can go for more information about Medicare:

For further information about eligibility or to apply for Medicare, call the **Social Security Administration** at (800) 772-1213, visit their website at www.ssa.gov, or visit your local Social Security office. TTY users should call 1-800-325-0778. If you are newly eligible for Social Security benefits and you want to apply for both Social Security and Medicare you can do it online at www.ssa.gov/onlineservices.

For general information about Medicare, call **1-800-MEDICARE** (633-4227) or go to www.medicare.gov. TTY users should call 1-877-486-2048.

Free consumer counseling is available in every state through state programs that are funded by the federal government. These programs, called **SHIP programs** (Senior Health Insurance Assistance Program) give neutral advice to Medicare beneficiaries and their families about Medicare, Medicaid, private Medigap insurance and Medicare Advantage plans. SHIP counselors may also assist with applying for Medicare Savings Programs and for filing the Extra Help application with SSA. A listing of SHIP programs by state is available at www.shiptacenter.org.

Medicare Rights Center, a non-profit organization that operates a national telephone helpline in order to help callers understand Medicare benefits, find the right coverage, and understand how any existing coverage works with Medicare. Callers living on low or fixed incomes are also screened for additional programs that they may be eligible for that can help pay costs of Medicare. Helpline: 1-800-333-4114, www.medicarerights.org.

My Medicare Matters is a resource of the National Council on Aging (NCOA) in partnership with Aon Retiree Health Exchange™. This educational service is designed to make it easier for people with Medicare (and those turning 65) to make informed and confident choices about their health coverage and to make the most of that coverage. The service offers: Education and unique decision-support tools provided by NCOA to help people make good decisions and save money; and for those who choose it, one-on-one assistance – at no cost – in selecting and enrolling in healthcare coverage that best fits that individual from a licensed Benefits Advisor at Aon Retiree Health Exchange. Visit www.mymedicarematters.org.