

Get Covered: Choosing and using Medicare

With the cost and complexity of health insurance what it is, many people look forward to their 65th birthday in anticipation of finally receiving Medicare. For those who qualify—mainly those over 65 and some younger disabled people—the federal health insurance program can be less costly and more flexible than private health insurance. For those who couldn't afford health insurance when they were younger, Medicare can mean finally having the coverage they need. But Medicare is not a one-size-fits-all program. There are still important choices to make, which will affect the coverage you have and the amount you pay.

This publication will explain when and how to enroll in Medicare, what each of the “Parts” of the program cover, what to consider when making your coverage choices and where to find more information.

What Medicare covers and costs

There are four “Parts” to the Medicare program (Parts A and B together are often referred to as “Original Medicare”):

■ **Part A** covers inpatient hospital stays, skilled nursing facilities, some home health visits and hospice (end-of-life) care (but not custodial—or “long-term”—care). Most people qualify for premium-free Part A through the Medicare taxes they or their spouses paid during their working years (at least 40 quarters [10 years]). For those who don't, premiums can be up to \$437 a month in 2020. But Part A benefits are subject to a deductible (the amount you pay before Medicare kicks in; \$1,408 in 2020) and require copayments or coinsurance (a flat fee or a percentage of the service cost that you must pay) for extended inpatient hospital and nursing facility stays. There's no yearly limit on out-of-pocket expenses.

■ **Part B** covers physician visits, outpatient services (X-rays, lab tests, etc.), some doctor-requested medical equipment (a wheelchair, for example) and some other medically necessary miscellaneous services or supplies. You typically pay a monthly premium for Part B (from around \$144.60 per month up to a maximum of \$491.60 in 2020, depending on income), deducted from

your Social Security benefits if you receive them, or billed if you don't. You are also subject to a deductible (\$198 in 2020) and, typically, 20% coinsurance for most services and supplies, though some preventive services are free. There's no yearly limit on out-of-pocket expenses.

■ **Part C** refers to Medicare Advantage plans, which are offered by private insurance companies (HMOs and PPOs, for example) that are approved by Medicare. Advantage plans must cover everything provided by Parts A and B (Original Medicare). Most include prescription drug coverage (Part D), and most offer extra coverage, like vision, hearing and/or dental care. To enroll in Part C, you must already be enrolled in Parts A and B. A monthly Advantage premium is paid in addition to your Part B premium. There is also typically a copay for services. (Medicare Advantage plans are not available in all parts of the U.S., or there may be only one plan available in your region.)

■ **Part D** covers prescription drugs. This is the way to add a prescription benefit to your Original Medicare coverage (Parts A and B). Enrollees pay monthly premiums (the projected average for 2020 is \$30; higher-income enrollees pay

Costs

- **Premium:** The cost of insurance, usually expressed as a monthly amount
- **Copayment:** This is a dollar amount you pay when you receive a service. For example, you may have a \$10 copayment for an office visit to a primary care doctor or a \$35 copayment for an office visit to a specialist like a dermatologist or a cardiologist. Other medical services often come with copayments, including emergency room visits, ambulance services, outpatient surgery, and diagnostic radiological services for example. Copayment amounts may vary from plan to plan.
- **Coinsurance:** This is a percentage you pay when you receive medical services or prescription drugs. Some categories of prescription drugs may have a copayment (\$40, for example), and other categories of prescription drugs might have coinsurance (33%, for example). Coinsurance amounts may vary from plan to plan.
- **Deductible:** This is an amount you must pay for medical services per period before Medicare or a related plan begins to pay. For example, if you have a \$1,000 deductible, you must pay \$1,000 out of pocket before your medical expenses are covered by the insurer. Deductible amounts may vary from plan to plan.

a higher price for Part B and Part D as a result of income-related monthly adjustment amount—IRMAA—surcharges), an annual deductible, and cost-sharing (copayments or coinsurance) for prescriptions, with costs varying by plan, prescription and pharmacy. Like Part C, prescription drug coverage is available from private, Medicare-approved companies. (See the sidebar for information about the prescription coverage gap known as the “donut hole.”)

Use Medicare’s online “Find a plan that works for you” tool (<https://www.medicare.gov/find-a-plan/questions/home.aspx>) to view Medicare Advantage (Part C) and Medicare Prescription Drug (Part D) plan options.

Medigap plans

Original Medicare with Part D prescription coverage is fairly comprehensive, but there are still out-of-pocket costs. To close the gap between what is covered and what is not, Original Medicare enrollees should strongly consider buying a “Medigap” plan.

Medigap is supplemental health insurance you purchase from a private company to pay all or part of the charges that are not fully covered by Original Medicare (Parts A and B), such as coinsurance, copayments, deductibles, and medical bills incurred while you’re traveling internationally. (Medicare A and B both have deductibles and coinsurance.)

Medigap doesn’t pay for any services not covered by Original Medicare (so no vision care, dental care, hearing aids, prescriptions, etc.). For prescription drug coverage, you need to purchase Medicare Part D (<https://www.medicareresources.org/medicare-benefits/medicare-part-d/>).

Medigap plans are lettered, with each lettered plan offering a different level of coverage. However, plans with the same letter (G or K or L, etc.) will provide the same coverage no matter whom you buy them from (with some exceptions for Massachusetts, Minnesota and Wisconsin). That doesn’t mean the cost will be the same, though, so it’s important to shop around.

The insurer will tell you what your options are for paying your Medigap premiums.

Find a Medigap plan in your area using Medicare.gov’s Medigap Policy Search tool: <https://www.medicare.gov/find-a-plan/questions/medigap-home.aspx>.

(In some states, you may be able to buy another type of Medigap policy called Medicare SELECT, which may require you to use in-network doctors and hospitals to be eligible for full benefits.)

Money Talks News offers guidance in its “How to Pick the Best Medicare Supplement Plan in 4 Steps” (<https://www.moneytalksnews.com/the-abcs-selecting-medicare-supplement-plan/>). Premiums range widely, from less than \$100 to more than \$400 per month, depending on the plan type.

Medigap versus Advantage

Medicare enrollees who want additional coverage must decide between purchasing an Advantage plan (Part C) or Original Medicare (Parts A and B) plus a Medigap policy. Both options offer pros and cons; which one is better for you depends on a variety of factors, including your needs and budget.

Some things to consider:

- A Medigap plan allows you to go to any doctor who accepts Medicare (which means most). Most Advantage plans are network-based.
- You don't need a referral to see a specialist under Medicare Part B or Medigap policies. Some Medicare Advantage plans might require one.
- Medigap is simpler to choose and use—plans are standardized and easy to compare. And with Medigap, the program typically sends payment directly to the service provider, while Advantage usually requires you to make your copay, if any, directly to the provider.
- Original Medicare plus Medigap coverage typically results in lower out-of-pocket expenses (copayments, coinsurance and deductibles) than a comparable Medicare Advantage plan. But a Medicare Advantage plan typically costs less per month—there are even some plans that cost \$0 above your Part B premium.
- While a \$0 premium Advantage plan may be attractive, if you need medical care during the year, you could end up paying far more out of pocket than you would with a plan that has a monthly premium. (Advantage plans have an out-of-pocket maximum of \$6,700 in 2020, though some set it at a lower amount.)
- Some Advantage plans include prescription coverage, which may be cheaper than purchasing Part D separately.
- If you have expensive medical issues, you'll benefit more from a Medigap policy because coinsurance, copays and, often, deductibles are covered. (Neither Original Medicare nor Part D has an out-of-pocket maximum, which means something like heart surgery without a Medi-

The "Donut Hole"

Medicare drug plans (Part D) have a coverage gap, known as the "donut hole" (<https://www.medicare.gov/drug-coverage-part-d/costs-for-medicare-drug-coverage/costs-in-the-coverage-gap>)—the period after a certain prescription spending level is reached (\$4,020 in 2020) and before catastrophic coverage kicks in (at \$6,350 in 2020). It used to be that during this period the enrollee was responsible for 100% of prescription costs. The ACA has successfully changed this, but that doesn't mean you might not still have significant prescription costs during this stage of coverage. Part D participants must still pay 25% of the cost of any prescription while they are in the coverage gap. If you receive "Extra Help" (see the "Financial assistance" section), there is no coverage gap. eHealthMedicare.com offers tips for managing prescription costs: <https://www.ehealthmedicare.com/medicare-part-d-articles/five-ways-avoid-medicare-part-d-coverage-gap-donut-hole/>. Medicare offers "6 tips for choosing Medicare drug coverage": <https://www.medicare.gov/drug-coverage-part-d/how-to-get-prescription-drug-coverage/6-tips-for-choosing-medicare-drug-coverage>.

gap plan could result in a five-digit cost share.) If you're in good health, you'll probably save money with the lower Advantage plan premiums.

- The cost of Medigap plans varies by company, state and plan type. Premiums are based on your current age (attained-age pricing, which means premiums increase as you get older), your age upon joining (issue-age pricing, which means your premium will never go up based on age), or not based on age at all (community-rated pricing, which means all plan participants pay the same premium, regardless of age or overall health). Premiums can also be higher for smokers, and can increase due to inflation.
- If you spend a lot on prescriptions, look for a Medicare Advantage plan with drug coverage and compare that cost against the premiums for Medicare Part D to see which is a better deal. Also, check the plan's formulary to make sure the drugs you take are covered.

■ If you don't buy a Medigap policy within six months of signing up for Part B, you can be turned down for coverage due to pre-existing conditions. You can change your Medigap or Medicare Advantage plan during the Annual Election Period (AEP), and even switch back to one or the other, though there might be some limitations and/or underwriting requirements (<https://www.medicareresources.org/faqs/can-i-switch-between-medicare-advantage-and-original-medicare/>).

■ You can't use or buy a Medigap policy if you have a Medicare Advantage plan. If you enroll in a Medicare Advantage plan, you should drop your Medicare Supplement insurance plan because it will not pay any of the Medicare Advantage deductibles, copayments or coinsurance. (If you drop your Medigap plan, you can enroll in another one if you leave Medicare Advantage, but you can be charged a higher premium.)

Get information about choosing a Medigap plan in Medicare's "Choosing a Medigap Policy" guide (<https://www.medicare.gov/pubs/pdf/02110-medicare-medigap-guide.pdf>).

Eligibility and enrollment

It's important to be aware of your eligibility status and Medicare enrollment periods so that you don't find yourself without medical coverage or have to pay a penalty.

Eligibility

Parts A and B: To be eligible for Medicare Part A and Part B, you must be a U.S. citizen or a permanent legal resident for at least five continuous years. You must also meet at least one of the following criteria:

- Be 65 or older and eligible for Social Security payments (check your Social Security eligibility here: <https://ssabest.benefits.gov>)
- Be permanently disabled and receive disability benefits for at least two years
- Have permanent kidney failure, requiring dialysis or a kidney transplant, or have Lou Gehrig's disease (ALS)



Part C (Advantage): To be eligible for an Advantage plan, you must already be enrolled in Medicare Part A and Part B, and you must live in the service area of the Advantage plan you choose.

Part D: To be eligible for a Medicare prescription drug plan, you must already be enrolled in Medicare Part A and/or Part B and you must live in the service area of the prescription drug plan you choose.

Enrollment

Parts A and B: If you're already getting Social Security (SS) or Railroad Retirement Board (RRB) benefits, you will automatically be enrolled in Part A and Part B starting the first day of the month you turn 65 (or the previous month if your birthday is on the first day of the month). You should receive your Medicare packet in the mail three months before your coverage starts.

If you're not yet receiving SS or RRB retirement benefits, your enrollment will not be automatic. The Initial Enrollment Period (IEP) for Medicare Part A and Part B is the seven-month period that starts three months before the month you turn 65, includes the month you turn 65, and ends three months after the month you turn 65.

Enrollment in Parts A and B is automatic if you have received SS or RRB disability benefits for

24 months or if you have ALS. If you have kidney failure, you need to enroll for Medicare.

Part C: The Initial Enrollment Period for a Medicare Advantage plan is the same as for Original Medicare (Part A and Part B). Or, you can sign up (or switch plans) during the Annual Election Period, from October 15 to December 7, for coverage effective Jan. 1 of the following year. (Enrollment is not automatic.) You can only leave a Medicare Advantage plan between October 15 and December 7 and between January 1 and February 14. Outside these periods, you can only switch between Medicare Advantage and Original Medicare if you meet certain requirements (moving out of your plan's service area or moving into or out of a nursing facility, for example).

Part D: You can enroll in prescription drug coverage during your Initial Enrollment Period, which for most people is the same seven-month period as for Original Medicare. (Enrollment is not automatic.)

You apply for a Medicare Part D plan or a Medicare Advantage plan that includes drug coverage directly through the insurer offering the plan. You cannot be enrolled in both a Part D plan and an Advantage plan that includes drug coverage.

You can also enroll in any Medicare coverage—Parts A, B, C or D—during a Special Election Period (SEP), without penalty, under certain circumstances (for example, your employer-sponsored coverage ends). Find out what life events qualify you for SEP enrollment: <https://www.medicare.gov/sign-up-change-plans/when-can-i-join-a-health-or-drug-plan/special-circumstances-special-enrollment-periods>. You will be required to prove you had “creditable” medical or prescription drug coverage in order to avoid permanent premium penalties (see “Penalties”).

Medigap: Open Enrollment for Medigap policies is six months from the first day of the month of your 65th birthday (as long as you are also signed up for Medicare Part B) or within six months of signing up for Medicare Part B. Dur-

ing that period, you can buy any Medigap policy for the same premium that a person in good health would pay (“guaranteed issue” rights). If you try to buy a Medigap policy outside this window, you could be turned down due to pre-existing conditions. Or, if you do get coverage, your rates could be higher.

In most cases, when you switch from Medicare Advantage to Original Medicare, you lose your “guaranteed issue” rights for Medigap. An exception is made if you lose Advantage coverage (because you move or the plan stops operating in your area) or if you bought a Medicare Advantage plan when you first became eligible for Medicare and decided within the first 12 months that you weren't satisfied. In these cases, you can switch to Original Medicare with short-term guaranteed issue rights for a Medigap plan.

Penalties

Generally speaking, you should enroll in Medicare Part B when you become eligible. However, there are some exceptions. For example, having “creditable” medical coverage (equal to or better than Medicare's coverage) through an employer with 20 or more employees could allow you to postpone enrolling in—and paying for—Part B. (For most people, there's no reason not to enroll in Medicare Part A as soon as you become eligible because there's no cost for the coverage.)

If you don't sign up for Medicare Part B when you first become eligible, you may have to pay a 10% penalty for every year between when you first became eligible and when you finally enrolled. This penalty will be added to your monthly premium for as long as you have Part B coverage. (Example: Based on your income, your Part B premiums would be \$150 per month. However, because you became eligible for Medicare five years ago and delayed enrollment, you must pay the \$150 plus another \$15 for each of those five years if you sign up today, or a total of \$225 per month for as long as you are enrolled.) If you lose your creditable non-

Medicare coverage, you'll have eight months to enroll in Part B without penalty. Learn more at Medicare.gov (<https://www.medicare.gov/your-medicare-costs/part-b-costs/part-b-late-enrollment-penalty>).

Similarly, if you don't enroll in Part D (drug coverage) when you become eligible and you do not have creditable prescription benefits through another source (such as an Advantage plan or an employer-sponsored plan), a penalty of 1% of the premium will be added for every uncovered month before you finally do enroll. If you lose your creditable non-Medicare coverage, you'll have two months to enroll in Part D without penalty. Learn more at Medicare.gov (<https://www.medicare.gov/drug-coverage-part-d/costs-for-medicare-drug-coverage/part-d-late-enrollment-penalty>).

To avoid permanent late penalties:

- Sign up for Part B and Part D as soon as you're eligible, unless you have creditable coverage through an employer or other source.
- Confirm with your employer and/or Medicare that the employer-sponsored (or other) coverage you have is creditable and allows you to avoid a penalty for not enrolling in Part B or Part D.
- Sign up for Medicare when your employer-sponsored (or other) coverage ends, even if you continue to be covered under COBRA or retiree health benefits.

Learn more at AARP's "Enrolling at the Right Time" webpage (<https://www.aarp.org/health/medicare-insurance/info-04-2011/medicare-enrollment.html>) and Money Talks News's "Can You Opt Out of Medicare?" (<https://www.moneytalksnews.com/can-you-opt-out-of-medicare/>).

The exact day your coverage begins depends on when you signed up. View the charts at MyMedicareMatters.org: <https://www.mymedicarematters.org/enrollment/when-can-i-enroll/>.

Financial assistance

If you have limited income and resources, you might qualify for assistance directly from the Centers for Medicare and Medicaid Services

(CMS) or through state programs. Here are some financial aid options:

■ **Medicare Savings Programs (MSPs):** These state-managed programs can pay all or part of your Original Medicare (Parts A and B) out-of-pocket expenses, including premiums. (States can decide whether or not to provide help with Advantage plan premiums.) For details about the four types of Medicare Savings Programs and their income limits and other eligibility requirements, visit HealthMarkets.com's "Help With Medicare Premiums: How to Qualify for Assistance" (<https://www.healthmarkets.com/resources/medicare/help-with-medicare-premiums/>), MedicareResources.org's "Is there help for me if I can't afford Medicare's premiums?" (<https://www.medicareresources.org/faqs/is-there-help-for-me-if-i-cant-afford-medicare-premiums/>) and Medicare.gov (<https://www.medicare.gov/your-medicare-costs/get-help-paying-costs/medicare-savings-programs>).

■ **Part D Low-Income Subsidy (LIS) program (known as Extra Help):** The Extra Help program helps with the costs related to a Medicare prescription drug plan, including premiums, deductibles and copayments. Get details in Medicare's "Understanding the Extra Help With Your Medicare Prescription Drug Plan": <https://www.ssa.gov/pubs/EN-05-10508.pdf>.

■ **State, pharmaceutical and non-profit prescription assistance programs:** There are a number of programs that help low-income households with the cost of prescriptions, including: RxHope (<https://www.rxhope.com/>); RxAssist (<https://www.rxassist.org/>); NeedyMeds (<https://www.needy meds.org/>); and Partnership for Prescription Assistance (<https://medicineassistance tool.org>).

Accessing your benefits

Medicare only pays for services delivered by Medicare-certified physicians, hospitals and other health care entities. Providers are "certified" by Medicare if they've passed an inspection conducted by a state government agency. You can go to any Medicare-certified doctor, supplier, hospital or other facility that is accepting new Medicare patients. If you are enrolled



in an Advantage plan, you may be limited to providers within the HMO or PPO network. Or, you might have the option to get services from non-network providers, but it will most likely cost you more.

If you have Original Medicare and need to find a doctor that accepts Medicare payments, visit the Centers for Medicare and Medicaid Services' Physician Compare online search tool (<https://www.medicare.gov/physiciancompare/>). You can search by health care professional name, medical practice name, medical specialty, medical condition and some other criteria. This tool will display results for the geographic area you specify, along with other details.

If you have an Advantage plan, check with the plan administrator (customer service) to find out what your health care provider options and limitations are.

Protecting your Medicare account

Your Medicare benefits and the personal information connected to your account are valuable to scammers and identity thieves. Medicare and Social Security beneficiaries nationwide routinely receive calls from scammers who claim they are

with Medicare, Social Security or an insurance company, and who want you to reveal your account number or other sensitive information. Follow these tips to protect yourself:

- Only give your Medicare card/number or other personal information to doctors, health care providers, insurers and trusted Medicare representatives who you've initiated contact with. If someone calls you and asks for your Medicare number or other personal information, hang up and call 800-MEDICARE (800-633-4227/TTY: 877-486-2048) to verify the communication. (Medicare will only call and ask for personal information if you've called and left a message or a representative told you someone from the agency would call you back.)
- If you're unsure about a call, email or letter requesting your Medicare number, Social Security number or other sensitive data, contact Medicare, the health care provider or the insurer directly at the number or email address you know to be correct (the one printed on your statement, for example)—not one that the caller/sender gives you.
- Review your Medicare Summary Notice (MSN) for errors or signs of fraud. Record medical appointment dates and save receipts and statements from providers to compare against your Medicare statement. Set up a MyMedicare.gov online account (<https://www.mymedicare.gov/helppages/gettingstarted/register/>) so that you can view your claims and check account activity 24 hours a day. Or call 800-MEDICARE for automated information about your Original Medicare claims that have been processed in the past 12 months.
- Review health care provider statements to make sure that you and Medicare weren't billed for services or items you didn't receive.
- Be suspicious of offers of free equipment, tests or services in exchange for your Medicare number. These offers often are for shoddy or unneeded products and the claims submitted on your behalf are fraudulent.

If you suspect Medicare fraud, report it at 800-MEDICARE or call the fraud hotline of the Department of Health and Human Services Of-

Office of the Inspector General, at 800-HHS-TIPS (800-447-8477/TTY: 800-377-4950). Or, visit forms.oig.hhs.gov to file a report online.

Get more information in Medicare's "Protecting Yourself & Medicare from Fraud" (<https://www.medicare.gov/Pubs/pdf/10111-Protecting-Yourself-and-Medicare.pdf>).

If you suspect identity theft or feel like you gave your personal information to someone you shouldn't have, visit IdentityTheft.gov (<https://www.identitytheft.gov/>).

Complaints

If you have a complaint about the Medicare program or a Medicare health or prescription drug plan, you can submit it to the Centers for Medicare & Medicaid Services (CMS) online, at <https://www.medicare.gov/MedicareComplaintForm/home.aspx>. If it is an urgent matter, call 800-MEDICARE (800-633-4227/TTY: 877-486-2048). For more detailed information about submitting different types of complaints, visit <https://www.medicare.gov/claims-appeals/file-a-complaint-grievance/filing-complaints-about-your-health-or-drug-plan>. Report health care fraud, waste or abuse related to Medicare, Medicaid, CHIP and the Health Insurance Marketplace to CMS via phone, mail, fax or online (<https://www.cms.gov/About-CMS/Components/CPI/CPIReportingFraud.html>).

About Consumer Action

www.consumer-action.org

Through multilingual consumer education materials, community outreach and issue-focused advocacy, Consumer Action empowers underrepresented consumers nationwide to assert their rights and financially prosper.

Consumer advice and assistance: Submit consumer complaints to <https://complaints.consumer-action.org/forms/english-form> or 415-777-9635 (Chinese, English and Spanish spoken).

Resources

■ **Medicare.gov** (<https://www.medicare.gov/>) is the one-stop shop for detailed information on every aspect of the program. Those without internet access can call 800-MEDICARE (800-633-4227/TTY: 877-486-2048) for assistance 24/7.

■ **"Medicare & You"** (<https://www.medicare.gov/pubs/pdf/10050-Medicare-and-You.pdf>) is the comprehensive program guide that beneficiaries receive every year—it can help you understand your Medicare benefits even before you enroll.

■ **The State Health Insurance Assistance Programs (SHIP)** (<https://www.shiptacenter.org>) offer counseling and assistance to Medicare beneficiaries in each state. To access services, visit the national SHIP website (<https://www.shiptacenter.org/about-medicare>) and click on the "Find Local Medicare Help" button in the upper right-hand corner, or call 877-839-2675.

■ **MedicareResources.org** (<https://www.medicareresources.org>) offers comprehensive, up-to-date information about Medicare, including state-specific resources. While technically a for-profit company (it makes money by linking consumers with insurers), the information it provides is free.

■ **BoomerBenefits.com** (<https://boomerbenefits.com/>) is another site offering A-to-Z coverage of Medicare. It makes money selling Medicare plans (Advantage, Medigap, etc.), but the easy-to-understand information it provides about plan options is free.

■ **Money Talks News** (<https://www.moneytalksnews.com/>) offers unbiased information on a wide range of consumer and personal finance topics. Entering "Medicare" in the Search bar results in dozens of articles on all facets of Medicare.

■ **Consumer Action's Health Insurance module** (https://www.consumer-action.org/modules/module_health_insurance) offers free fact sheets like this one on the topics of individual and employer-sponsored health insurance, as well as a Q&A providing additional details on health insurance-related topics.

About this guide

Consumer Action's Insurance Education Project created this guide.