



10 Things You Must Know About Medicare

Heading into your retirement years brings a slew of new topics to grapple with, and one of the most maddening may be Medicare. Figuring out when to enroll, what to enroll in and what coverage will be best for you can be daunting. To help you wade easily into the waters, here are ten essential things you need to 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 ten 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 -- for most people in 2017, that monthly cost is about \$109. New enrollees pay \$134 per month. Part D, which covers prescription drug costs, also has a monthly charge that varies depending on which plan you choose; the average Part D premium is \$34 a month. In addition to premium costs, you'll also be subject to co-payments, deductibles and other out-of-pocket costs.

You Can Fill the Gap

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. A 65-year-old man could pay from \$1,067 to \$6,772 in 2017 for Plan F depending on the insurer, according to Weiss Ratings.

There Is an All-in-One Option

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, although the total costs tend to be lower than for traditional Medicare. In many cases, Advantage policies charge lower premiums but have higher cost-sharing. Your choice of providers may be more limited with Medicare Advantage than with traditional Medicare.

High Incomers Pay More

If you choose traditional Medicare and your income is above a certain threshold, you'll pay more for Parts B and D. Premiums for both parts can come with a surcharge when your adjusted gross income (plus tax-

exempt interest) is more than \$85,000 if you are single or \$170,000 if married filing jointly. In 2017, high earners pay \$187.50 to \$428.60 per month for Part B, depending on their income level, and they also pay extra for Part D coverage, from \$13.30 to \$76.20 on top of their regular premiums.

When to Sign Up

You are eligible for Medicare when you turn 65.

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 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 January 1 to March 31 and 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 (regardless of whether you have retiree health benefits or COBRA). If you miss your special enrollment period, you will need to wait to the general enrollment period to sign up.

Open enrollment, which runs from October 15 to December 7 every year, allows you to change Part D plans or Medicare Advantage plans for the following year, if you choose to do so. (People can now change Medicare Advantage plans outside of open enrollment if they switch into a plan given a five-star quality rating by the government.)

Costs in the Doughnut Hole Shrinking

One cost for Medicare is decreasing -- the dreaded Part D "doughnut hole." That is the period during which you must pay out of pocket for your drugs. For 2017, the coverage gap begins when a beneficiary's total drug costs reach \$3,700. While in the doughnut hole, you'll receive a 60% discount on brand-name drugs and a 49% federal subsidy for generic drugs in 2017. Catastrophic coverage, with the government picking up most costs, begins when a patient's out-of-pocket costs reach \$4,950.

You Get 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.