

MEDICARE CHEAT SHEET

As you approach the age of 65, one of the most important planning decisions relates to Medicare. There is a lot of information out there on the different plan options and no one-size-fits-all answer for individuals approaching retirement.

It is important to enlist an advisor you trust to help you navigate this planning process. The team at Sax Wealth Advisors is here to help you understand all the options that are available so you can make the right choice for your unique circumstances.

Here is a quick cheat sheet to help you with the basics.

4 IMPORTANT FACTS ABOUT MEDICARE:

1. Some people get Medicare automatically, and some must sign up. You may have to sign up if you're 65 (or almost 65) and not getting Social Security.
2. There are certain times of the year when you can sign up or change how you get your coverage. *Enrollment periods are outlined below.*
3. You can choose how you get your Medicare coverage.
4. You may be able to get help with your Medicare costs.

“PARTS” OF MEDICARE:

- **Medicare Part A** (hospital insurance) helps pay for inpatient care in a hospital or limited time at a skilled nursing facility (following a hospital stay). Part A also pays for some home health care and hospice care.
- **Medicare Part B** (medical insurance) helps pay for services from doctors and other health care providers, outpatient care, home health care, durable medical equipment and some preventive services.

- Other parts of Medicare are run by private insurance companies that follow rules set by Medicare.
- Supplemental (Medigap) policies help pay Medicare out-of-pocket co-payments, co-insurance and deductible expenses. *An overview of Medigap is outlined below.*
- **Medicare Advantage Plan** (previously known as Part C) includes all benefits and services covered under Part A and Part B — prescription drugs and additional benefits such as vision, hearing and dental — bundled together in one plan.
- **Medicare Part D** (Medicare prescription drug coverage) helps cover the cost of prescription drugs.

Most people age 65 or older are eligible for free Medical hospital insurance (Part A) if they have worked and paid Medicare taxes long enough. You can enroll in Medicare medical insurance (Part B) by paying a monthly premium. Some beneficiaries with higher incomes will pay a higher monthly Part B premium. [You can learn more here.](#)

MEDICARE ADVANTAGE VS. MEDICARE SUPPLEMENT INSURANCE (MEDIGAP)

WHAT IS MEDICARE ADVANTAGE?

Medicare Advantage Plans are a type of Medicare health plan offered by a private company that contracts with Medicare to provide an “all in one” alternative to Original Medicare (Medicare Part A and Part B). These “bundled” plans include Part A, Part B and usually Part D. They also may offer extra benefits Original Medicare doesn’t cover.

PROS:

- These plans are similar to an employer-sponsored health plan (included deductibles, co-pays, drug coverage and physician networks).
- Plans include prescription coverage as an all-in-one plan.
- Plans often cover dental and vision care.
- May have lower premiums

CONS:

- Plans may change year by year including adjustments to: provider networks, so it’s possible your doctor can be changed to out-of-network; your drug plan, so something that was covered may not be in the future; premiums; and, out-of-pocket expenses. Therefore, you will need to do an annual review to make sure you are getting what you need.

- Increased costs for going out-of-network. This is limiting for people who travel and it can be expensive if the “best doctors” are out-of-network.
- You typically need a referral to see specialist.

MEDICARE ADVANTAGE IS GOOD FOR INDIVIDUALS WHO:

- Want an all-in-one solution and like the way their employer sponsored plan is structured
- Like having a primary care physician
- Are not an active traveler domestically or internationally

WHAT IS MEDICARE SUPPLEMENT INSURANCE (MEDIGAP)?

If you choose to have Original Medicare (Part A and Part B) coverage, you can buy a Medicare Supplement Insurance (Medigap) policy from a private insurance company. Medigap helps to fill "gaps" in original Medicare and it helps with the cost of health care, like co-payments, co-insurance and deductibles.

PROS:

- No geographic restrictions – you can go anywhere that Medicare is accepted. Some plans offer emergency medical coverage out of the country.
- Most of the time you do not need a referral to see a specialist
- Typically has lower out-of-pocket expenses than Medicare Advantage plans
- All plans are standardized so each Medigap of the same letter covers the same benefits. Company pricing may differ, so it is best to receive a few quotes.

CONS:

- Medigap does not provide prescription drug coverage, so you will need to purchase a Part D plan if you wish to receive those benefits. If you want an all in one solution, this would not be it. Alternatively, this can be a positive because it provides you the flexibility to choose from any Part D plan, which will allow you to choose the best option for your situation.
- Medigap does not cover dental or vision.
- Premiums are typically higher than Medicare Advantage plans

MEDIGAP IS GOOD FOR INDIVIDUALS WHO:

- Are willing to pay higher premiums for more coverage
 - Like not needing a referral to see a specialist
 - Intend to travel domestically or internationally (i.e., “snowbirds”)
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WHAT TIME OF YEAR DO YOU SIGN UP FOR MEDICARE?

- **Initial Enrollment Period**

You have a 7-month window based on your birthday (3 months prior to your birthday month and 3 months after your birthday month).

- **Special Enrollment Period**

If you are still actively working and covered by an employer sponsored plan, this is an 8-month period that begins with the month your health coverage ends or employment ends.

- **General Enrollment Period**

If you missed both your initial and special enrollment periods, you can enroll during the general enrollment period which runs from January 1 through March 31, and your effective date won't be until July 1.

AVOIDING AN ENROLLMENT PENALTY

If you do not enroll in Medicare during the correct window of time, you may be penalized. A key factor in your enrollment is whether you are still employed and the health coverage you have.

[Here is information to help you determine if you will face an enrollment penalty.](#)

SOURCE LINKS:

- www.medicare.gov
- [Medicare Simplified: What Retirees Need to Know About Medicare in 100 Pages or Less - 2020 Edition](#)