4 Simple Steps to Understanding Medicare

January 3, 2019 By Danielle Kunkle Roberts

Understanding Medicare is easier said than done. You get a big ‘old Medicare & You Handbook for 2019 in the mail, full of terms you’ve never heard before. Then there are scores of insurance companies bombing your mailbox with a foot-high stack of mail every week.

If your desk is covered in Medicare mailers and you aren’t sure what to keep… this “Medicare explained” post is for you!

Are you supposed to read all that and have any idea what to do? How do you know which mail is ok to throw away?

Frankly, Medicare can feel a little scary when it’s entirely new to us. Most of us spend our lives working for an employer who selects our insurance for us. We go to an annual benefits meeting and sign up for the plan they’ve chosen for us.

We hit 65, and we are clueless about Medicare and it’s dozens of plan options.

Perhaps you are new to Medicare, and it will be your primary insurance. Maybe you are working and not even sure if you need Medicare, but you want to make sure you don’t unknowingly get a late enrollment penalty.

**You are Not Alone**

One thing is for certain: if you feel lost – you are not alone in not understanding Medicare! (And you don’t need to read a whole Medicare for Dummies book to understand Medicare either.)

This post will help you cut through the fluff. Work through these 4 steps in order so that you learn the basics first. Then follow my tips at the end of this post to toss out those mailers that are bogging down your desk.

Medicare Explained in just one easy read right here.

(No time to read this post right now? Or just want Medicare explained one-on-one? Click the orange Get Help Now button to book a free consultation for help understanding Medicare. You can go over this with a member of my expert team.)

Get Help Now »

**#1 – Understanding Medicare Basics First**

Who can get Medicare? Anyone who is 65 in America, even permanent residents who have lived here at least 5 years. People who have qualified for 24 months of Social Security disability also become eligible. For people aging into Medicare at 65, it doesn’t matter if you are taking Social Security benefits yet.

Once you’ve confirmed you qualify for Medicare, we recommend starting with the basics. People get confused when jump right into figuring out Medigap plans and Medicare Advantage plans before they even understand how their Original Medicare benefits work.

That’s putting the cart before the horse, so let’s set that aside for now. Before you worry about all that, I want you to first familiarize yourself with the Medicare basics. Your Original Medicare consists of Part A and Part B. These are provided to you by the federal government… in fact, you will enroll in these two parts (and only these two parts) through the Social Security office.

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Anything in your mailbox that comes from the Social Security office or the Centers for Medicare & Medicaid Services is mail you want to keep.

The Parts of Medicare

Medicare itself has PARTS (not plans).

Part A is your Hospital Coverage. This coverage pays for your room and board in the hospital or in a skilled nursing facility.

Part B is your Outpatient Coverage. This includes pretty much everything else: doctor visits, equipment, lab-work, surgeries, durable medical equipment, diagnostic tests, etc.

Part D is your drug coverage. This is a pharmacy card which will allow you to purchase your prescriptions at a much lower price than retail. It is insurance you buy for present AND future medication needs. It’s pretty important to have unless you can afford to pay for all your medications out of pocket. For more about drug coverage, read our post about why you need Part D.

You are eligible for these 3 parts of Medicare on the first day of the month in which you turn 65 (or earlier if you have qualified for Medicare due to disability).

Understanding Medicare just got a little easier! Now that you know these 3 basic parts, keep them in mind as we continue. We’ll refer back to them in the rest of the article to build upon what you have learned so far.

(We haven’t forgotten about Part C. We’ll have more on that in Step #4 because that Part is optional.)

#2 – Understanding Medicare Costs for these Parts

Alright, so we know you are eligible for the 3 parts of Medicare at age 65. Now you’ll need to know what you can expect to pay for each of these parts. This is especially important if you are deciding whether to stay working past age 65 for an employer who offers health benefits or whether you will retire and go onto Medicare as your primary insurance.

Medicare Part A is free for most people, as long as you or a spouse have worked at least 10 years in the United States.

Costs for Part B

Medicare Part B depends on your income. People new to Medicare 2019 have a base rate of $135.50/month. However, people in higher income brackets will pay an “Income Adjustment.” Really that’s just a nifty term for explaining that people who earn higher incomes pay higher costs for Medicare.

To see what income is included in this calculation, click here: Find out my Part B cost.

Understanding Medicare Costs: Your Part B premium is based on your income from 2 years prior.

Social Security bases your income adjustment on your income as reported on your tax returns. They are usually looking at your income tax return from two years prior to now.

If your income has decreased since then, you can file a reconsideration request. You’ll present proof of your lower income and ask Social Security to lower your Part B premium. They will reconsider your premium and notify you if it can be lowered.

Once Social Security has determined what you’ll pay based on your income, they will deduct your Part B premiums from your monthly income benefits. If you have delayed enrollment into your Social Security income benefits, then they will invoice you for Part B on a quarterly basis.

Later on, when you file to start your income benefits, they’ll switch over to the monthly deduction from your SS check.

Is Part B Necessary?

Medicare Part B is an absolute must if Medicare will be your primary insurance at age 65. In fact, you can’t buy any supplemental insurance unless you first have both A & B.

However, if you actively work for a large employer (20+ employees), that will continue to be your primary insurance. Medicare will be secondary, so you can consider delaying Part B since your group insurance probably includes outpatient benefits already.

(We have a whole page here on our website for people still employed at age 65. If that includes you, and you are trying to decide which parts of Medicare you need, then click here.)

Boomer Benefits Instagram

Costs for Part D

Understanding Medicare Part D costs is a bit tricky because plans have varying premiums. Beneficiaries also might pay more due to their income, just as mentioned above in the Part B costs section.

Most states have more than 20 different Part D plans to choose from. The national average Part D premium is currently around $35/month. That’s a good ballpark figure to use if you are just running some estimates today.

Part D plans have different drug formularies, so you’ll choose one that offers your medications at decent prices. The Medicare website has a handy plan finder tool to help you choose one that fits you.

Part D premiums get paid directly to the insurance carrier. However, you can request that Social Security deducts that monthly premium from your SS income check. If you owe an income adjustment for having a high income, this surcharge will be added to the monthly premium of your chosen Part D drug plan.

So we’ve learned that both Part B and Part D have a base premium, and also an income-related additional premium for people in higher income brackets. You can look up your personal estimated costs on the chart on this page.

(Want to join our 6-day Medicare email course with videos that dive deeper into these topics? Click the blue box right below this sentence to sign up. It’s free!)

understanding medicare

**#3 – Understanding Medicare Parts – What’s Covered and What’s Not**

By this time you are wondering: exactly what am I paying for? What are my benefits?

Medicare covers most of your health care costs, but you are still responsible for your share. This includes things like deductibles and coinsurance and copays.

Understanding Medicare coverage: Know what’s covered by Medicare and what things you need supplemental insurance to cover

It’s quite similar to employer coverage you’ve had in the past. You paid your share of the monthly premium via paycheck deductions. That purchased the insurance coverage. Then when you used that insurance, you also paid your share of each medical service, right? You had co-pays at the doctor’s office. You probably also incurred a deductible if had surgery or hospital stay. It works the same with Medicare.

What Medicare Pays For:

Part A pays for your first 60 days in the hospital. Your share of that cost is a hospital deductible, which will be $1364 in 2019. After 60 days consecutive days in the hospital, Medicare pays a diminishing share of your benefits. You begin paying a larger share in the form of a daily hospital copay. This can be hundreds of dollars per day, so you need supplemental coverage to protect you from those expenses on Part A services.

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Part B pays for your outpatient care. This includes things like doctor visits, lab-work, imaging tests, surgeries, durable medical equipment, and even things like chemotherapy, radiation, and dialysis. After a small deductible that you pay once per year ($185 in 2019), Part B will cover 80% of all of these services for you.

Your share is the other 20% of all of these services, with no cap. That can be quite a bit of money for some of the bigger ticket items like surgeries or cancer treatments. You’ll need supplemental coverage to protect you from high Part B expenses.

Part D helps to pay for retail prescription medications. By that, we mean medications that you yourself pick up at a local pharmacy or via the plan’s mail order.You do NOT need any supplemental insurance for Part D. It has built-in co-pays for medications so that you don’t get smacked with paying 100% for necessary medications. When the time comes, it’s easy to find the right Part D plan by using Medicare’s Plan Finder Tool.

Now you’ve absorbed a lot of information so far, and we’ve got one step to still go over. (If you feel overwhelmed, just use the contact form on our homepage or click here to request help from our insurance experts. We can walk you through all of this easily. There’s no cost to you for our help.)

**#4 — Understand Your Supplemental Coverage Options**

Which one is right for you?

Now that we’ve outlined what Medicare pays for, and what your share is, we’ve discovered that some sort of supplemental insurance is necessary for you. This is MOST of what’s been filling up your mailbox: solicitations for supplemental insurance.

Once you decide between the two main types of coverage we are about to discuss, you’ll be able to toss out most of that stack of mail. There’s no need to keep mailers about Medicare Advantage plans if you determine that Medigap plans are a better fit for you, and vice versa.

One of the great things about the Medicare insurance options is that there are plans available for any budget on the spectrum. So next up, let’s do a quick overview of those 2 choices, with links to additional reading for you.

(Some of you reading this will not need supplemental coverage yet because you have other coverage. If you will have employer coverage coordinating with your Medicare, visit our Medicare & Employer Coverage page in the New to Medicare section for your next steps. Are you a Veteran who has VA coverage? Check our blog for posts on Veterans, and/or Tricare).

Medigap Plans (also called Medicare supplements)

Medigap plans pay AFTER Medicare. They pay for the things that are normally your share. For example, all Medigap plans cover the 20% that we mentioned above. So Medicare will pay 80%, and your Medigap plan will then pay the other 20% of your Part B outpatient expenses (thank goodness)! Some Medigap plans also cover your Part A and B deductibles. You can choose your own Part D drug plan to go alongside this coverage.

Medigap plans also allow you freedom of choice in your medical care. You can see any physician or healthcare provider that participates in Medicare (nearly 900,000 providers across the nation). These plans cost more than Advantage plans because they are more comprehensive. They also give you more freedom in choosing your providers.

Medicare Advantage Plans (also called Part C)

Understanding Medicare Advantage plans can be a bit confusing because the Medicare Advantage program is also called Part C of Medicare.

Medicare Advantage plans pay INSTEAD OF Medicare. These plans are optional. They were created to give a low-cost alternative to Medigap.

Advantage plans are private insurance plans with their own local network of providers, generally an HMO or PPO style plan. When you join an Advantage plan, you’ll see these providers in order to get the lowest copays.

You will pay co-pays for doctor visits, hospital stays, and any other Medicare-approved services. Medicare Advantage plans generally have lower premiums than Medigap plans. That’s because you agree to share in the costs by paying co-pays for services as you obtain them. (Whereas with a Medigap plan, you often will have NO copay, depending on the plan you choose.)

Most Medicare Advantage plans also include a rolled-in Part D drug benefit. This can be a benefit or a hindrance, depending on whether that rolled-in benefit includes the specific medications you need. Each type of plan has its advantages and disadvantages. You’ll want to be thinking about what things are most important to you.

In my local presentations and webinars for hospital groups and employers, I tell attendees to ask themselves filtering questions. Would a local network plan work for me or do I need wider access because I travel? Which plan would give me the most peace of mind? Am I okay with paying co-pays as I go along in order to get lower premiums up front?

These are the kinds of questions that will lead you to the right coverage.

So…back to that stack of mail, here are my best tips:

•Mail from the government itself are items to keep. Look for any mail that has come from the Social Security Administration or the Centers for Medicare & Medicaid Services. These items generally pertain to your Original Medicare benefits, so they are keepers. Don’t throw them away.

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help with understanding medicare

Ads from insurance companies can mostly be thrown away. Start with this: Work through Step #4 above. Afterward, you may have an idea as to whether you want a Medigap plan or a Medicare Advantage plan. If you’ve decided on Medigap, then you can throw away any mailer ads that reference Medicare Advantage plans. This includes anything that refers to Part C or an HMO or PPO plan. All of those terms relate to Advantage. Chunk ’em! Likewise, if you have decided Medicare Advantage fits you best, then you can toss the ads from Medigap insurers.

•Part D mailers: in my opinion, throw them away. Why? Because you never want to choose your Part D plan based on an advertisement. You want your agent to help you run an analysis using Medicare’s Prescription Drug Finder tool. There’s no better tool to help you identify the most comprehensive drug plan for you. (If your agent doesn’t help with Part D, toss out that agent too. If you put your Medigap business through an agent, they should do you the courtesy of free Part D evals every year.)

Better yet….my wish is that you can sidestep that ENTIRE mountain of mail solicitations and instead get everything you need from one place. Our agency has been helping people new to Medicare for many years. We’ve already learned what’s important and what isn’t. Our service is free, and you can read over 750 5-Star Reviews about our service right here on this website.

We’ll guide you through the next steps to enroll in the right parts of Medicare. We’ll also help you find the most suitable supplemental coverage and a cost-effective drug plan. We can help you avoid any unnecessary coverage.

Understanding Medicare Conclusion

So was that Medicare explained or what?

While there is no truly simple explanation of Medicare, we hope we’ve helped you get the basics down. There’s no need for you to do this alone. Get someone on your side when it comes to understanding Medicare today! There’s absolutely no cost to you for our help.

So grab the free checklist here to guide you and call us at 1-855-732-9055. We Speak Medicare, and we’re here to help!