

Medicare basics



Wealth
Management

Medicare is a U.S. government program providing health insurance for people age 65 and older, people under age 65 who have certain disabilities and people of any age with end-stage renal disease.

Most people get their Medicare health care coverage using one of two basic strategies. Your costs will vary, depending on your plan, the coverage you select and the services you use.

Strategy 1: Original Medicare plan

Beneficiaries use Medicare Part A (hospital coverage), Medicare Part B (medical coverage), Medicare Part D (prescription drug coverage) and Medigap (a Medicare supplemental insurance policy) to pay for their health care expenses.

- Part A (hospital) is free for all seniors eligible for Social Security (or can be purchased by seniors with fewer than 40 quarters of full time employment).
- Part B (medical) requires the beneficiary to pay a monthly premium.
- Part D (prescription) requires the beneficiary to pay a monthly premium. Private companies approved by Medicare run these plans. Plans cover different drugs and medically necessary drugs must be covered. For premium estimates, you can search by state at www.medicare.gov.

- Medigap is an optional insurance policy from a private provider designed to fill in the coverage gaps in Part A and Part B coverage and requires the beneficiary to pay a monthly premium.

Provision

You may have greater choice of doctors than in Medicare Advantage Plans.

Caution

Your costs may be higher than in Medicare Advantage Plans.

Strategy 2: Medicare Advantage Plans

Sometimes called “Medicare Part C,” this option combines Medicare Part A (hospital) and Medicare Part B (medical).

Most of these plans — which are provided by private insurance companies approved by Medicare — also cover prescription drugs (Part D). If they don’t, you may be able to purchase Part D coverage separately.

Provision

Your costs may be lower than in the Original Medicare Plan and you may get extra benefits.

Caution

Generally, you must go to doctors in the plan. You usually pay a monthly premium and copayments for covered services.

Important consideration

Medicare covers only 50-60% of medical costs. Medicare also does not cover:

- Hearing aids
- Dental
- Routine eye care
- Most chiropractic care
- Routine foot care
- Long-term care

Medicare premiums and deductibles*

Some Medicare costs are going up, to keep pace with increasing cost of providing health care.

	2017	2018
Part A		
Medicare Part A deductible for inpatient hospital stay of 1-60 days	\$1,316	\$1,340
Medicare Part A daily coinsurance for days 61-90 of hospitalization	\$329	\$335
Medicare Part A daily coinsurance for days 91-150 of hospitalization (60-day lifetime maximum)	\$658	\$670
Medicare Part A daily coinsurance for days 21-100 of extended care in a skilled nursing facility	\$164.50	\$167.50
Medicare Part A monthly premium for people with less than 40 quarters of Medicare-covered employment and certain disabled people	\$413	\$422
Part B		
Medicare Part B annual deductible	\$183	
Medicare Part B monthly premium (IRMAA – Income-related monthly adjustment amount)		
Individual	Joint	
Less than \$85,001	Less than \$170,001	130.00/134.00** 130.00/134.00**
\$85,001 - 107,000	\$170,001 - 214,000	\$187.50 \$187.50
\$107,001 - 133,500	\$214,001 - 267,000	\$267.90 \$267.90
\$133,501 - 160,000	\$267,001 - 320,000	\$348.30 \$348.30
Greater than \$160,000	Greater than \$320,000	\$428.60 \$428.60

The Part D monthly premium, deductibles, copayments and coinsurance amounts vary by state plan. Compare plans and detailed cost figures at <https://www.medicare.gov/find-a-plan/questions/home.aspx>.

If your income is above a certain limit, you'll pay an income-related monthly adjustment amount in addition to your plan premium.

Part D		
File individual tax return	File joint tax return	You pay (in 2018)
\$85,000 or less	\$170,000 or less	Your plan premium (average plan premium is \$25-50)
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	\$13.00 + your plan premium
above \$107,000 up to \$133,500	above \$214,000 up to \$267,000	\$33.60 + your plan premium
above \$133,500 up to \$160,000	above \$267,000 up to \$320,000	\$54.20 + your plan premium
above \$160,000	above \$320,000	\$74.80 + your plan premium

Key decisions

Manage income sources to mitigate the impact of IRMAA on Part B and D premiums.

Maximize cash flow outside of Medicare MAGI calculation

- Health Savings Accounts (HSA)
- Roth IRAs
- Reverse mortgages
- Some life insurance and annuities

Begin IRA distributions at age 59 ½ to maximize lowest tax brackets

- Reduces future RMDs

Be aware of the effect taking IRA distributions will have on Medicare surcharges

* Source: Centers for Medicare and Medicaid Services

** Most individuals will pay \$134.00; however, individuals who are not subject to the Social Security "hold harmless" provision will pay approximately \$130.00.

*** Most current data available.