

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 a Medicare policy (Medigap) to pay for their health care expenses.

- Part A (hospital) is free for all seniors eligible for Social Security with 40 quarters of employment history. Seniors can purchase Part A if they do not qualify for free Part A coverage.
- 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 can 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 network to obtain favorable pricing. Health care provided outside of the plan network is significantly more expensive. 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

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Medicare premiums and deductibles*

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

	2021	2022
Part A		
Medicare Part A deductible for inpatient hospital stay of 1-60 days	\$1,484	\$1,556
Medicare Part A daily coinsurance for days 61-90 of hospitalization	\$371	\$389
Medicare Part A daily coinsurance for days 91-150 of hospitalization (60-day lifetime maximum)	\$742	\$778
Medicare Part A daily coinsurance for days 21-100 of extended care in a skilled nursing facility	\$185.50	\$194.50
Medicare Part A monthly premium for people with less than 40 quarters of Medicare-covered employment and certain disabled people	\$259–\$471	\$259–\$471
Part B		
Medicare Part B annual deductible	\$203	\$233
Medicare Part B monthly premium (IRMAA – Income-related monthly adjustment amount <i>premiums are based on 2020 Modified adjusted gross income (MAGI)</i>)		
Individual (2020 MAGI)	Joint (2020 MAGI)	
\$91,000 or less	\$182,000 or less	\$170.10
\$91,001–\$114,000	\$182,001–\$228,000	\$238.10
\$114,001–\$142,000	\$228,001–\$284,000	\$340.20
\$142,001–\$170,000	\$284,001–\$340,000	\$442.30
\$170,001–\$499,999	\$340,001–\$749,999	\$544.30
above \$500,000	above \$750,000	\$578.30

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 (2020 MAGI)	File joint tax return (2020 MAGI)	You pay
\$91,000 or less	\$182,000 or less	Your plan premium (average plan premium is \$25–50)
\$91,001–\$114,000	\$182,001–\$228,000	\$12.40 + your plan premium
\$114,001–\$142,000	\$228,001–\$284,000	\$32.10 + your plan premium
\$142,001–\$170,000	\$284,001–\$340,000	\$51.70 + your plan premium
\$170,001–\$499,999	\$340,001–\$749,999	\$71.30 + your plan premium
above \$500,00	above \$750,000	\$77.90 + 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

RBC Wealth Management does not provide tax or legal advice. All decisions regarding the tax or legal implications of your investments should be made in connection with your independent tax or legal advisor.