

What is Medicare?

by Connie Ward



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Medicare is a federal insurance program in the United States of America available to individuals who are 65 years of age, or older, and to younger people who have received Social Security Disability Income for at least 24 months, or have been diagnosed with ESRD (End Stage Renal Disease) or Lou Gehrigs Disease.

Medicare is composed of different parts that cover specific services. Each part has unique premiums, deductibles, and co-insurance.

Medicare Part A covers inpatient hospital stays, care in a skilled nursing facility, hospice care, and home health care.

The Part A premium depends on the number of credits an individual has earned by paying FICA (payroll) taxes, earning 1 credit for each quarter (3 months) of FICA contribution. Individuals with 40 credits (10 years) of payroll tax contribution receive their Medicare Part A for a \$0 premium. People who have less than 40 credits can purchase Part A at the rate of \$227 (2017) if they have between 30 and 39 credits, or of \$413 (2017) if they have less than 30 credits (if they are a U.S. citizen or a legal resident (green card holder) who has lived in the United States continuously for at least five years).

The Part A deductible for a hospital stay is \$1,316 (2017) per benefit period. Benefit periods begin the day you are admitted and end when you haven't gotten any inpatient hospital care (or skilled care in a SNF) for 60 days in a row. There's no limit to the number of benefit periods.

The Part A coinsurance in 2017 is \$0 for the first 60 days of each benefit period, \$329 per day for days 61–90 of each benefit period and \$658 per "lifetime reserve day" after day 90 of each benefit period (up to a maximum of 60 days over your lifetime).



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The Part A coinsurance for a Skilled Nursing Facility stay in 2017 is \$0 for the first 20 days of each benefit period, \$164.50 per day for days 21–100 of each benefit period and all costs for each day after day 100 of the benefit period.

Medicare Part B covers certain doctors' services, outpatient care, medical supplies, and preventive services.

The Part B premium is independent of FICA tax contributions, and is based on an individual's income. The standard Part B premium in 2017, for individual incomes less than \$85,000, is \$134. People with higher incomes will pay higher premiums up to \$428.60 (2017).

The Part B deductible in 2017 is \$183 per year.

The Part B coinsurance is 20% of all Part B costs.

Both Part A and Part B of Medicare have very specific enrollment periods.

The Initial Enrollment period allows for individuals to enroll in Medicare Part A and/or Part B during a 7-month period beginning 3 months prior to their 65th birthday and ending 3 months after their 65th birthday, unless they qualify earlier with a disability. Those receiving Social Security Income at least 4 months prior to their 65th birthday will automatically be enrolled in Part A and Part B. Individuals not receiving Social Security benefits can enroll online (if they intend to begin Social Security benefits at 65), or by calling social Security or by going into a local Social Security office.

Individuals covered by Employer Group Health Plans can delay their Part B enrollment until they retire, or choose to voluntarily leave their group plan.



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Individuals who delay their Part B enrollment without having other creditable coverage, such as an Employer Group Health Plan, can incur lifelong penalties depending on the length of time they lacked coverage. If a person chose not to enroll in Part A and/or Part B during their initial enrollment period, they would be eligible to enroll during the general enrollment period that runs from January 1st of every year to March 31st. Again, depending on the length of time a person goes without creditable coverage, they may incur lifelong penalties.

There are several special enrollment periods that people can qualify throughout the year revolving around life changing events like retiring, moving, being diagnosed with a qualifying chronic disease, or qualifying for low income subsidies.

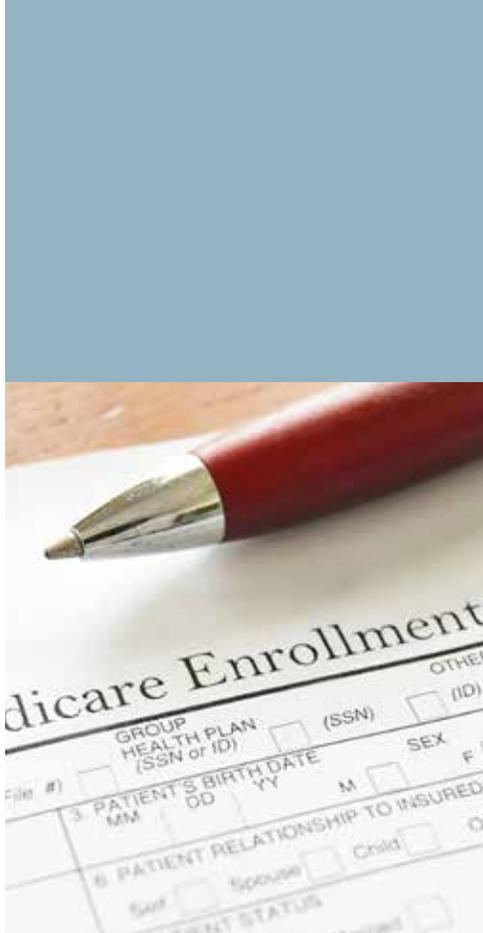
And, every year between October 15th and December 7th, Medicare beneficiaries can make changes to their Part D (prescription drug plans) and Part C (Advantage Plans), leading to the next two parts of Medicare.

Enrollment in Medicare Part A and Part B is required to participate in Part D Prescription Drug plans and Part C, Medicare Advantage Plans.

It is recommended that individuals enroll in a Part D plan, available only through a private insurance company, at the time they enroll in Part B to avoid incurring late enrollment penalties. There are numerous companies that offer a variety of Part D Prescription Drug Plans. Each plan has a unique formulary, or list of drugs, that are covered, unique premiums, unique deductibles and unique co-pays. Individuals are encouraged to research the plans available in their area to determine a good personal fit.

Medicare Advantage Plans, sometimes called “Part C” or “MA Plans,” are offered by private companies approved by Medicare. Individuals who join a Medicare Advantage Plan, still have Medicare. Their Medicare Part A (Hospital Insurance) and Medicare Part B (Medical





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Insurance) coverage is provided by the Medicare Advantage Plan and not Original Medicare. Enrollment in Advantage Plans can occur during an individual Initial Enrollment Period, after the annual General Enrollment Period or, during the Open Enrollment Period.

Medicare Advantage Plans are designed to cover the costs not covered by original Medicare (A & B) and have unique premiums, unique deductibles and unique co-pays. Some plans incorporate Part D prescription drug coverage and most include coverage for hearing and vision. Again, individuals are encouraged to research the plans available in their area to determine a good personal fit.

