**The Basics of Medicare: 2020**

**The Parts of Medicare:**

***Part A:*** Hospital Insurance: Covers inpatient hospital care, skilled nursing facilities, home health care and hospice care.

***Part B:*** Medical Insurance: Covers physician’s services (whether inpatient, outpatient or office visit), medical supplies, physical and speech therapy, diagnostic tests and durable medical equipment.

***Part D:*** Prescription drug coverage: A variety of plan options administered by private insurance companies distributed on a regional basis.

***Part C:*** This part allows for Medicare Advantage plans: These plans consolidate Parts A, B, and D under one plan. These plans are connected with a regional PPO or HMO network and administered by private insurance companies.

**What is covered by Medicare?**

Medicare has contracts with most providers. Those providers must follow Medicare guidelines for care and accept Medicare’s fee schedule. That is called taking “Medicare assignment”. There are some providers who do not accept Medicare assignment. Those providers must tell you plainly prior to treatment if they do not accept Medicare assignment. Those providers are allowed to charge whatever they want because they do not participate with Medicare.

Medicare was never designed to cover all expenses.

So Medicare does require cost sharing in the form of deductibles and coinsurance.

Medicare covers a number of preventive services.

**What gaps are there in Medicare coverage?** For 2020, the following gaps exist (this may change each year):

***Part A:*** ***Hospital stays:*** You pay $1,408 for each separate admission to the hospital. This covers up to the first 60 days of a hospital stay. For days 61 to 90, you will be responsible for $352 per day. For days 91 and after, you will be responsible for $704 per day.

***Skilled Nursing Facility stays:*** You pay $0 for the first 20 days and then you are responsible for $176 per day for days 21 through 100. There is no coverage for stays over 100 days.

***Part B:*** You pay a calendar year deductible of $198 then 20% of all charges after the deductible. There is no out of pocket limit for your share of the expense.

***Other Gaps:*** There is no coverage for dental, vision, hearing or Long-term care expenses. Do not forget that you will be responsible for amounts over Medicare’s fee schedule if you see a provider who does not take Medicare assignment.

**What happens when I turn age 65?**

* You will become eligible for Medicare on the first day of the month in which you turn 65. If your birthday falls on the first day of the month then you will be eligible for Medicare the first of the month prior to your birthday month.
* You will receive tons of correspondence in the mail urging you to take action. DO NOT PANIC!

**Medicare Process if retiring at age 65:**

* If you are receiving Social Security retirement benefits, you will be automatically enrolled in Medicare. They will send you your Medicare card 60 to 90 days prior to your 65th birthday.
* If you are not receiving retirement benefits, you may enroll in both Parts A and B on-line at [www.medicare.gov](http://www.medicare.gov). You may also enroll by calling the Social Security Administration at 800-772-1213.
* Your enrollment period will start 90 days prior to the first of the month in which you turn 65. We recommend that you start at least 60 days in advance.
* During this Initial Enrollment Period (IEP), you also have the 3 months following your birthday month to enroll in Medicare Parts A and B without penalty. However, the effective date of Part B will be delayed. Be sure that you do not have a break in coverage during this period.
* Part D enrollment is completed on-line at [www.medicare.gov](http://www.medicare.gov) after you have enrolled in Parts A and B.
* You may enroll in a supplement plan or Medicare Advantage once you enroll in A and B.
* Make sure that the termination of your existing employer plan corresponds with the start of your Medicare plans so there is no break in your coverage.

**Medicare Process if retiring *after* age 65:**

***If you are covered under a traditional plan*** (one with office visit copays and a drug card):

***Here is what you should do when you turn 65:***

* Enroll in Part A of Medicare only.
* Defer Part B until you fully retire or drop the employer coverage.
* Defer Part D until you fully retire or drop the employer coverage. **However, be sure your current Rx coverage is creditable according to Medicare standards (you will receive a note from your employer confirming this).**
* You can enroll in Part A (and defer Part B) by calling the Social Security Administration at 800-772-1213. You may call starting 90 days prior to the first of the month in which you turn 65.

***If you are enrolled in a High Deductible Health Plan and contributing to a Health Savings Account*** through your employer:

***Here is what you should do when you turn 65:***

* Do not enroll in any part of Medicare. Enrolling in any part of Medicare will **disqualify** you from contributing to a Health Savings Account
* There are two exceptions to this strategy:
  + If you or your spouse are taking Social Security Retirement benefits then you must enroll in at least Medicare Part A. Once enrolled in Part A, you may want to change to the employer’s traditional plan.
  + If your employer’s High Deductible Health Plan is not considered creditable Rx coverage, determine whether it is best to transition to the employer’s traditional plan. Part D applies a 1% premium penalty for each month you delay in enrolling in Part D if you are not enrolled in creditable coverage. You must calculate whether the tax saving advantages of a Health Savings Account outweigh the future cost of the Part D late enrollment penalty.
* You are **not** required to contact Medicare and tell them you are not enrolling.

When you finally retire:

* Contact the Social Security Administration telephonically at 800-772-1213
* You will be asked to complete a form verifying current coverage under a group health plan. Your employer will have to provide the verification.
* ***Please note***: You must cease your contributions to an HSA six months prior to your retirement date as Medicare Part A will be made retroactively effective six months prior to your requested date.