



AGING COMES NATURALLY.

DECIPHERING

MEDICARE

DOESN'T.

A FIELD GUIDE TO MEDICARE

This material is being provided to help explain Medicare in an easy-to-read format. It's for educational purposes only and is not intended to be used to promote the purchase of Transamerica's Medicare Supplement Insurance (Medigap) or Medicare Part D coverage.



TRANSAMERICA®

A photograph of a man and a woman sitting on a wooden pier or dock. The woman is in the foreground, wearing a dark grey sweater and dark pants, with her feet resting on the edge of the pier. The man is sitting behind her, wearing a dark jacket and light-colored shirt, with his hands clasped. They are both looking towards the right. The background shows a body of water and a hazy horizon. The text is overlaid on the lower left portion of the image.

**MAKE THE MOST
OF YOUR MEDICARE
BENEFITS WHILE
MANAGING
HEALTHCARE
COSTS.**



MAKE MEDICARE WORK FOR YOU

For years, you and your spouse have probably been contributing to Medicare. Now, the time is approaching when you can finally reap the rewards.

Medicare doesn't cover everything, but it does help lighten the load of healthcare costs for older Americans. This guide is meant to give an overview of how it works.

Our Field Guide to Medicare is simply designed to arm you with knowledge, so you can make informed decisions. We created this guide to help explain some of the ins and outs of Medicare. No one should be using this to try to sell you any specific insurance product.

GETTING STARTED



THIS GUIDE IS MEANT TO GIVE YOU A BASIC UNDERSTANDING OF MEDICARE

For the most complete and comprehensive information on Medicare, visit the federal government's official site, *Medicare.gov*. There, you can check out the free *Medicare & You* handbook, which is updated annually.

The nonprofit Medicare Rights Center also provides key information in a consumer-friendly way at *medicareinteractive.org*. The nonprofit *Transamerica Center for Health Studies* website also provides clear information.



WHAT'S IN THIS GUIDE:

- What each part of Medicare covers
- When to enroll to avoid penalties
- What Medicare doesn't cover
- Budgeting for your premiums
- How Medicare works with health savings accounts

GLOSSARY AT A GLANCE

Terms you may have heard.

ORIGINAL MEDICARE

Coverage managed by the federal government. You can choose this option, or you can buy a plan from a private insurer instead.

MEDICARE ADVANTAGE

Coverage that you buy from a private insurer instead of going with Original Medicare from the government.

MEDIGAP

If you go with Original Medicare, you might buy a Medigap policy (known as Medicare Supplement Insurance) from a private company to help cover copayments, coinsurance, or deductibles that aren't covered by Original Medicare. You don't have to buy this if you don't want it.

DEDUCTIBLE

The amount of costs you cover yourself before coverage kicks in.

COPAY/COINSURANCE

Your share of costs on an individual medical bill.



**MEDICARE WON'T
COVER ALL YOUR HEALTH
EXPENSES, BUT IT WILL
HELP YOU WITH SOME
OF THE COSTS.**

What's covered under Parts A, B, C, and D of Medicare

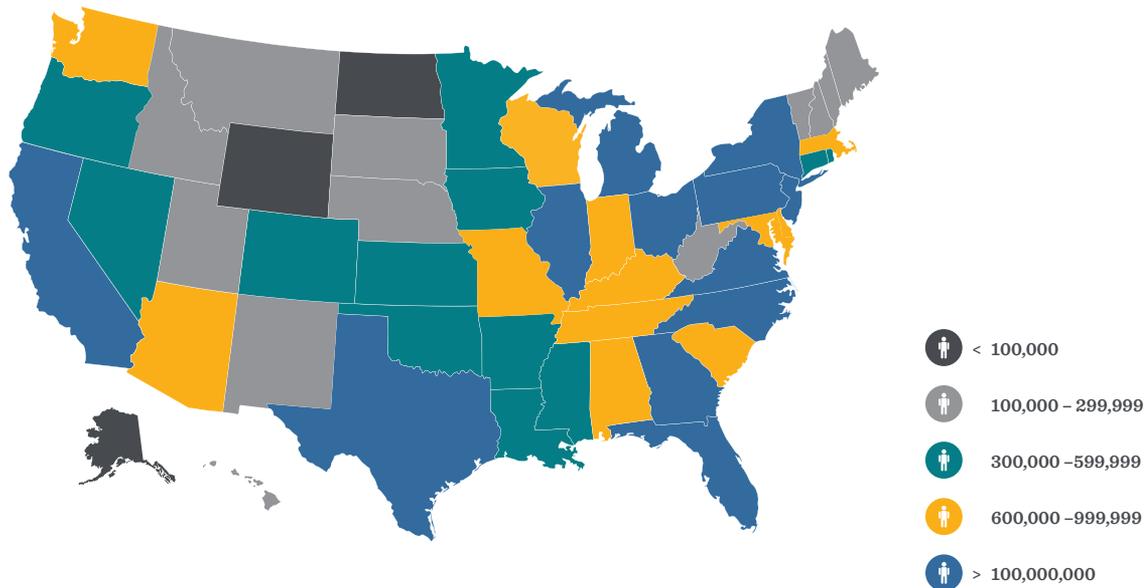
PART A

ARE IN HOSPITALS (AND OTHER MEDICAL FACILITIES)

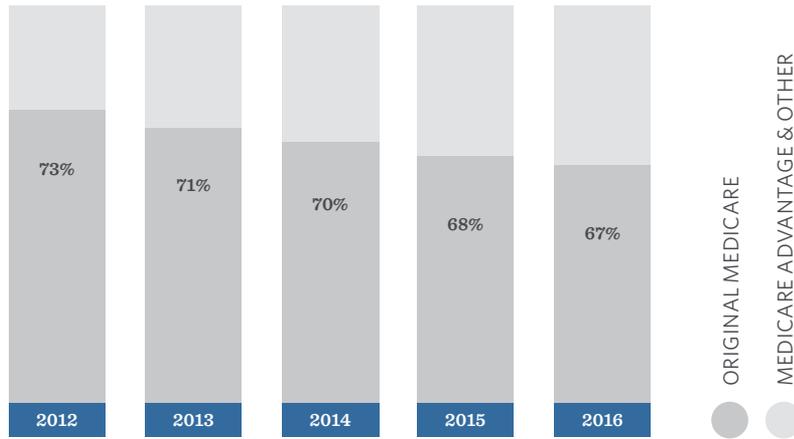
- Hospital care
- Skilled nursing facility care
- Hospice
- Home health services
- Nursing home care (though it generally won't cover custodial care, which is care that helps with the basics of daily living)

Most people don't pay a monthly premium for Part A because they've already paid Medicare taxes on their paychecks or their spouse's paychecks for at least 10 years. Otherwise, monthly premiums can be up to \$413 per month in 2017, depending on whether you have ever paid any Medicare taxes. There generally is a deductible amount to pay before Medicare steps in and covers your bill for inpatient stays in a facility. In 2017, the deductible is \$1,316 for each benefit period. (A "benefit period" starts when you are admitted as an inpatient at a hospital or skilled nursing facility and ends after you have been out of the hospital and have not received skilled care in any other facility for 60 days in a row.) You'll pay coinsurance for longer stays.

HOSPITAL/MEDICAL ENROLLMENT | JANUARY 2017



HOSPITAL/MEDICAL ENROLLMENT | TRENDS BY YEAR



CMS Office of Enterprise Data & Analytics (OEDA) March 2017

PART B

DOCTOR SERVICES, OUTPATIENT CARE, MEDICAL SUPPLIES, PREVENTIVE CARE

- Medically necessary services, including services to diagnose or treat a condition
- Preventive services such as flu shots or tests that can detect illness early on
- Ambulance service (only when other transportation could endanger your health and to the nearest appropriate facility that can give you the care you need)
- Medically necessary durable medical equipment including crutches, wheelchairs, etc.
- Mental health care in some instances
- A second opinion on surgeries deemed medically necessary

Part B premiums vary by income. Your monthly premium is typically deducted from the monthly Social Security benefits payments you receive. For 2017, monthly Part B premiums for people who enroll in Medicare for the first time range from \$134-\$428.60, though Medicare.gov says most people who are getting Social Security benefits will continue to pay less (\$109 on average). The Part B deductible is \$183 in 2017, and you typically pay 20% of costs after that.

PART D

PRESCRIPTION DRUGS

One option for getting prescription drug coverage is through Part D, offered through private companies. You don't need it right away if you have drug coverage from other sources such as an employer or union, but be sure to sign up if that coverage is ending soon. (If you don't sign up for Part D coverage once you're eligible or once your other prescription drug coverage has ended, you may be subject to a late enrollment penalty once you do sign up.)

Once you have Part D, you'll pay a premium, a yearly deductible of no more than \$400 in 2017, and copayments or coinsurance. You may have heard about the "donut hole," or gaps in coverage. Here's what the donut hole means for 2017: Once you and your plan have spent \$3,700 on covered drugs during the year, you will be responsible for 40% of the cost of brand-name drugs and 51% of the cost of generic drugs until your total out-of-pocket expenses for the year reach \$4,950. After that, your share of costs shrinks again.

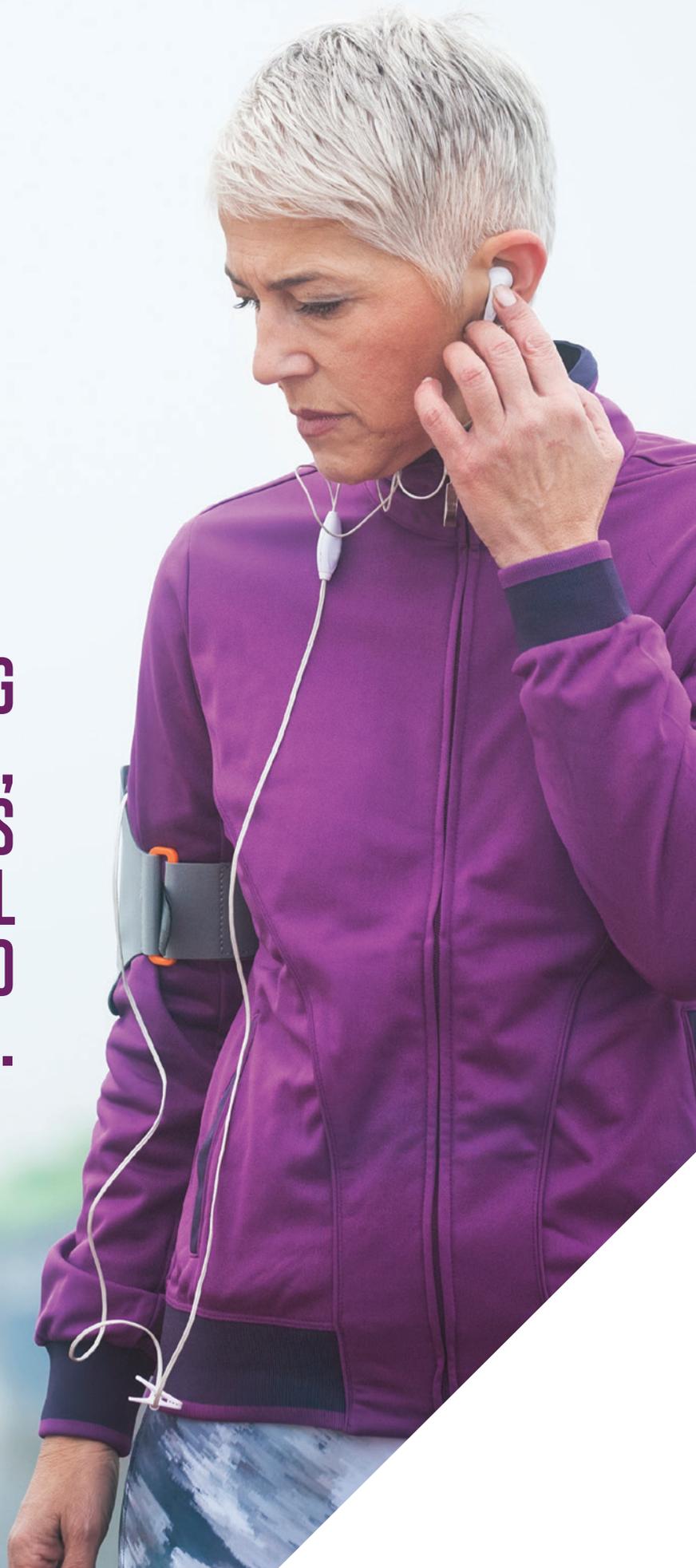
Wait, what about Part C?



PART C

Part C lets you choose coverage through private health plans – known as Medicare Advantage Plans – instead of getting Original Medicare. Medicare Advantage Plans may or may not include prescription drug coverage.

**WHEN CHOOSING
MEDICARE COVERAGE,
MAKING DECISIONS
ON TIME WILL
ALLOW YOU TO
AVOID PENALTIES.**



WHEN TO ENROLL

PART A

There's a seven-month period in which you can sign up for Medicare.

It spans three months before and three months after your birthday month. If you are working (or your spouse is) and you're covered by a group health plan, avoid penalties by enrolling within eight months beginning the month after that work ends or that group coverage ends, whichever comes first. Note that COBRA (which is continued health coverage under a group plan after a job loss, for example) doesn't count as employer coverage.

PART B

Same as Part A, but since you'll pay premiums, you might want to wait until your employer coverage ends.

You can reject your automatic enrollment in Part B by following the instructions that are mailed to you with your Medicare enrollment. Then you'll have eight months beginning the month after coverage through your employer or spouse's employer ends - or eight months after your job ends, whichever comes first - to enroll in Part B without facing penalties.

More information can be found on the Medicare.gov [When Can I Sign Up?](#) page. Medicare.gov > Sign up/change plans > When & how to sign up for Part A & Part B > When can I sign up for Part A & Part B?



PART D

Avoid penalties by making sure you don't go 63 days or more in a row without drug coverage, whether it's from a Medicare Advantage Plan, employer, union, or other provider like TRICARE.

If you don't already have drug coverage, you can enroll when you're first eligible for Medicare. The penalty for late enrollment in Part D is generally a permanent extra monthly fee. (For 2017, the penalty is equal to 0.3563 multiplied by the number of full months when you were eligible for a Medicare prescription drug plan but didn't have eligible prescription drug coverage.)



KEY ENROLLMENT PERIODS – ANOTHER CHANCE TO ENROLL (OR SWITCH COVERAGE)

PART A AND PART B:

Jan. 1–March 31 for coverage starting July 1 every year, or within eight months beginning the month after the end of employment or coverage from your employer, whichever occurs first.

PART C (MEDICARE ADVANTAGE) AND PART D:

Oct. 15–Dec. 7

MAKE A SWITCH:

You can switch from a Medicare Advantage Plan to Original Medicare Jan. 1–Feb. 14. If you take this route, you have until Feb. 14 to also join a Medicare drug plan.



WHAT YOU'LL COVER ON YOUR OWN

EXAMPLES OF WHAT ORIGINAL MEDICARE DOESN'T COVER

Long-term care

Most dental care

Routine eye exams

Hearing aids

A woman with short grey hair, wearing a blue long-sleeved athletic top and black leggings, is running on a wooden dock. She is looking to her left. The background features a calm lake reflecting the sky and surrounding greenery, with snow-capped mountains in the distance under a cloudy sky.

YOUR MEDIGAP

OPTIONS

If you opt for Original Medicare and choose to add a Medicare Supplement Insurance (Medigap) policy, there are 10 standardized types.

Find out what's covered by each type of Medigap policy on the Medicare.gov Medigap Policies page.

Medicare.gov > Supplements & other insurance > How to compare Medigap policies

BUDGETING FOR PREMIUMS

Talk to your financial professional about your gross income.

The higher your income, the more you can expect to pay in premiums for Part B and Part D. The extra amount will be deducted from your monthly Social Security payment or billed to you.

What you'll pay is determined by your Modified Adjusted Gross Income (MAGI.)

Your "modified adjusted gross income" is essentially the adjusted gross income reported on your federal income tax return from two years ago, plus any tax-exempt interest income.



Be aware that Medicare has different thresholds for MAGI than the IRS.

The IRS considers high-income earners to be people with net investment income (they have more capital gains than capital losses in a given year) and modified adjusted gross income of \$200,000 or more as an individual; \$250,000

or more as a married couple filing taxes jointly; or at least \$125,000 for married couples filing tax returns separately. (If this describes you, you owe an extra 0.9% Medicare tax that's probably already coming out of your paycheck.)

PART B			PART D	
IF YOUR MAGI FOR 2015 WAS (AS YOU REPORTED ON THE TAX RETURN YOU FILED IN 2016)			YOU PAY IN 2017	YOU PAY IN 2017
File Individual tax return	File joint tax return	File married & separate return		
\$85,000 or less	\$170,000 or less	\$85,000 or less	\$134	Your Part D premium
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	Not applicable	\$187.50	\$13.30 + your Part D premium
above \$107,000 up to \$160,000	above \$214,000 up to \$320,000	Not applicable	\$267.90	\$34.20 + your Part D premium
above \$160,000 up to \$214,000	above \$320,000 up to \$428,000	above \$85,000 up to \$129,000	\$348.30	\$55.20 + your Part D premium
above \$214,000	above \$428,000	above \$129,000	\$428.60	\$76.20 + your Part D premium



Did you know?

You and your financial professional can evaluate options for limiting your gross income. Note that some options may save you money on Medicare but divert you from your overall financial goals.

QUESTIONS YOU MIGHT CONSIDER:

- If you have a second home you plan to sell, should you sell before age 63 so it doesn't boost your gross income?
- Can you maximize contributions to a retirement account, Roth IRA, or health savings account?
- Should you consider making a charitable gift?
- Do you have any options for offsetting your capital gains?
- Do you have any tax-free income sources?

We don't give tax advice, so consult your financial professional for answers on any of these topics.

MEDICARE & YOUR HEALTH SAVINGS ACCOUNT (HSA)

Did you know?



If you have a health savings account (HSA) keep in mind that:

- Contributions to your HSA must stop once you enroll in Medicare. Premium-free Part A coverage can begin six months back from the date you apply, so Medicare.gov suggests stopping contributions to an HSA at least six months before applying for Medicare to avoid tax penalties.
- You still can use money from your HSA to pay for qualified health care expenses in retirement.

LEARN MORE ONLINE

Health care cost estimators:

healthcarebluebook.com or fairhealthconsumer.org

Medicare:

medicare.gov

Medicare Rights Center:

medicareinteractive.org



About **57,000,000**

**people are enrolled in
Medicare Part A or B**

Centers for Medicare & Medicaid Services, January 2017

For more helpful tools on preparing for a healthy and successful life, contact your financial professional for other titles in our Field Guide series.



TRANSAMERICA®

Make the most of Medicare.

To learn more about Transamerica's Field Guide to Medicare series and to get support materials:



Contact: Your Financial Professional

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