



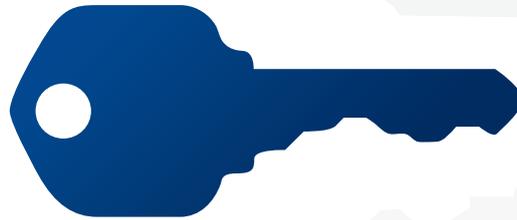
# unlocking MEDICARE

The Keys to Maximizing  
Your Benefits



Make the most of your  
benefits while managing  
health care costs.





## Make Medicare work for you.

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

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

Transamerica created this guide to help explain the ins and outs of Medicare in an easy-to-read format. It's for educational purposes only. That's it. That's all.

No one should be using this to try to sell you any specific insurance product. The Unlocking Medicare guide is simply about arming you with knowledge, so you can make informed decisions.

# Getting started

This guide is meant to give you the basics of Medicare.

For the most complete and comprehensive information on Medicare, visit the federal government's official site, [Medicare.gov](https://www.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](https://www.medicareinteractive.org). The nonprofit Transamerica Center for Health Studies<sup>SM</sup> [website](#) also provides clear information.

*[Transamericacenterforhealthstudies.org](https://www.transamericacenterforhealthstudies.org) > [Affordable Care Act Overview](#) > [Medicare Guide](#)*

## What's in this guide

- What each part of Medicare covers
- When to enroll to avoid penalties
- What Medicare doesn't cover (vision and most dental care, for starters)
- 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 does help you with  
some of the costs.



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

## Part A – Care 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 owe 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 \$411 per month in 2016, depending on whether you have ever paid any Medicare taxes.

There generally is a deductible before Medicare steps in and covers your bill for inpatient stays in a facility. In 2016, the deductible is \$1,288 for each benefit period. (A "benefit period" 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.

## 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 a disease early
- Ambulance service when you can't get to a hospital on your own (coverage is only to the nearest medical facility that can care for you)
- Medical equipment including crutches, back braces, 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 2016, monthly Part B premiums range from \$104.90-\$389.80. However the standard for new enrollees in 2016 is \$121.80, if you file an individual tax return with annual income of \$85,000 or less.

[For more details on Part B premiums, see p. 8-9](#)

## Part D – Prescription drugs

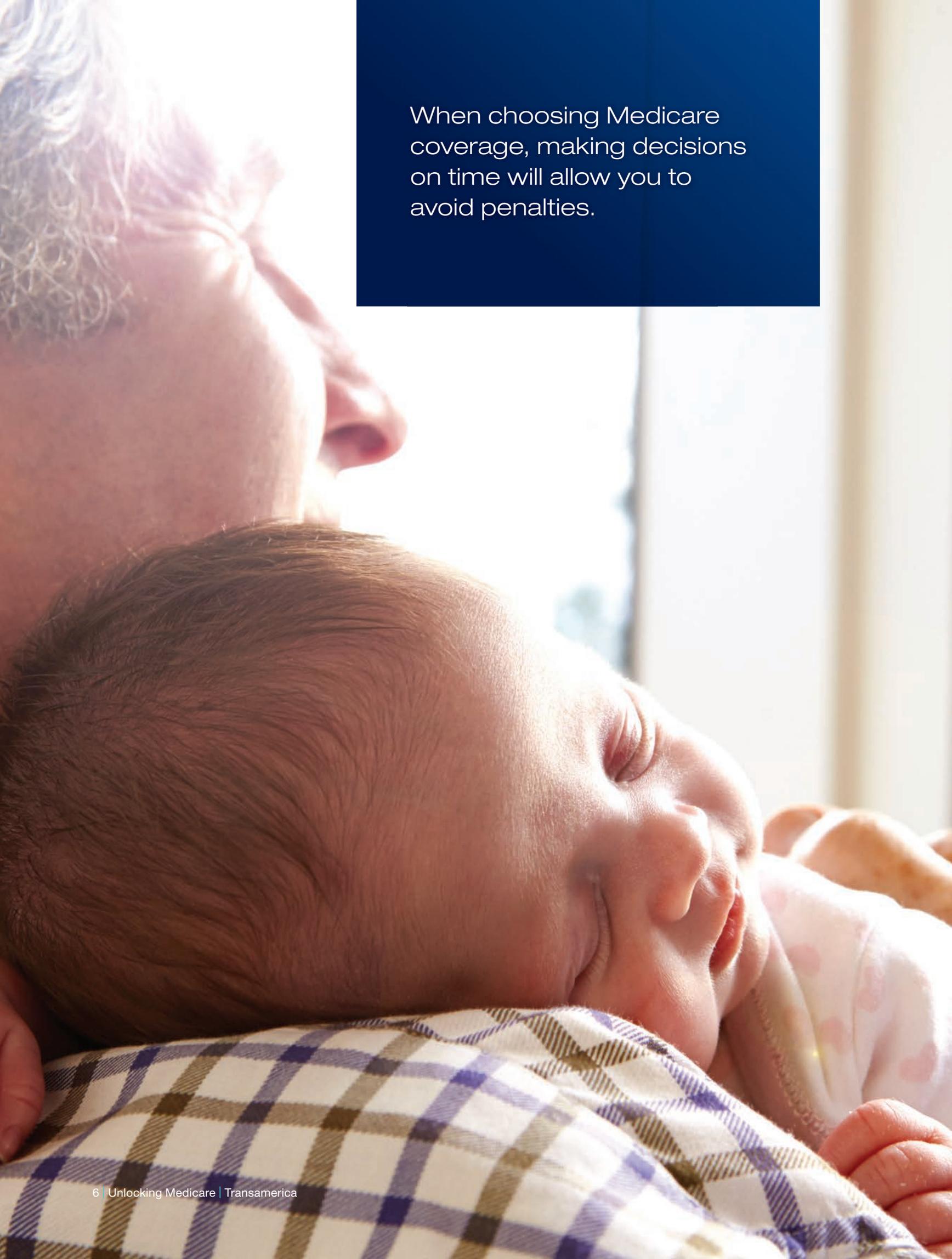
One option for getting prescription drug coverage is through Part D, offered through private companies. You don't need it right away if you have drug coverage from other sources such as an employer or union, but be sure to sign up if that coverage is ending soon.

You'll pay a premium, a yearly deductible of no more than \$360 in 2016, and copayments or coinsurance. You may have heard about the “donut hole,” or gaps in coverage. Here's what the donut hole means for 2016: Once you and your plan have spent \$3,310 on covered drugs during the year, you will be responsible for 45% of the cost of brand-name drugs and 58% of the cost of generic drugs until your total out-of-pocket expenses for the year reach \$4,850. After that, your share of costs shrinks again.

## Wait, what about 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** – You can start signing up during the seven-month period that begins three months before the month you turn 65. 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 a permanent extra monthly fee. (For 2016, the penalty is equal to 0.341 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 Medicare doesn't cover

- Long-term care
- Most dental care
- Routine eye exams
- Hearing aids

# 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*

Costs vary widely for Medigap, but the most recent data show people paid an average of \$183 per month in premiums in 2010.

Source: Kaiser Family Foundation, 2014

Please note that premium amounts may be lower or higher based on your age, state or region.

## Budgeting for premiums

### Talk to your financial advisor 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 **the most recent federal income tax return you filed**, plus any tax-exempt Social Security, interest, or foreign income you might have deducted.

# 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

If your income for 2014 was (as reported on the tax return you filed in 2015)			You pay in 2016
File individual tax return	File joint tax return	File married & separate return	
\$85,000 or less	\$170,000 or less	\$85,000 or less	<b>\$121.80</b>
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	Not applicable	<b>\$170.50</b>
above \$107,000 up to \$160,000	above \$214,000 up to \$320,000	Not applicable	<b>\$243.60</b>
above \$160,000 up to \$214,000	above \$320,000 up to \$428,000	above \$85,000 up to \$129,000	<b>\$316.70</b>
above \$214,000	above \$428,000	above \$129,000	<b>\$389.80</b>

## Part D

You pay in 2016
<b>your Part D premium</b>
<b>\$12.70 + your Part D premium</b>
<b>\$32.80 + your Part D premium</b>
<b>\$52.80 + your Part D premium</b>
<b>\$72.90 + your Part D premium</b>

## Did you know?

You and your financial advisor 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.

Options you might consider:

- If you have a second home that 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?
- Can you "harvest" losses from long-term investments to offset your capital gains?
- Should you shift some of your investments into municipal bonds?

# Medicare & your health savings account (HSA)

## Did you know?

If you have a health savings account because you had a high-deductible health insurance plan before enrolling in Medicare, keep in mind that:

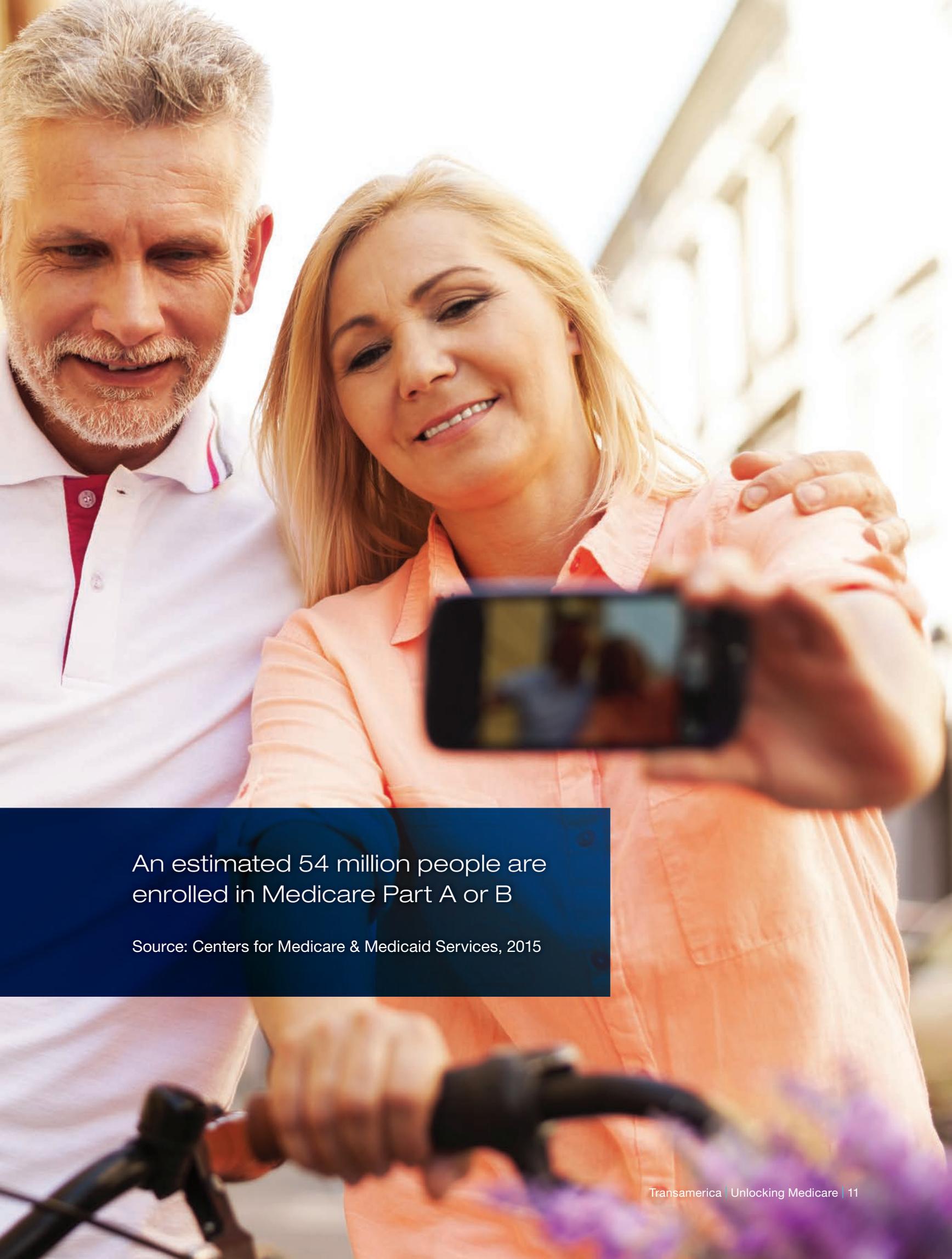
- Contributions to your HSA must stop once you enroll in Medicare. Premium-free Part A coverage can begin six months back from the date you apply, so Medicare.gov suggests stopping contributions to an HSA at least six months before applying for Medicare to avoid tax penalties.
- You still can use money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

## Helpful websites

Health care cost estimators:  
[healthcarebluebook.com](https://www.healthcarebluebook.com) or [fairhealthconsumer.org](https://www.fairhealthconsumer.org)

Medicare:  
[medicare.gov](https://www.medicare.gov)

Medicare Rights Center:  
[medicareinteractive.org](https://www.medicareinteractive.org)



An estimated 54 million people are enrolled in Medicare Part A or B

Source: Centers for Medicare & Medicaid Services, 2015

A photograph of a man with a beard, wearing a plaid shirt and a jacket, sitting in a dark plastic chair outdoors. He is holding a white mug and looking towards the right. To his left, a bicycle is leaning against a brick wall. The scene is bathed in warm, golden sunlight, with leaves and branches visible in the background, creating a peaceful and serene atmosphere.

For more helpful tools to  
live your best financial  
life, contact your financial  
professional, or visit  
[Transamerica.com](https://www.transamerica.com)



Learn more online

*Medicare.gov*

For more helpful tools to live your best financial life, contact your financial professional, or visit

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