

caring
for those
you care about

Medicare Basics: What You Need to Know

Of you're caring for a parent with Medicare, it's important that you know about this federal health insurance program. Understanding Medicare can be an overwhelming task. It is a large program with complex rules about enrollment, benefits, and out-of-pocket costs. But, by learning the program basics and knowing how to find more detailed information when you need it, you can help your parents make informed health care coverage decisions.

Basic Things to Know

Medicare is a national health insurance program that helps people age 65 and over, as well as some younger people with disabilities and people with end-stage kidney disease or Lou Gehrig's disease (ALS), pay for their health care.

Like most other insurance, Medicare does not pay for all your health care costs. You're responsible for paying for the costs that are not covered, such as deductibles, premiums, coinsurance, or co-payments. Medicare also doesn't pay for long-term care, such as custodial care (e.g., help with bathing and dressing) or an extended stay in a nursing home. There are other services that Medicare does not cover, such as health care when you travel outside the country, which is why some people choose to buy additional coverage.

You have a choice of how you get Medicare. You can get Medicare through the Original Medicare Plan, Medicare Advantage Plans (like an HMO), and you can also choose a plan that helps with prescription drug coverage. Medicare has several different plan options. Your decisions about which plan you choose are important because they affect how much you pay for your health care and what is covered.

- **Original Medicare**, also known as traditional Medicare, is a fee-for-service health plan. Under this plan, you can choose any doctor or hospital that accepts Medicare.

Original Medicare consists of **Part A** (Hospital Insurance) and **Part B** (Medical Insurance). Part A helps pay for inpatient hospital care, limited nursing home and home health care, and hospice care. Part B helps pay for doctor visits, some outpatient home health care, medical equipment, some preventive services, outpatient hospital care, rehabilitation therapy, laboratory tests, x-rays, mental health services, ambulance services, and blood.

There are usually no premiums to pay for Medicare Part A. This is because most people pay Medicare taxes while they are working, but there is an

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annual deductible and coinsurance payments. Coverage for Part B is optional. There is a monthly premium for Part B, plus an annual deductible and a coinsurance payment of 20 percent of approved charges. Some people wait to sign up for Part B, but those who wait may have to pay a late enrollment penalty if they enroll after the period when they are first eligible.

Original Medicare pays for many health care services and supplies, but it does not cover all of your health care costs. To get drug coverage under Original Medicare (also known as **Part D**), you must also choose and join a Medicare-approved private drug plan.

Who is eligible? U.S. citizens or permanent residents who have paid the Medicare payroll tax for at least 10 years of their work life or have met other specific requirements. Once you turn 65, you're automatically enrolled in Medicare Parts A and B if you are receiving Social Security or Railroad Retirement benefits. If you've decided not to receive Social Security benefits at or before 65, you'll need to file an application for Medicare.

- **Medicare Advantage Plans** are alternatives to Original Medicare. They are also known as Medicare Health Plans or Medicare **Part C**. Examples of Medicare Advantage plans include Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs) and Private-Fee-For-Service (PFFS) plans. Each type of Medicare Advantage plan differs, although they do have certain features in common.

Medicare Advantage plans are run by private companies. The private company decides the rules for covering benefits and payments. Each year, the company can change benefits, premiums and other costs. Plans may vary widely. In most Medicare Advantage plans, you can only go to doctors, specialists, and hospitals on the plan's list. Some plans will allow you to go outside of the network, but going out of network usually means that you will have higher out-of-pocket costs. Most Medicare Advantage plans offer at least one plan with drug coverage. If you enroll in a Medicare Advantage plan without drug coverage, you may also enroll in a private Medicare-approved drug plan.

Who is eligible? People enrolled in both Medicare Part A and Part B. Enrollment in a Medicare Advantage is optional. You must choose and join a Medicare Advantage plan. Each year, you can decide whether to stay in your current plan, switch to another Medicare Advantage plan, or return to Original Medicare. People with end-stage kidney disease are not eligible to enroll in a Medicare Advantage plan.

- **Medicare Prescription Drug Coverage** is insurance that helps reduce the costs of prescription drugs. This insurance coverage is known as **Part D**. Medicare Part D is run by private companies that have been approved by Medicare to offer prescription drug coverage. There is no single Medicare drug plan. Wherever you live, you will have several plans to choose from. The benefits and costs will vary among sponsors and drug plans. Medicare drug plans are not

required to cover every prescription drug, but they must provide choices within each category of drugs. They do not cover over-the-counter medicines. Like other insurance, Part D plans have premiums, co-payments and/or coinsurance, and sometimes deductibles. The costs will depend on what drugs you take and which plan you choose.

Who is eligible? Everyone with Medicare can get drug coverage, regardless of income. Enrolling in Part D is optional. You must choose and join a Part D plan to get coverage. But if you do not join a Part D plan when you are first eligible, you will pay a late enrollment penalty in the form of higher premiums unless you have other drug coverage that is at least as good as Medicare's standard coverage.

Paying for Medicare

- **Medicare Part D Extra Help Program** helps people with Medicare who have limited incomes and resources pay for most of their Medicare Part D premiums, co-payments, and deductibles. It also provides continuous drug coverage throughout the year. If you are enrolled in Medicaid, Supplemental Security Income (SSI), or a Medicare Savings program, you will automatically get Extra Help with paying for Part D. Otherwise, you will need to first apply for Extra Help and then enroll in a private Medicare-approved prescription drug plan.
- **Medicare Savings Programs** help pay out-of-pocket Medicare costs for people with Medicare who have

limited incomes and resources (assets). The programs are known as the Qualified Medicare Beneficiary (QMB), the Specified Low-Income Medicare Beneficiary (SLMB), and the Qualifying Individuals (QI). The QMB program will pay for Medicare premiums, deductibles, and coinsurance for eligible people who qualify for Part A. It will also pay for the annual Part B deductible and the 20 percent coinsurance costs. If your income is too high to qualify for QMB, you may be eligible for SLMB or QI, which pay for the Part B monthly premium only.

- **Medigap** or Medicare Supplemental insurance pays for some of the health care services and supplies not covered by Original Medicare such as your share of doctor and hospital services. Medigap insurance is sold by private companies.
- **Other Ways to Pay for Health Care Costs**, in addition to Medicare, may include employer retiree health care, union health coverage, veteran's benefits, military retiree benefits (TRICARE), Federal Employee Health Benefits Program (FEHB), and long-term care insurance.

It is very important to discuss your health care choices with your employer health plan administrator before making any changes to your existing coverage.

■ **Resources:**

Benefits QuickLINK is an AARP online search tool that helps people find out if they may qualify for a wide range of benefits and services. Go to www.aarp.org/quickLINK.

Your local Social Security Administration office can help you sign up for Medicare and provide you with information on the program. Medicare has a toll-free help line you can call at 1-800-MEDICARE (1-800-633-4227) or TTY 1-877-486-2048 (hearing and speech impaired). You can also visit Medicare's website at www.medicare.gov.

Your State Health Insurance Assistance Program (SHIP) provides free, unbiased information and help with health insurance questions. To find your state SHIP, call Medicare at 1-800-633-4227 or go to www.shiptalk.org. (The SHIP program may have a different name in your state.)

If your income is limited, your state Medicaid office can tell you whether you qualify for help in paying for health care or prescription drug costs. To find your local office, look in the government section or blue pages of your telephone book.

For help enrolling in the Part D Extra Help program, call the Social Security Administration at 1-800-772-1213 or visit www.socialsecurity.gov/prescriptionhelp.

Some states also provide help in paying for prescription drugs. To find out whether your state has a program, call your local SHIP or go to Benefits QuickLINK at www.aarp.org/quickLINK.

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