

# Medicare: **What You Need To Know**

Choose the plan that's right for you

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Choosing a Medicare plan is a lot like buying a car. There are lots of options to consider. And what’s right for you may not be right for your friend or neighbor or even your spouse. So as you read through this booklet, keep in mind that the goal is not just to choose the best Medicare plan but to choose the best plan for you.

We hope this guide will help. Inside you’ll find great information about all the things you’ll need to consider so you can choose a plan with confidence. You’ll find definitions of common terms you’ll need to understand, and lots of other resources that will help take some of the mystery out of the Medicare enrollment process.

So, just like when you’re shopping for a car, think about what you personally need to feel good about your choice. Then, whether you choose an Original Medicare plan, add Medicare Supplement insurance to Original Medicare or select a Medicare Advantage plan, you can feel confident that you’ve made the choice that’s right for you.

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### Let's start with the basics.

#### What exactly is Medicare, anyway?

- Medicare is the largest health insurance program offered by the U.S. government, serving more than 49 million people. It's run by The Centers for Medicare and Medicaid Services (CMS), part of the U.S. Department of Health and Human Services.
- Medicare is divided into Parts A, B, C and D. Parts A and B are called "Original Medicare."
- Medicare covers Americans 65 and older and those who qualify due to a disability.

While being "eligible" means you may enroll in Medicare, there are strict rules regarding when you can enroll. At age 65, you're eligible for Parts A and B, even if you still work. You may be eligible for Medicare because your spouse is a "qualified wage earner," i.e., someone who worked for 10 years and had Social Security taxes withheld. You may also qualify for Medicare Parts A and B if you're under 65 and have a disability.

You've probably already paid for Part A through paycheck deductions during your working years. Keep in mind, some people have to sign up for Part A and may have to pay a premium. Also, most Medicare recipients have to sign up and pay a monthly premium for Part B when they turn 65. If you have health coverage through your employer you should check with your employer to find out if that coverage works with Medicare.

You can verify your Medicare-eligibility status by visiting **[www.medicare.gov](http://www.medicare.gov)** or calling **1-800-MEDICARE (1-800-633-4227)** 24 hours a day, seven days a week. If you use **TTY**, call **1-877-486-2048**.

Here’s a quick overview of the different parts of Medicare and what they cover.

What it’s called	Who offers it	What it is
<b>Medicare Part A</b> hospital insurance	The federal government	Part A helps cover your care when you’re admitted to a hospital or skilled nursing facility. It also helps cover hospice care and home healthcare.
<b>Medicare Part B</b> medical insurance	The federal government	Part B helps cover doctor’s visits and outpatient care. It also helps pay for services Part A doesn’t cover like some occupational and physical therapy services and some home healthcare. Part B also covers some preventive services.
<b>Medicare Part C</b> Medicare Advantage (MA)	Health insurance companies	Part C covers everything Parts A & B cover. It often covers other services like wellness programs.
<b>Medicare Part D</b> Medicare Prescription Drug Plan	Insurance companies and other private companies	Part D is optional prescription drug coverage for people with Medicare. You aren’t required to have Part D.

Remember, there is no “one-size-fits-all” plan – but that’s a good thing because we all have different needs and different resources available to us.

**Medicare currently covers more than 49 million people. The Centers for Medicare & Medicaid Services (CMS) sets aside specific time periods when you can enroll each year.**

### When you become eligible for Medicare

#### **Initial Enrollment Period (IEP)**

- Three months before you turn 65
- The month you turn 65
- Three months after you turn 65

### If selecting a Medicare Supplement insurance plan

#### **Medicare Supplement Open Enrollment Period**

- It starts on the first day of the month in which you turn age 65 or with your Part B effective date. You must be enrolled in both Medicare Parts A and B to be eligible.

Medicare Supplement Open Enrollment Period lasts for six months. The best time to purchase a Medicare Supplement plan is during the Open Enrollment Period. Some states have additional open enrollment periods including those for people under 65.

There are also several situations that may guarantee a Medicare Supplement plan is available to you if certain criteria are met. During these periods, an insurance company can't use medical underwriting.

## Every year after you first become eligible

### **Pre-Enrollment Period - Oct. 1 – Oct. 14**

During this period, people eligible for Medicare can find out about what products will be offered during the Annual Election Period.

### **Annual Election Period (AEP) - Oct. 15 – Dec. 7**

From Oct. 15 to Dec. 7, you can enroll in a Medicare Advantage or Prescription Drug plan for the next calendar year.

### **Annual Disenrollment Period - (ADP) Jan. 1 – Feb. 14**

During this time, people who have a Medicare Advantage plan can disenroll and return to Original Medicare. They may then also enroll in a stand-alone prescription drug plan if they choose. However, they can't select another Medicare Advantage plan at this time.

### **Feb. 15 – Oct. 14**

Generally, you can only make changes if you qualify for a special exception.

You can purchase a Medicare Supplement plan any time during the year, although some restrictions may apply outside of the Medicare Supplement Open Enrollment Period.

## If you qualify for Medicare because of an exception

### **Special Election Period (SEP)**

This period is based on certain conditions. Some exceptions include moving from your plan's service area or having Medicaid coverage. If you qualify for a special election, you can enroll in a Medicare Advantage plan – even between Feb. 15 and Oct. 14.

### Your Medicare options

So, now that you know what Medicare is and when you can enroll in it, let's get down to the details. There is a lot to consider but remember, it's kind of like buying a car. But instead of a sunroof or power windows, think prescription drug coverage or dental benefits. Think about what you want and need most from your plan and then choose the coverage that's right for you.

#### It's your choice

Original Medicare – Parts A and B – cover much of the medical care you need, but not all of it. Also, you'll have to pay a deductible and coinsurance when you use Part A and Part B services. That's why many people buy coverage with benefits beyond those included in Original Medicare.

**Most people get their Medicare coverage in one of these two ways:**

#### Original Medicare for Part A and Part B

+

“Stand-alone”  
prescription drug plan  
from a private company

+

Medicare Supplement  
insurance from a  
private company

OR

#### Medicare Advantage from an insurance company, which includes Part A and Part B

These plans often include:

- Extra benefits and services at no extra cost
- Prescription drug coverage as part of the plan

## Things to consider

Now that you know a little bit more about how Medicare works, think about the following issues as you consider your options:

**Cost** – How much will you pay for premiums, deductibles, coinsurance, and copayments?

**Benefits** – Does the plan include prescription drug coverage or other additional benefits you need?

**Doctor and hospital choice** – Do the doctors, hospitals, pharmacies, and other providers you prefer accept the plan?

**Convenience** – Does the plan require you to complete claim forms or other paperwork? Are providers who accept the plan nearby? Can you get prescription or specialty drugs through the mail? What about diabetic supplies?

**Your healthcare history** – How often have you needed care over the past few years? Are you fairly healthy or do you have a chronic condition that requires ongoing care? Do you anticipate that your health care needs will grow or stay about the same in the near future?

**Your healthcare future** – Even if you don't spend a lot on prescription drugs now, you may in the future. That's when Medicare Part D can help cover the cost of prescription drugs.

**Are you comfortable with the coverage provided by Medicare Part A & Part B? Are you able to pay a separate premium for added benefits?** A Medicare Supplement plan may help cover some unexpected healthcare costs, like a long-term hospital stay. You may pay an extra premium for these plans, but you'll know you'll have coverage in times of need.



### Factoring in costs for coverage

**Medicare Part D prescription drug coverage and Medicare Supplement insurance have separate premiums from Original Medicare.**

These premiums are in addition to any Original Medicare-applicable premiums such as those for Parts A and B. Most people with a Medicare Advantage plan pay the plan premium in addition to the Medicare Part B premium. Your costs will differ depending on the coverage you choose and services you use.

Whether you stay with Original Medicare or select a Medicare Advantage plan, you'll have coverage for routine services covered by Original Medicare. You'll also have coverage for services that Medicare considers medically necessary.

See page 13 for important information about Special Needs plans for Medicare members with chronic illness such as diabetes or COPD.

**Remember:**

**Original Medicare = administered by the federal government**

**Medicare Advantage = administered by private insurers under contract with the federal government**

If you choose a Medicare Advantage plan, you never “lose” your Medicare coverage. In fact, you remain a member of the Medicare program. You simply choose to receive your inpatient and outpatient Medicare benefits through a private insurance company and have the option to pay an additional plan premium for managed care and additional coverage.

**Note:** You must have both Medicare Parts A and B to join a Medicare Advantage plan.

## What to know when considering Medicare Advantage instead of staying with Original Medicare

Medicare Advantage plans usually include extra benefits and services and can reduce out-of-pocket costs. For example, some Medicare Advantage plans include:

- Fitness programs
- Gym membership
- Mail-order pharmacy access
- Health education programs
- A nurse advice hotline

In addition, many Medicare Advantage plans have optional supplemental benefits. These extra benefits let you customize your insurance to meet your needs. For example, you could add dental or vision coverage. There's an added cost for optional supplemental benefits.

Types of Medicare Advantage plans include:

- **Health Maintenance Organization (HMO)** – a primary care physician arranges your healthcare within the plan's network
- **Preferred Provider Organization (PPO)** – choose any provider, but you'll probably pay less for in-network services
- **Private-Fee-for-Service (PFFS)** – more freedom to choose providers may be available but a network arrangement may still apply

### **Medicare Part D - Prescription Drug Coverage**

You may want to consider prescription drug coverage because it's often a vital part of a healthcare plan. That's why the following pages focus on Medicare Part D. Use the information to help you decide if a prescription drug plan meets your needs.

Part D coverage is only available from private companies contracted by the federal government. By law, all Part D plans must offer at least the basic benefits required by Medicare.

#### **You usually choose Part D in one of two ways:**

- A “stand-alone” insurance plan you buy to cover medicines when you have Original Medicare or when you pair Medicare Supplement insurance with your Original Medicare
- As part of a Medicare Advantage plan

If you enroll in a Medicare Advantage plan with prescription drug coverage, you don't need to sign up for a stand-alone prescription drug plan. If a Medicare Advantage plan you want doesn't include Part D, you may be able to choose a plan that does.

The list of medicines a Medicare prescription drug plan covers is called a formulary. The formulary must include some of the most-prescribed medicines for people with Medicare. Each private plan covers a specific list of medicines. Choose your plan carefully to make sure it covers medicines you use regularly.

Part D plans can offer more benefits, but they all must meet the minimum requirements listed below.

	2014 Basic	You Pay	Total Cost
<b>Deductible</b>	\$310	100% of first \$310 in Rx cost	\$310
<b>Initial Coverage Limit</b>	\$2,850	25% of the next \$2,540 (\$635) in Rx cost	\$635
<b>Coverage Gap</b>	\$3,605	47.5% of brand-name and 72% of generic drugs of the next \$3,605	\$3,605
<b>Annual Out-of-Pocket Amount</b>	\$4,550*		
<b>Catastrophic Coverage</b>	Medicare and Plan cover 95%	\$2.55 for generic / preferred multi-source drug and \$6.35 for all other drugs; OR 5% coinsurance, whichever is greater	

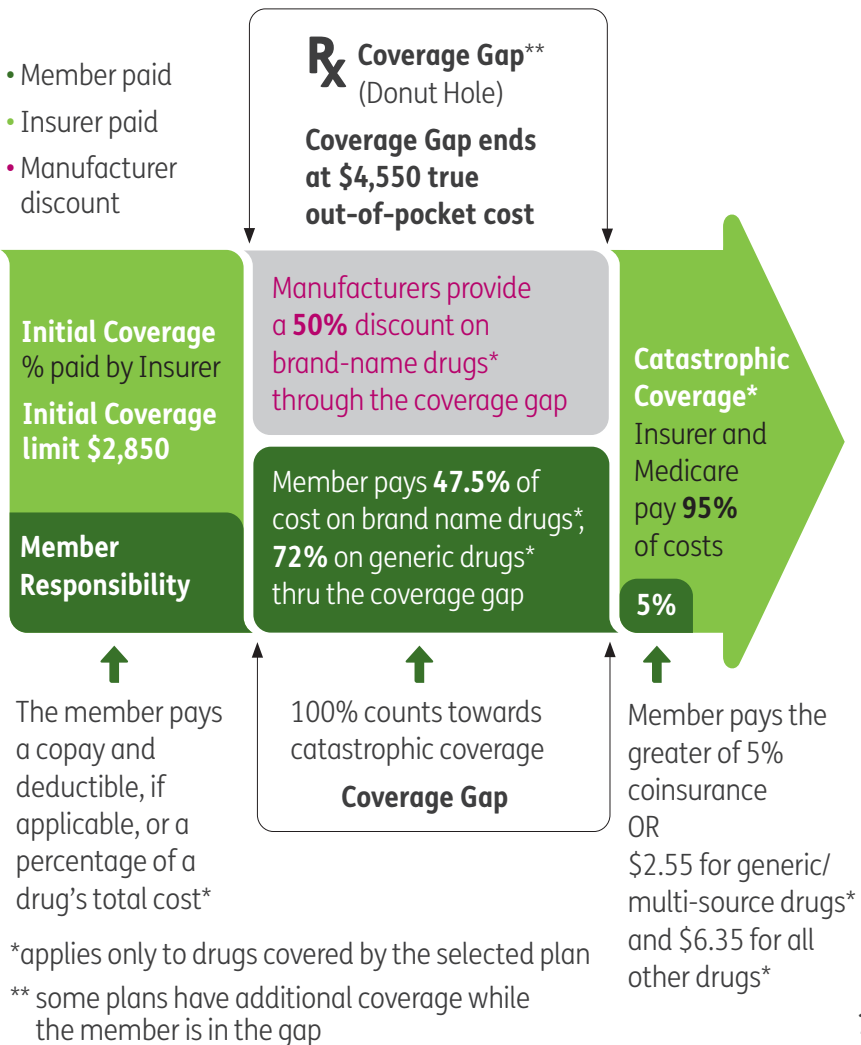
\* Annual out-of-pocket amount does not include monthly premiums.

## Coverage gaps and donut holes (oh my!)

It's called the "coverage gap" because your plan provides only partial coverage between \$2,850 and \$4,550.

### It's a little confusing but here's how it works:

Some Part D plans provide additional coverage when you're in the coverage gap. So, if you use a lot of prescription medicines, you'll probably want to think about such a plan.



**What happens if I don’t sign up for Part B or Part D when I first become eligible?**

If you don’t sign up when you’re first eligible, you may have to pay a penalty for Parts B or D. If you are still working, talk with the person in charge of benefits at your company or group.

If you plan to work after age 65, that person can help you decide whether to keep your current health plan or switch to a Medicare plan. Medicare Parts B and D are optional. However, waiting to sign up can affect your costs down the road, if your reason for delaying coverage does not meet the qualifications below.

	<b>No penalty:</b> Qualified reasons for delaying your enrollment	<b>Penalty:</b> If you delay and aren’t qualified to delay
<b>Part B</b>	If you have group health insurance	You may have to pay a higher monthly premium for the life of your Part B coverage
<b>Part D</b>	<ul style="list-style-type: none"><li>• If you have “creditable coverage” (see glossary) for prescription drugs</li><li>• if you qualify for a low-income subsidy</li></ul>	You may have a late-enrollment penalty added to your premium each month as long as you have Part D coverage

If you qualify, you can delay signing up for Medicare without a penalty. To find out more, visit [www.medicare.gov](http://www.medicare.gov) or call **1-800-MEDICARE (1-800-633-4227)** 24 hours a day, seven days a week. If you use **TTY**, call **1-877-486-2048**.

### Special Needs Plans

In some areas, you may be able to get a Medicare Advantage Special Needs Plan (SNP). These plans offer benefits, providers, and drug lists designed to meet the specific needs of the groups they serve.

To join a Medicare-approved Special Needs Plan, you must have Medicare Parts A and B.

Also, **at least ONE** of the following must apply to you:

- You have a chronic illness like diabetes or a heart condition that is diagnosed and verified by a physician
- Your primary residence is a long-term care facility
- You are eligible for Medicare and you receive Medicaid assistance from the State – premium, co-pays, and deductibles may vary based on income

**Medicare Advantage Special Needs Plans include all Medicare Part A and Part B benefits, as well as:**

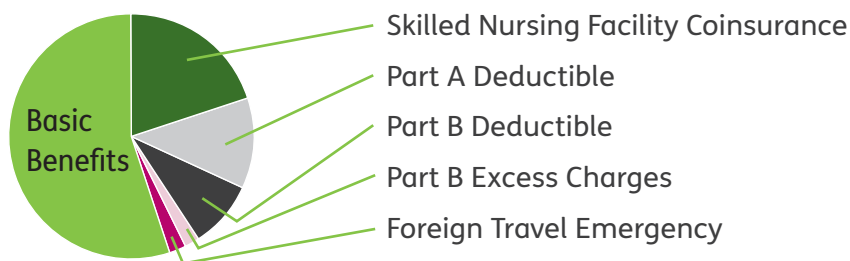
- Access to proactive programs focused on supporting your specific condition
- Additional benefits and services targeted to members with special healthcare needs
- Help paying for Medicare if you qualify for both Medicare and Medicaid

## Medicare Supplement Insurance plans – a valuable option to consider

Medicare Supplement insurance plans – sometimes called “Medigap plans” – are health insurance policies sold by private insurance companies. They’re designed to help with some costs Original Medicare doesn’t cover.

Medicare beneficiaries may select a Medicare Supplement plan because costs can be more predictable and there is not a specific network of providers you are required to see to receive care.

**Each Medicare Supplement plan has a unique combination of benefits including some or all of the following:**



- **Basic benefits** – Covering your costs towards: hospitalization, medical expenses, blood and hospice care
- **Skilled nursing facility coinsurance** – you must meet Medicare’s requirements, but then you only pay a coinsurance based on how many days you’ve been in the facility
- **Part A deductible** – defined deductible for each benefit period
- **Part B deductible** – one deductible a year
- **Part B excess charges** – providers may bill above or in excess of normal Medicare coinsurance for Medicare-approved Part B services. This benefit covers those charges
- **Foreign Travel Emergency** – emergency care services beginning during the first 60 days of each trip outside the U.S.



## Your Medicare options

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\*\*Annual maximum out-of-pocket limit applies

If you want guidance in choosing the right Medicare plan for you, here are some helpful resources:

### **Medicare**

Medicare has many resources to help you choose the Medicare coverage that's right for you. One resource is the *Medicare & You* handbook, which gives you detailed information about Medicare. People with Medicare receive this booklet in the mail each fall. To get a copy, visit [www.medicare.gov](http://www.medicare.gov).

### **Need more information on Medicare Supplement plans?**

See the publication *Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*, developed jointly by the Centers for Medicare & Medicaid Services and the National Association of Insurance Commissioners. To view a copy, visit [www.medicare.gov](http://www.medicare.gov).

### **Concerned about paying for Medicare coverage?**

If you have limited income and resources, you may be able to get extra help paying for your Medicare health coverage, Part D drug coverage, or both. To find out if you qualify, contact your state Medicaid office. If you prefer, call the Social Security Administration at **1-800-772-1213 (TTY: 1-800-325-0778)**. Hours are 7 a.m. - 7 p.m., Monday - Friday.

### **Extra help in the coverage gap**

If you qualify for extra help, the amount you pay for generic and brand-name drugs usually does not change in the coverage gap.

## State Health Insurance Assistance Programs

Every state has a State Health Insurance Assistance Program (SHIP). Trained volunteers provide free counseling to people with questions about benefits and claims, supplement policies, long-term care coverage and other insurance-related issues.

These volunteers don't provide legal advice. They also won't sell, recommend, or endorse any specific insurance product, agent, or insurance company.

If you want to know more about your state's SHIP or you want to contact a SHIP counselor in your area, visit [www.shiptalk.org](http://www.shiptalk.org) for details.

## Consider sharing your information with a trusted family member or caregiver

Many people trust someone else to help make healthcare decisions. For instance, a spouse, sibling, grown child, or close friend may help you:

- Talk with your insurance carrier
- Keep track of your benefits and claims
- Figure out healthcare information

Insurers sometimes call this person a “caregiver.” To share your health plan information with this person, insurers first need your permission.

To give your permission, you'll need to read and sign a consent form. This consent allows insurers to not only share health plan information such as claims and coverage but also personal health information such as test results with your caregiver. It's different from granting medical power of attorney, which allows someone to make decisions about your care.

## Putting it all together

### What to do next

Before you make a decision about your Medicare coverage, think about what's most important to you. Here are some points to consider:

- **Cost** – How much will you pay out of your pocket for premiums, deductibles, coinsurance, and copayments? Review your budget to make sure you choose a plan you can afford.
- **Employer plans** – Your current or former employer may sponsor a Medicare plan. If so, it could save you money. Check with your employer to see if a plan is offered – and if it fits your needs.
- **Coverage** – Does the plan include the benefits you want most? Consider your healthcare and prescription drug needs to find the plan that's right for you.
- **Prescription drug coverage** – What medicines do you take? Make a list so you'll know what you'll pay and if the plan covers the drugs you need.
- **Convenience** – Will you have to complete claim forms or other paperwork? Will you be able to get healthcare services close to home? Answering these questions now could save you headaches in the future.
- **Doctors and other healthcare providers** – Do the doctors, hospitals, and other providers you use accept the plan? Being familiar with the doctors, staff and places you use for healthcare can make your healthcare experience better.
- **Special Needs Plan** – Do you have a chronic condition – like diabetes – that requires special providers, drugs, or other services? If so, you should see if a Special Needs Plan is available in your area.

- **Extra benefits** – Does the plan include a fitness program? A nurse hotline? Are you willing to pay extra for additional coverage? Does your plan provide resources to those who assist with your care? Does the plan include dental or vision care discounts? Base your decision on what's important to you and fits your lifestyle.
- **Compare** – Need to know what plans are available to you? Want to know how they compare to each other? You can find all this and more at [www.medicare.gov](http://www.medicare.gov).



## Glossary

- **Annual Election Period (AEP)** – From Oct. 15 through Dec. 7, people who are Medicare-eligible can enroll in, disenroll from, or change to the Medicare Advantage or Medicare Prescription Drug Plan of their choice for the following year.
- **Coinsurance** – A percentage of your medical and drug costs that you pay out of pocket.
- **Copayment** – The fixed dollar amount you pay when you receive medical services or have a prescription filled.
- **Creditable coverage** – Health coverage you had in the past that gives you certain rights when you apply for new coverage.
- **Deductible** – The amount you pay for medical services or prescriptions before your plan pays for your benefits.
- **Formulary** – Also called a “drug list,” the formulary lists the drugs your plan covers. It’s often divided into sections – or “tiers” – based on the amount your plan will pay for the drugs in that group.
- **Health Maintenance Organization (HMO)** – generally, a primary care physician arranges your healthcare within the plan’s network.
- **Initial Enrollment Period (IEP)** – When you’re eligible to sign up for Part A and/or Part B for the first time.
- **Mail-order pharmacy** – order through a mail-order pharmacy and have your maintenance or specialty medicines and diabetic supplies delivered to your home. Using a mail-order pharmacy may help you stay on track with your doctor’s orders since you’ll receive up to a 90-day supply and regular reminders when it’s time to refill.

- **Medically necessary** – Medicare defines this as services or supplies needed for the diagnosis or treatment of a medical condition. These services and supplies must meet the standards of good medical practice in the local area and can't be mainly for the convenience of you or your doctor.
- **Network** – A group of healthcare providers that has agreed to provide care based on a plan's terms and conditions. These providers include doctors, hospitals, and other healthcare professionals and facilities.
- **Out-of-pocket costs** – Anything you pay out of your pocket for medical care, prescriptions, and other healthcare services. These include coinsurance, copayments, and deductibles.
- **Original Medicare** – Original Medicare is the traditional fee-for-service program offered directly by the federal government and the federal government pays directly for your healthcare. You can see any doctor who takes Medicare anywhere in the country.
- **Preferred Provider Organization (PPO)** – This type of health plan gives you freedom to choose your own doctors and hospitals. However, your out-of-pocket costs are usually lower if you choose healthcare providers in the plan's network.
- **Premium** – What you pay Medicare or a health plan for healthcare coverage.
- **Private-fee-for-service plan (PFFS)** – Requires the member to find doctors, hospitals, and other types of providers that accept the plan's payment terms. Some PFFS plans have a network of providers; you can still see out-of-network providers that accept the plan's payment terms, but you may pay more.
- **Special Needs Plan (SNP)** – Plans that offer benefits, providers, and drug lists designed to meet the specific needs of the groups they serve. People with chronic conditions – like diabetes or heart conditions – or are dually eligible for Medicare and Medicaid, often have this type of plan.

Remember you can review your healthcare needs and change your Medicare Advantage or prescription drug plan between Oct. 15 and Dec. 7, 2013

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