



The Essentials of Medicare

The Key Wealth Institute is a team of highly experienced professionals representing various disciplines within wealth management who are dedicated to delivering timely insights and practical advice. From strategies designed to better manage your wealth, to guidance to help you better understand the world impacting your wealth, Key Wealth Institute provides proactive insights needed to navigate your financial journey.



As we approach age 65, most of us will confront the task of navigating Medicare's alphabet soup of options. And we may be even more confused by the dizzying array of television commercials, emails, and unsolicited phone calls that offer health care nirvana if only you'll dial their 1-800 number.

We'll use the experience of a real-life professional couple to help lead you through this maze. But first, let's define what all those letters mean.

There are four essential parts of Medicare:

- **Part A** (hospital insurance) covers inpatient care, skilled nursing home care (for a limited time), hospice care, and some home health care.
- **Part B** (medical insurance) helps cover services from doctors and other health care providers, outpatient care, home healthcare, some medical equipment, and many preventive services.
- **Part C**, also known as Medicare Advantage, offers plans through private companies approved by Medicare. These plans are the ones you see advertised on TV, and there are dozens of variations.
- **Part D** (drug coverage) helps cover the costs of prescription drugs, though there are still heavy premiums for certain medications.

The Essentials of Medicare

Original Medicare, the traditional option through the federal government, consists of Part A and Part B. You can supplement this with a standalone Part D plan for prescription drug coverage. Medicare Advantage bundles Part A and Part B with additional benefits like dental, vision, and wellness programs. Most Advantage plans also include Part D.

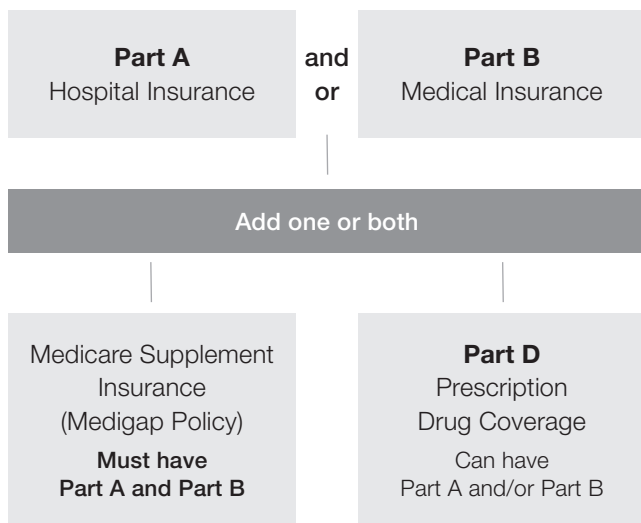
Whether you have Original or Advantage, Part A costs \$0 for most people (because they or a spouse paid Medicare taxes long enough while working - generally at least 10 years). You will pay a monthly premium for Part B, which will be \$174 in 2024. Part B covers all but 20 percent of your medical expenses. If you have Original, you can purchase a Medigap package to pay most of the remaining costs. And here is where the alphabet soup gets even thicker.

Depending on where you live, there are as many as 10 Medigap plans, each with its own letter (A, B, C, D, F, G, K, L, M, and N). Each also comes with a premium, ranging from around \$45 to almost \$1,000 monthly. The higher your premium, the less additional costs you will have to pay for medical coverage.

Confused? Don't worry, you aren't alone. Let's look at our real-life couple's choices (and some mistakes). We'll call them Harry and Sally. Both were executives before retiring and had several years of six-figure-plus earnings. They each receive Social Security benefits and two small pensions.

Medicare Coverage Options

Original Medicare



Medicare Advantage (Part C)



Source: [Western Connecticut Area Agency on Aging](#)



The Essentials of Medicare

When do I apply?

Sally was laid off in a downsizing before she reached age 65 and decided to start taking Social Security benefits immediately. Because she had been receiving Social Security for at least four months, she was automatically enrolled in parts A and B on the first day of the month she turned 65. Sally elected to accept the Part B option and have the premium deducted from her Social Security check. She could have declined Part B if she had only wanted hospital coverage (Part A is free), but if she then decided to sign up later, she would have had to pay a penalty unless she had remained on Harry's policy.

Harry continued working past age 65 and was not receiving Social Security benefits, so he had to either sign up for parts A and B online ([SSA.gov/Medicare](https://www.ssa.gov/Medicare)) or at his local Social Security office during a period of

three months before the month of his 65th birthday until three months after. This seven-month window is referred to as the Initial Enrollment Period. He elected to sign up in person just to make sure it was done. There is an additional enrollment period every year between January 1 and March 31 (the General Enrollment Period), but late penalties can apply, and coverage won't begin until July 1. Harry initially signed up for Part A only when he turned 65, because he was still covered by his company's insurance plan. When he retired at age 67, he immediately added Parts B and D to his Medicare portfolio. You have up to eight months after you leave your company's insurance plan (referred to as the Special Enrollment Period) to file for Medicare coverage, but you want to make sure you don't have a lapse in coverage.

Initial Enrollment Period



How do I get supplemental coverage?

After signing up for Parts A and B, Sally contacted a licensed Medicare broker and added Medigap Plan N, paying an additional \$175 a month for the supplemental coverage through a private insurer. She also purchased a separate plan for dental, vision, and hearing, which are not covered by Medigap. When Harry retired, he used the same broker and added the same supplemental coverage at a similar rate. In 2023, he also added additional dental insurance for \$35 a month.

The best time to get a Medigap policy is the six-month period starting the month you turn 65 and have Parts A and B. You can buy any Medigap policy sold in your state during that period, even if you have health problems. If you want to purchase one later or switch policies, it may cost more, as Harry learned.



The Essentials of Medicare

Can my payments go up?

Yes. Sally got hit with a Medicare income-related monthly adjustment amount, or IRMAA, the year she started to receive benefits. IRMAA is a surcharge on Medicare premiums for Medicare Part B and Part D drug plans. It applies only to Medicare beneficiaries who have a modified adjusted gross income (AGI) above a certain level from their tax return of two years prior. The surcharges begin at \$103,000 for an individual and \$206,000 for a joint return in 2024 and increases for income levels up to \$750,000. For 2024, the additional payments will range from \$70 to \$420 a month for Part B and \$12.90 to \$81 monthly for Part D. Sally had to pay the surcharges for both Parts B and D in the years while Harry was still working because their income was above the threshold for that year. Both Sally and Harry had to pay the IRMAA surcharge when Harry retired for the next two years (because it is based on the tax return from two years prior). After that, because their income dropped below the applicable threshold, IRMAA no longer applied to their premiums. In future years, if their income will be above the threshold again, they would be subject to IRMAA. (An example would be if their required minimum distributions from qualified retirement accounts later put them over the income threshold.)

Can I get Medicare coverage while I'm still working?

Like most workers, Harry began his Part A coverage when he turned 65, even though he was still working. He could have opted to start Part B as well. Suppose you have Medicare and group health insurance. In that case, the policies will pay your medical costs based on "coordination of benefit" rules: The primary insurer pays claims first, and the secondary insurer pays any remaining costs. However, Harry saw no benefit to paying the Part B premium while also paying for his company-provided insurance.

Can I be penalized for signing up late?

Yes. Harry informed Medicare that he was still insured after he turned 65 to avoid a late enrollment penalty. He signed up for Parts B and D a month before he retired, so that there was no lapse in coverage. Sally, however, was saddled with a penalty because she thought Harry's policy still covered her drugs when she retired earlier. That was a miscommunication. He had canceled all her coverage with his company because Medicare was less expensive. As a result, she has had to pay an additional \$20 monthly fee for Part D ever since she signed up for the drug coverage a year later.

Can I change plans?

Yes, but be careful. After Harry retired and felt the pinch of living on a fixed income, he switched from Original Medicare to Medicare Advantage to save money by eliminating the monthly premium for Plan N. He also liked the free FitBit and free gym membership, as well as the dental coverage that came with the Advantage plan. Because his health declined, though, Harry found himself facing an increasing number of co-pays. At the next enrollment period, he tried to switch back to Original Medicare. But he had a heart incident shortly after retiring. As a result, he learned that the premium for Medigap Plan N would increase by more than \$200 per month. So, he stuck with his Advantage plan. Sally still has her Original plan and hasn't had to pay any additional medical costs.

Can I use my own doctors?

Original Medicare allows Sally to use any doctor or hospital that accepts Medicare. Harry found that many doctors wouldn't accept his particular Medicare Advantage plan, but he can use doctors and hospitals out of his network if he pays a higher co-pay.



The Essentials of Medicare

Which plan is best for me: Original or Advantage?

The answer may depend on how healthy you are or think you will be, or how much risk you are willing to take. So far, Harry and Sally would have been better off financially if they had each other's plans. In 2022, it was about even: Sally paid \$2,041 for Part B premiums and \$2,178 for Plan N premiums and her Part D premium and penalties — a total of \$4,219. Harry paid \$2,041 for his Medicare Advantage plan and \$2,432 in co-pays — a total of \$4,473. However, in 2023, Harry was diagnosed with prostate cancer and also went to the emergency

room after developing a pulmonary embolism. His co-pays for radiation treatments, diagnostic tests, higher-end drugs, and emergency care exceeded \$5,000. That's more than he would have had to pay with Plan N, even with the higher monthly premiums. Meanwhile, Sally didn't have any medical expenses in 2023, so she would have saved more than \$2,000 on the Advantage plan. But she prefers the security of the Original plan.

The good news is that both ended the year in good health.

Original Medicare vs. Medicare Advantage

Doctor and hospital choice

Original Medicare	Medicare Advantage (Part C)
You can use any doctor or hospital that takes Medicare, anywhere in the U.S.	In many cases, you can only use doctors and other providers who are in the plan's network and service area (for non-emergency care). Some plans offer non-emergency coverage out of network, but typically at a higher cost.
In most cases, you don't need a referral to use a specialist.	You may need to get a referral to use a specialist.

Cost

Original Medicare	Medicare Advantage (Part C)
For Part B covered services, you usually pay 20% of the Medicare-approved amount after you meet your deductible. This amount is called your coinsurance.	Out-of-pocket costs vary — plans may have lower or higher out-of-pocket costs for certain services.
You pay a premium (monthly payment) for Part B. If you choose to join a Medicare drug plan, you'll pay a separate premium for your Medicare drug coverage (Part D).	You pay the monthly Part B premium and may also have to pay the plan's premium. Some plans may have a \$0 premium and may help pay all or part of your Part B premium. Most plans include Medicare drug coverage (Part D).
There's no yearly limit on what you pay out of pocket, unless you have supplemental coverage like Medicare Supplement Insurance (Medigap).	Plans have a yearly limit on what you pay out of pocket for services Medicare Part A and Part B cover. Once you reach your plan's limit, you'll pay nothing for services Part A and Part B cover for the rest of the year.
You can choose to buy Medigap to help pay your remaining out-of-pocket costs (like your 20% coinsurance). Or, you can use coverage from a current or former employer or union, or Medicaid.	You can't buy and don't need Medigap.

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



The Essentials of Medicare

What else do I need to know?

There are some changes in Medicare for 2024, notably:

- There will be savings on prescription drugs if costs are high enough to reach the catastrophic coverage phase. Part D will also expand, through Medicare's Extra Help program, to cover more drug costs for people with limited income.
- Your Medicare drug plan can't charge you more than \$35 for a one-month supply of each insulin product covered by Part D.
- Medicare will cover monthly services to treat chronic pain that has lasted more than three months.
- Medicare will cover intensive outpatient services provided by hospitals and community health centers if you need care for mental health.

Where can I learn more?

You can get free, personalized help from a counselor by contacting your State Health Insurance Assistance Program (SHIP). Go to shiphelp.org or call 877-839-2675 to find your local SHIP. Visit [medicare.gov](https://www.medicare.gov) for additional information. There, you can download the 128-page Medicare & You Guide, the government's official Medicare handbook.

A final thought

Choosing the best Medicare plan is a personal and essential decision. Take your time, do your research, and don't hesitate to seek help. By prioritizing your needs, comparing plans diligently, and utilizing available resources, you can confidently navigate the Medicare maze and find the perfect path to secure your health and well-being.

For more information, [please contact your advisor.](#)



Key Wealth, Key Private Bank, Key Family Wealth, KeyBank Institutional Advisors and Key Private Client are marketing names for KeyBank National Association (KeyBank) and certain affiliates, such as Key Investment Services LLC (KIS) and KeyCorp Insurance Agency USA Inc. (KIA).

The Key Wealth Institute is comprised of financial professionals representing different KeyBank National Association (KeyBank) brands, including Key Private Bank, KeyBank Institutional Advisors, Key Private Client, and KeyBank affiliates, including Key Investment Services LLC (KIS) and KeyCorp Insurance Agency USA Inc. (KIA).

Any opinions, projections, or recommendations contained herein are subject to change without notice, are those of the individual author(s), and may not necessarily represent the views of KeyBank or any of its subsidiaries or affiliates.

This material presented is for informational purposes only and is not intended to be an offer, recommendation, or solicitation to purchase or sell any security or product or to employ a specific investment strategy.

KeyBank, nor its subsidiaries or affiliates, represent, warrant or guarantee that this material is accurate, complete or suitable for any purpose or any investor and it should not be used as a basis for investment decisions. It is not to be relied upon or used in substitution for the exercise of independent judgment. It should not be construed as individual tax, legal or financial advice.

The summaries, prices, quotes and/or statistics contained herein have been obtained from sources believed to be reliable but are not necessarily complete and cannot be guaranteed. They are provided for informational purposes only and are not intended to replace any confirmations or statements. Past performance does not guarantee future results.

Investment and insurance products and services are:

NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL OR STATE GOVERNMENT AGENCY