



Gallagher

Insurance | Risk Management | Consulting

Medicare Frequently Asked Questions

1. How will this fact sheet help me?

As you and/or spouse near age 65, you have to make several important decisions about your Medicare coverage. These decisions can be confusing and can take some time to make. This fact sheet will help you:

- Determine your Initial Enrollment Period
- Decide whether to enroll in Medicare Part A and Part B when you turn 65
- Find out how to sign up for Medicare Part A and Part B (or opt out of Part B)
- Decide whether to enroll in Medicare Part D

2. What is Medicare?

Medicare is a national health insurance program administered by the federal government that provides health insurance coverage to most people who are age 65 and over, or who meet other criteria. Eligibility for this program is not based on income/asset guidelines. Original Medicare is referred to as Part A and Part B, which is offered by the federal government. Medicare Part C and D are Medicare plan types (Medicare Advantage and prescription drug coverage, respectively) that can be purchased from an insurance company.

3. What is Medicare Part A?

Medicare Part A is hospital insurance. Services covered by Part A include hospitalization, skilled nursing facility care, home health care, hospice care, and blood in a hospital/skilled nursing facility (copays, deductibles, and coinsurance apply). Most people do not pay a premium for Part A (if you or your spouse worked and earned more than 40 credits in Social Security-covered employment).

4. What is Medicare Part B?

Medicare Part B is medical insurance. There is a premium of \$164.90 per month (Year 2023) for Part B. In addition, if your household income is more than \$97,000 as a single person or \$194,000 as a couple, you and your spouse will pay more for Part B. Services covered by Part B include physician services, outpatient surgery, ambulance, and durable medical equipment (copays, deductibles, and coinsurance apply).

5. Should I consider delaying enrollment in Medicare Part A and Part B?

Your decision to enroll in Part A and Part B **depends on whether you have a high-deductible health plan with a health savings account (HSA):**

I do NOT have a Health Savings Account (HSA)...

Part A: If you qualify for premium-free Part A, you should enroll in Part A when you turn 65. However, if you have to pay a premium for Part A, you can delay Part A until you (or your spouse) lose employer coverage. You will NOT pay a penalty for delaying Part A as long as you enroll within 8 months of losing your employer coverage.

Part B: You can delay Part B until you (or your spouse) lose employer coverage. This allows you to save the cost of your Part B premium. It also allows you to postpone your one-time “Medigap open enrollment period” until a later time, when you may want to purchase this type of coverage.

You will NOT pay a penalty for delaying Medicare, as long as you enroll within 8 months of losing your employer coverage. You’ll want to plan ahead and enroll in Part B at least a month before you stop working or your employer coverage ends, so you don’t have a gap in coverage.

I have a High-Deductible Health Plan AND a Health Savings Account (HSA)...

Once you enroll in any part of Medicare, you won’t be able to contribute to your HSA. If you would like to continue making contributions to your HSA, you can delay both Part A and Part B until the primary HSA account holder enrolls in Medicare. You will NOT pay a penalty for delaying Medicare, as long as you enroll within 8 months of losing your employer coverage.

NOTE: *If you qualify for premium-free Part A and you delay Medicare Part A beyond your Initial Enrollment Period (age 65 for most) your coverage will go back (retroactively) up to 6 months from when you sign up. So, you should stop making contributions to your HSA 6 months before you enroll in Part A and Part B (or apply for Social Security benefits, if you want to collect retirement benefits before you stop working).*

6. When and how do I enroll in Medicare?

Even though the retirement age for full Social Security benefits is increasing, you can still get Medicare at age 65 (or earlier if receiving social security disability for 24 months or diagnosed with ESRD or ALS).

If you are receiving Social Security benefits prior to age 65, you should automatically receive your Medicare card approximately three months before your 65th birthday. Your Medicare Part A and Part B will start on the first of the month of your birthday (unless your birthday falls on the first, then it will start on the first of the previous month).

If you are not drawing Social Security benefits prior to age 65, you will need to contact Social Security (not Medicare) at 1-800-772-1213 to enroll in Medicare on the date first eligible. Signing up early may help you avoid a delay in receiving coverage for Part B. To get Part B coverage the month you turn 65, you must sign up during the three months before the month you turn 65. If you wait until the last four months of your Initial Enrollment Period to sign up for Part B, your start date for coverage may be delayed.

If you are not drawing Social Security and plan to continue working past the date you are eligible for Medicare and you are covered by your employer's group plan, you do not need to sign up for Medicare Part A or Part B until you want this coverage to begin. Read the next question to learn how to enroll at the time you become an inactive employee or lose group coverage (whichever occurs first).

7. Do I need more coverage than Original Medicare?

The term "Original Medicare" refers to the combination of the two original parts of Medicare that started in 1965, which are Part A and Part B. Together, these two parts are designed to provide coverage for approximately 50% of your overall health needs, and although some services are covered at 80%, it's important to note that coverage starts after a deductible is met. Plus, there are many services that are not covered by Original Medicare. So, if you are satisfied with 50% coverage of your overall health services, you do not need anything besides Part A and Part B. However, if you want more complete coverage, you will need to choose another plan.

8. What types of plans cover the gaps of Medicare?

The plans that fill in the gaps of Medicare are:

Medigap plans (Supplement or Select) pay second to Medicare, and only pay on Medicare approved services, unless specifically noted. Medigap plans are regulated by your state's Department of Commerce. Since these plans are not regulated by Medicare, you need to purchase a stand-alone prescription drug plan (Part D) if you want coverage for prescription drugs. Also, you would be subject to health screening after you were on Part B for six months.

Medicare Advantage plans provide all the Part A and Part B benefits, plus additional coverage – all coordinated in one package. This means you will have virtually no paperwork. In addition, most plans have options that include Medicare Part D prescription drug coverage. There is typically more coverage for preventive care. There is no health screening.

9. How do I compare plans?

Make a list of benefits and services that are important to you, and request information packets from health plans that offer those benefits and services. If you are currently on employer coverage, you may want to find out if they offer plans to supplement Medicare. Then, ask friends, relatives, and neighbors about their level of satisfaction with their health plans.

Record all of this information, (including plan premiums, deductibles, and preventive services) on a checklist to help you compare plans.



Insurance | Risk Management | Consulting

What is Medicare Part C?

Medicare Part C is known as Medicare Advantage. You only have Part C if you enroll in a Medicare Advantage Plan. When you enroll in a Medicare Advantage Plan, Medicare transfers the responsibility of administering the Medicare Part A and Part B benefits to the Medicare Advantage plan. At a minimum, plans must provide all Medicare Part A and Part B benefits. Most plans provide additional coverage. Many plans also include Medicare Part D outpatient prescription drug coverage.

What is Medicare Part D?

Medicare Part D is a voluntary program that helps cover outpatient prescription drug costs. Unlike Medicare Part A and Part B, you do not apply for Part D through Social Security. Instead, Medicare Part D is offered by private plans that contract with Medicare.

There are two types of private plans:

- FD Medicare Advantage Plans that offer coverage to fill in the gaps of Medicare Part A and Part B, as well as Part D coverage. These plans are referred to as MA-PDs.

- GD Stand-alone Part D plans that only provide Part D. These plans are called PDPs.

If I don't use prescription drugs, do I need Medicare Part D?

If you do not enroll in Medicare Part D when you become eligible for Medicare Part A or Part B, you may have to pay a penalty and wait until the next Annual Election Period to apply if you decide you want it at a later date. The Part D penalty is calculated as 1% of the current national base beneficiary premium for each full, uncovered month that you were eligible to enroll in a Part D plan but did not. The national base beneficiary premium for Year 202G is \$32.74. This penalty is applied monthly, and continues for as long as you have Part D.

In some situations, the penalty would not apply, such as: (1) If you qualify for Extra Help for Medicare Part D; (2) If you have maintained creditable drug coverage (at least as good as Medicare's). Examples of creditable coverage include drug coverage through the Department of Veterans Affairs, and prescription drug coverage offered by some employer group plans. *Exception: If you do not take Medicare Part D when first eligible because you are on a group employer plan, you will have a Special Election Period to enroll in Part D when your group plan ends, and during the two months after your coverage ends.*

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc., a non-investment firm and subsidiary of Arthur J. Gallagher & Co., is a licensed insurance agency that does business in California as "Gallagher Benefit Services of California Insurance Services" and in Massachusetts as "Gallagher Benefit Insurance Services." Investment advisory services and corresponding named fiduciary services may be offered through Gallagher Fiduciary Advisors, LLC, a Registered Investment Adviser. Gallagher Fiduciary Advisors, LLC is a single-member, limited-liability company, with Gallagher Benefit Services, Inc. as its single member. Certain appropriately licensed individuals of Arthur J. Gallagher & Co. subsidiaries or affiliates, excluding Gallagher Fiduciary Advisors, LLC, offer securities through Kestra Investment Services (Kestra IS), member FINRA/SIPC and or investment advisory services through Kestra Advisory Services (Kestra AS), an affiliate of Kestra IS. Neither Kestra IS nor Kestra AS is affiliated with Arthur J. Gallagher & Co., Gallagher Benefit Services, Inc. or Gallagher Fiduciary Advisors, LLC. Neither Kestra AS, Kestra IS, Arthur J. Gallagher & Co., nor their affiliates provide accounting, legal, or tax advice.