

# Understanding Medicare

*from Ameriprise Financial*

Choosing your retirement healthcare coverage is a complex but important decision. This guide will help you understand Medicare and the choices available to you.



# Deciding between Original Medicare and Medicare Advantage

**To determine your healthcare coverage in retirement, consider both your annual healthcare expenses and the coverage available to you. For many, the choice becomes whether to choose Original Medicare or a Medicare Advantage plan.**

The considerations on this page and within the next section are designed to help you make that choice by highlighting the essential differences between **Original Medicare** and **Medicare Advantage**.

## What's the main difference between the two?

- **Original Medicare:** Potential higher annual cost but broad provider access and few barriers to care
- **Medicare Advantage:** Potential lower annual cost and additional benefits but more barriers to care

| Original Medicare                         | OR | Medicare Advantage                       |
|---|----|--|
| In-patient hospital services (Part A)     | }  | Medicare Advantage (Part C)              |
| Outpatient physician services (Part B)    |    |  |
| Prescription drug insurance (Part D)      |    |  |
| Medicare supplement insurance ("Medigap") |    | Not required or available with Advantage |
| Senior supplement insurance               |    | Senior supplement insurance              |

For further definition of these parts go to the glossary on page 10.

|                                 |  | Original Medicare  | Medicare Advantage   |
|---------------------------------|--|--|--|
| <b>Financial considerations</b> | <b>Total cost</b><br>(premiums, copays, etc.)      | Usually higher than Medicare Advantage   | Usually lower than Original Medicare   |
|                                 | <b>Cost sharing</b>                                | Part A and B deductibles, copays, and coinsurance can be covered via Medigap insurance | May include deductibles or copays at the time of service                           |
|                                 | <b>Ability to cap or limit out-of-pocket costs</b> | Only via Medigap insurance   | Available depending on the plan  |
| <b>Access</b>                   | <b>Provider access</b>                             | Almost all providers nationwide  | Typically limited to local plan network  |
|                                 | <b>Access to specialists</b>                       | Few restrictions to specialists  | Often limited to plan network and pre-authorization                                |
| <b>Maintenance</b>              | <b>Enrollment</b>                                  | Must enroll separately in several components   | Choose among available Advantage plans   |
|                                 | <b>Health insurance maintenance</b>                | Must review coverage and premiums annually   | Must review coverage and premiums annually   |
| <b>Coverage</b>                 | <b>Domestic coverage</b>                           | Coverage nationwide  | Generally limited to emergency care outside plan area                              |
|                                 | <b>International coverage</b>                      | Only via Medicare supplement insurance   | Available depending on the plan  |
| <b>Extra benefits</b>           | <b>Vision, dental, or hearing insurance</b>        | Only via Senior supplement insurance   | Routine vision, dental, and hearing services may be included depending on the plan |

# Medicare premiums and surcharges

The annual premium for Part A is \$0 for most individuals, but you will pay a deductible and copays.

- In 2025, the deductible for hospitalizations is \$1,676. Coinsurance ranges from \$0 to \$838, depending on the length of your hospital stay.

**Premiums for Parts B and D** depend on your income. If your Modified Adjusted Gross Income as reported on your IRS tax return from two years ago exceeds thresholds that are determined annually, the premiums are subject to an Income Related Monthly Adjustment Amount (IRMAA), or a surcharge (see the table for current thresholds and surcharges). You will also pay deductibles and copays for parts **B** and **D**.

- Surcharges for Part B** apply to both **Original Medicare** and **Medicare Advantage**.
- Surcharges for Part D** apply to **Medicare Part D** plans and **Medicare Advantage** plans that include prescription drug coverage. The surcharge is not part of your plan premium, and you don't pay the extra amount to your plan. Instead, most people have the extra amount withdrawn from their Social Security or Railroad Retirement Board check. Note: If you don't pay the **Part D** surcharge, you may get "disenrolled" and lose your prescription drug coverage until you join another **Part D** plan during the Open Enrollment Period (see page 9).
- Deductibles and copays** depend on whether you choose **Original Medicare** or **Medicare Advantage**. For **Original Medicare** you will pay a \$257 deductible and 20% copay for most services provided. If you choose **Medicare Advantage** your deductibles and copay will be dependent on the plan. Coverage and costs for **Part D** vary by plan.

**Premiums for Medicare Advantage plans and Senior supplement insurance** depend on the provider and coverage you select.

Information on Medigap plans are on the next page.

| Income in 2023 (for your 2025 premiums) |                                 |                                    | Your monthly 2025 premiums |                             |
|---|---------------------------------|------------------------------------|----------------------------|-----------------------------|
| File individual tax return              | File joint tax return           | File married & separate tax return | For Part B                 | For Part D                  |
| \$106,000 or less                       | \$212,000 or less               | \$106,000 or less                  | \$185.00                   | your plan premium           |
| Above \$106,000 up to \$133,000         | Above \$212,000 up to \$266,000 | Not applicable                     | \$259.00                   | \$13.70 + your plan premium |
| Above \$133,000 up to \$167,000         | Above \$266,000 up to \$334,000 | Not applicable                     | \$370.00                   | \$35.30 + your plan premium |
| Above \$167,000 up to \$200,000         | Above \$334,000 up to \$400,000 | Not applicable                     | \$480.90                   | \$57.00 + your plan premium |
| Above \$200,000 up to \$500,000         | Above \$400,000 up to \$750,000 | Above \$106,000 up to \$394,000    | \$591.90                   | \$78.60 + your plan premium |
| \$500,000 and above                     | \$750,000 and above             | \$394,000 and above                | \$628.90                   | \$85.50 + your plan premium |

# Medicare Supplement Insurance (“Medigap”) plans

Because Original Medicare does not cover every healthcare expense, many people elect to buy commercially available Medicare supplement insurance, or Medigap coverage.

The federal government regulates **Medigap policies**, but they are sold and administered by private insurance companies. **Medigap policies** are identified by letters and are standardized to help you shop for providers and premiums.<sup>1</sup> **Plan A** is the basic **Medigap policy** and the others modify or increase the coverage of **Plan A**.

## Note:

**Medigap plans** cannot decline your application or charge a higher premium because of preexisting conditions if you apply during the first 6 months of being covered by Medicare **Part B** during Initial Enrollment. After this period you can still apply for a **Medigap policy** or change policies, but it may require a medical questionnaire or underwriting, and the insurer can decline coverage or charge more due to preexisting conditions. Your Local State Health Insurance Program has counselors that can help with questions and discuss options for beneficiaries considering changing to a new or different **Medigap policy**.

## Benefits offered by each Medigap plan<sup>1</sup>

### Medigap Plan Letter<sup>2</sup>:

**Part A** hospital costs coinsurance<sup>3</sup>

**Part B** coinsurance or copayments

Blood transfusion (first three pints)

**Part A** hospice care coinsurance or copayments

Skilled nursing facility care coinsurance

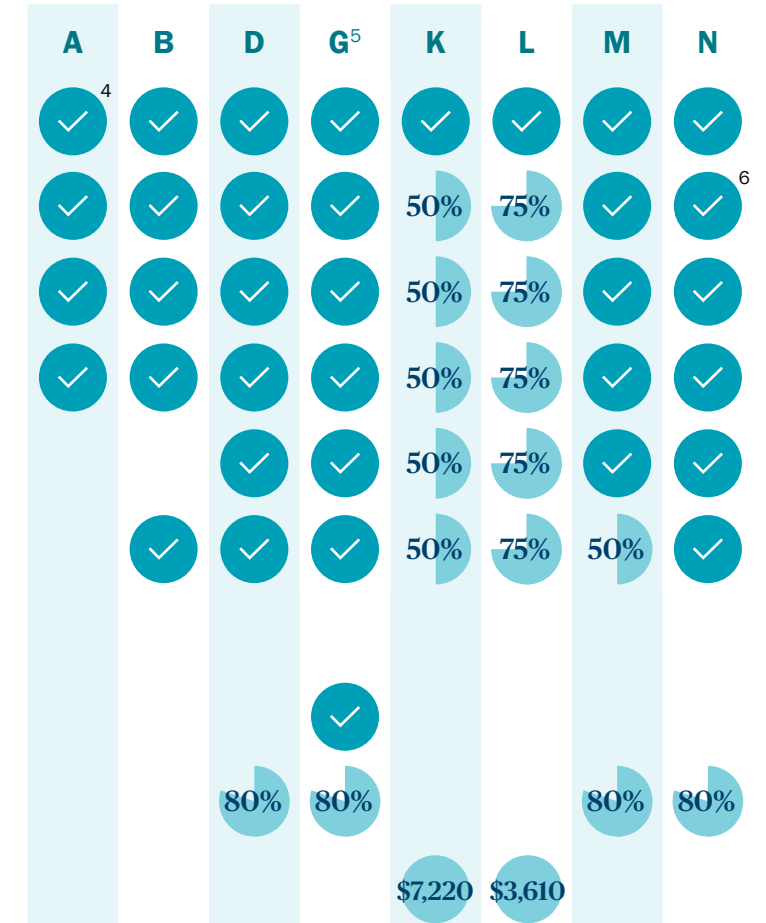
**Part A** deductible

**Part B** deductible

**Part B** excess charges

Foreign travel emergency care (up to plan limits)

Out-of-pocket expense limit<sup>7</sup>



<sup>1</sup> Medigap policies are standardized differently in Massachusetts, Minnesota, and Wisconsin.

<sup>2</sup> Plans C and F were only available to those eligible for Medicare before January 1, 2020.

<sup>3</sup> Up to an additional 365 days after Medicare benefits are exhausted.

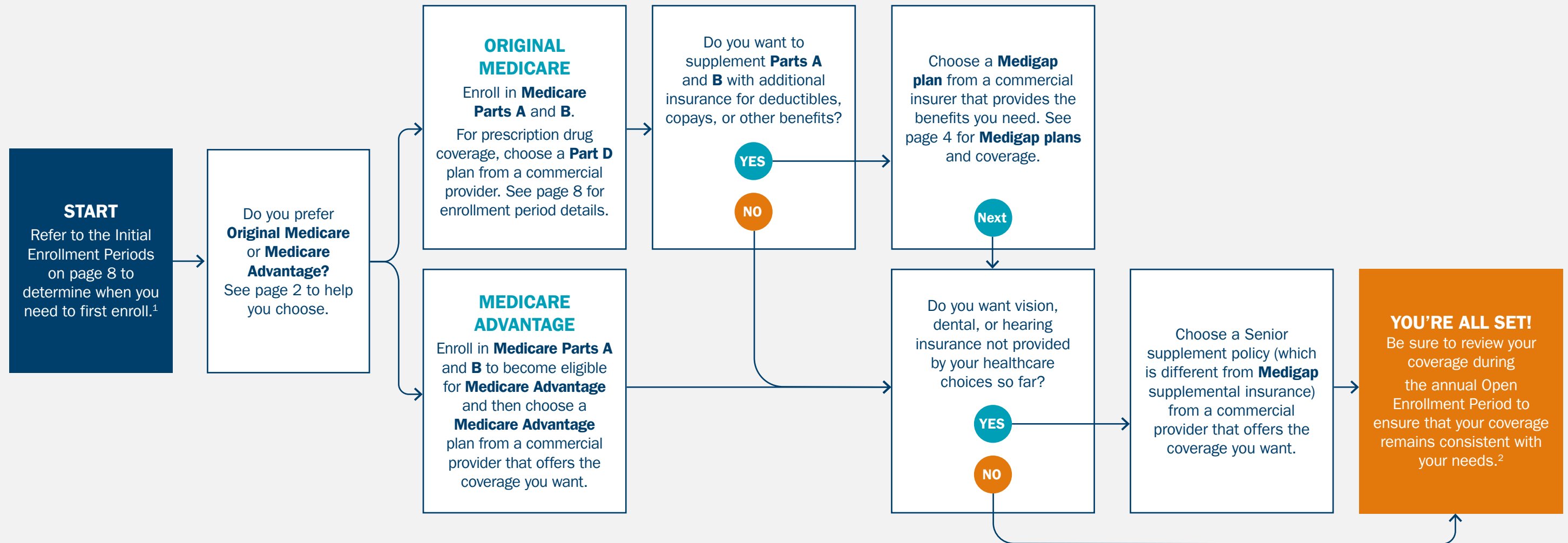
<sup>4</sup> Plan pays 100% of checked (✓) benefits.

<sup>5</sup> Plan G is available as a high-deductible version in some states. You pay deductibles, copays, and coinsurance amounts up to the deductible limit before your policy covers any expenses.

<sup>6</sup> Plan N pays 100% of the Part B coinsurance, except for copays of up to \$20 for some office visits and up to \$50 for emergency room visits that do not lead to patient hospital admission.

<sup>7</sup> For 2025. These amounts change annually.

# The retirement healthcare roadmap



<sup>1</sup> Those that will have health insurance through their own or their spouse's employer will have the option to enroll during the Initial Enrollment Period or the Special Enrollment Period, read more on page 8.

<sup>2</sup> You may need to go through underwriting in order to enroll the first time or change Medigap and Part D plans.

# Medicare Enrollment Periods and Penalties

Medicare has several enrollment periods that you must know about to avoid gaps in coverage or late-enrollment penalties. Please review each enrollment period carefully.



# Initial enrollment

The Initial Enrollment Period is the best time to choose between Original Medicare or a Medicare Advantage plan.

## Things to know before you enroll

- 1.** Make sure you enroll in the appropriate enrollment period to avoid permanent penalties (refer to page 8 for details).
- 2.** The first time you enroll is the best time to choose between **Original Medicare** and **Medicare Advantage** (refer to page 2 for details).
- 3.** Remember to discontinue HSA contributions.



## Medicare impacts to your Health Savings Account (HSA)

**If you are enrolled in a high deductible health insurance plan (HDHP) prior to enrolling in Medicare, you may have a Health Savings Account (HSA).**

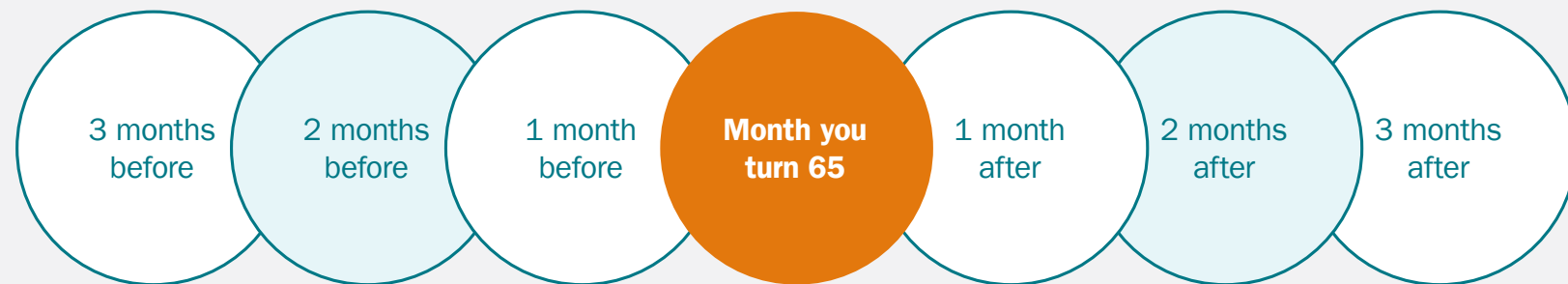
If you choose to enroll in **Medicare** after age 65, be sure to stop your HSA contributions six months before enrolling to avoid having to remove ineligible contributions. If you enroll in **Medicare Part A** after age 65, you receive up to six months of retroactive coverage (but not earlier than the month you turn 65).

Once enrolled in **Medicare** you can continue to spend from your HSA but you cannot set up or contribute to an HSA.

If you choose to continue working beyond age 65 (when you become eligible for **Medicare**) and want to contribute to an HSA, you must defer your Social Security benefits because you cannot decline **Part A** while collecting Social Security benefits. If you don't defer Social Security, you will be automatically enrolled in **Part A** when you turn 65 and will no longer be eligible to contribute to an HSA.

# Initial Enrollment Periods

← Initial Enrollment Period →



← Special Enrollment Period →



Your **first opportunity to enroll** in Medicare is the **Initial Enrollment Period**.

- **Initial Enrollment Period** runs for seven months, starting three months before the month you turn age 65<sup>1</sup> and ending three months after.
- You enroll in **Parts A** and **B** during the **Initial Enrollment Period**.
- You will automatically be enrolled in **Parts A** and **B** if you are already receiving Social Security retirement benefits.
- Depending on your coverage preferences, you may also enroll in a **Medigap policy**, **Part D** prescription drug policy, **Senior supplement insurance** or an **Advantage plan** during your **Initial Enrollment Period**.
- Your **Parts B** and **D** premiums can be permanently higher if you miss the **Initial Enrollment Period**.

If you're still **working at age 65** and have health insurance through your employer or your spouse's employer, you're eligible for a **Special Enrollment Period**.

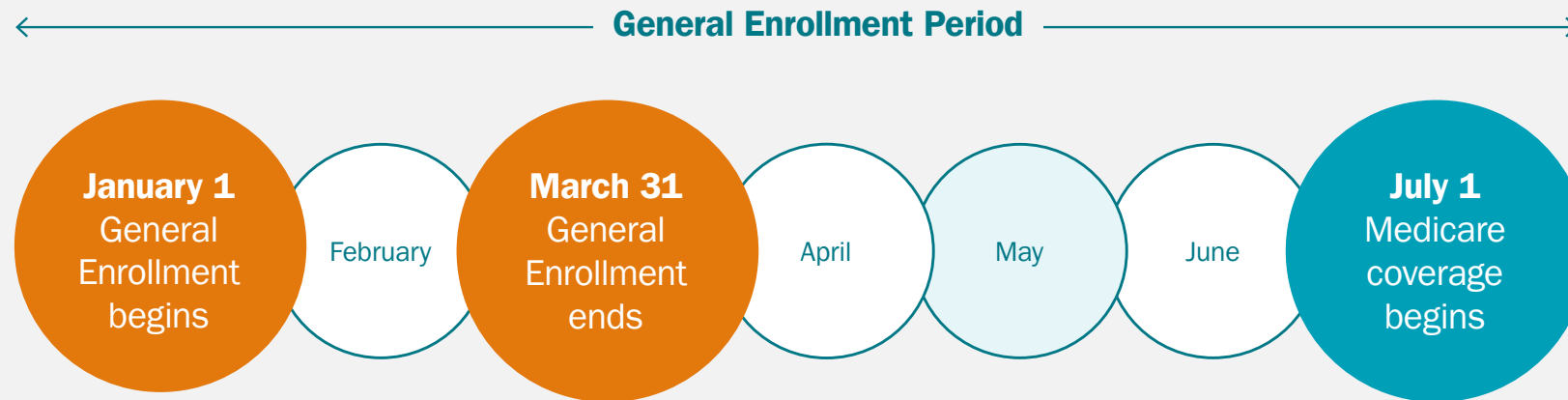
- **The Special Enrollment Period** lets you enroll in Part A when you turn 65 but decline Part B and "re-enroll" in Part B later without a late-enrollment penalty (remember, the premium for Part A is \$0 for most people).
- **The Special Enrollment Period** runs for eight months, starting the month your employer coverage ends and ending seven months later but you can start to enroll in Medicare three months before the employer coverage ends.

Note that neither retiree health insurance nor COBRA insurance counts as employment-based coverage for the **Special Enrollment Period**.

<sup>1</sup> If your birthday is on the 1st of a month, your Initial Enrollment Period starts four months before your age-65 month and ends two months after it. In other words, it's as if your birthday occurs in the month before it actually does.

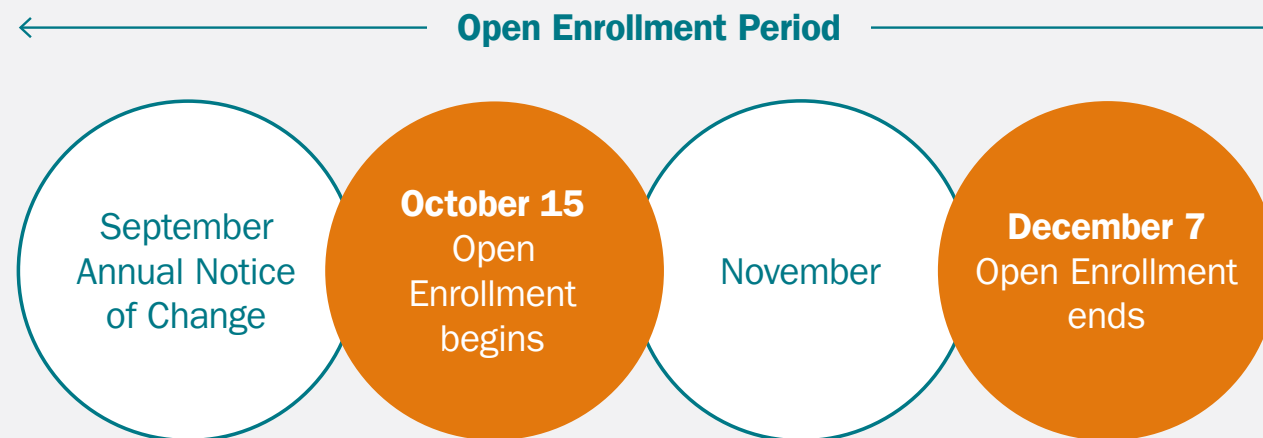


# Additional Enrollment Periods



If you don't enroll in Medicare during your **Initial Enrollment Period**, you can sign up during the annual **General Enrollment Period**, which runs from **January 1 to March 31**.

- But notice that your **Medicare** coverage won't begin until July 1 and, since you enrolled late, your premiums for **Part B** (and **Part D** if applicable to you) will be permanently higher.
- If you are already enrolled in an **Advantage plan**, you can switch among **Advantage plans** or switch to **Original Medicare** during the **General Enrollment Period**.
- Remember that to enroll in a **Medigap** policy during this period may require medical underwriting.



**The Open Enrollment Period** starts with an annual “notice of change” that Medicare sends in September and is your chance to review your coverage and make any desired changes for the next year.

- You don't have to do anything if you don't want to make any changes to your current coverage.
- During the **Open Enrollment Period**, review the formulary of your prescription drug plan for the next year carefully, and, if you're in an **Advantage plan**, ensure that your healthcare providers will remain in the plan.
- **Open Enrollment** is generally the only chance to switch from **Original Medicare** to an **Advantage plan**. You can also switch from an **Advantage plan** to **Original Medicare** during **Open Enrollment** but be sure to understand whether the **Medigap plan** you anticipate will accept your application and at what premium (read more under the Initial Enrollment Period, above).

# Retirement healthcare glossary

## Coinsurance

Coinsurance is the percentage of costs you pay after you've met your deductible.

## Copayments

A copayment is a set amount that you pay for prescriptions, doctor visits, and other types of care.

## Deductible

A deductible is a defined amount that you pay for medical services before your coinsurance begins.

## Formulary

A formulary is a list of prescription drugs covered by a prescription drug plan. It's sometimes called a drug list.

## Health Savings Account (HSA)

Linked to a qualifying high-deductible health plan, an HSA is a special, tax-favored savings account that can be used for allowable health care expenses.

## Medigap

Parts A and B have deductibles, copayments, and coinsurance amounts that are your financial responsibility. Medicare supplement plans, known as Medigap plans, are meant to fill the Medicare coverage gaps. Medigap plans are standardized by letter codes (see the table on page 4) and available from commercial providers.

## Part A

Parts A and B are the basic building blocks of Medicare. Part A provides coverage for

in-patient hospital care and some post-hospital services. The premium for Part A is \$0 as long as you qualify for Social Security benefits under your own record or your spouse's record.

## Part B

Part B provides coverage for outpatient physician services and covered lab tests and other services. It has a monthly premium that depends on your income.

## Part C

Part C, or Medicare Advantage, combines the coverage of Parts A, B, and (usually) D into one plan. Advantage plans are available from commercial providers and the coverage, benefits, and premiums for Advantage plans vary. You can shop for a policy that meets your needs and must review and choose your plan each year.

## Part D

Part D is prescription drug coverage from commercial providers. The formulary, or the specific drugs covered by a plan, varies and can change. You can shop for a policy that meets your needs and must review and choose your plan — especially the formulary — each year.

## Senior Supplement Insurance

Senior supplement insurance is available from commercial providers and can include dental, vision and hearing coverage. Senior supplement plans are not Medicare plans.

**For more information, go to [Medicare.gov](https://www.Medicare.gov).**



Always consult a Medicare agent regarding your specific Medicare questions and decisions.

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