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How to get more out of your Medicare now



[Wes Moss](#) Monday, April 20th 2015

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Unfortunately, Medicare is a tricky subject fraught with multiple complexities. While you've most likely been paying into it for years, you also may still have many unanswered questions. There's no doubt that it can be difficult to understand the different plan coverages and nuances that go along with each one.

In order to help get a better handle on exactly how Medicare works, I spoke with Al Schiebel, a trusted and knowledgeable healthcare insurance expert who runs the ship at www.shopbenefits.com. In understandable terms, Al explained how Medicare works and the different options that you can adjust to best fit your medical and financial situation (Medicare Parts A, B, C, and D).

Medicare Parts A&B

To start at the very beginning, Medicare is available to people age 65 or older who are U.S. citizens or who are legal permanent residents, and either you or your spouse have worked for 10 years (or 40 quarters). It is also available to people under 65 with certain disabilities, and people of any age with End-Stage Renal Disease. For details on Medicare eligibility, [this article from AARP](#) has a good overview.

Under government-provided Medicare, there are two parts, Medicare Parts A & B. Together, these are also known as and referred to as "Original Medicare." Please see below for coverage details, as well as ways to fill the gaps in your Original Medicare coverage.

Part A – Hospital Insurance

Part A helps cover inpatient care in hospitals, skilled nursing facility care, home health care and hospice care stays.

Most people do not have to pay a premium for Part A if you or your spouse paid Medicare taxes while working. For this reason, most everyone who is eligible enrolls in Part A. If you don't meet the requirements (if for example you don't meet the 40 quarters of work requirements), you will have to purchase Medicare and pay \$407 each month.

As of 2015, there is a \$1,260 deductible for days 1 through 60 for what Medicare considers your initial "benefit period." But also understand that the benefit period resets after 60 days once you are out of hospital care. [See this chart for a breakdown of any additional costs.](#)

Medicare Part A is designed so that the government covers about 80% of your medical costs while you cover the last 20% with no cap. It is important to note that this 20% unlimited cap is if you *only* have Original Medicare (Parts A&B), which is why supplemental insurance is very important.

Part B – Medical Insurance (Doctor's Appointments & Out-Patient Visits)

Part B covers services from doctors and other health care providers, outpatient care, home health care, durable medical equipment, and some preventive services.

Part B differs from Part A as there is a premium that most people have to pay each month. The premium starts at \$104.90 per month, and is "mean tested." This means that the higher your yearly income is, the more your monthly premium for Part B will cost. The monthly cost can be as high as \$355.70. A link to these premiums can be found [here](#).

Part B also has a \$147 deductible, and the plan covers about 80% of all costs with no annual maximum out-of-pocket expenses.

Additional Medicare Options and Medicare Supplements

While Original Medicare covers the main costs of healthcare, it's critical to understand that there are additional costs that will not be covered. Fortunately, there are options to fill the gaps in your Original Medicare coverage.

If you are enrolled in Medicare Parts A and B, you can also choose to buy Medicare Supplement Insurance, known as "Medigap" from a private insurance carrier. Depending on the supplemental plan that you elect, it will cover some or all of the costs that are not covered by Parts A and B. These programs can also help you cover the uncapped 20% of your medical expenses. There are several Medicare Supplement options that range from Plan A all the way to Plan N.

Medicare Supplement plans do not have a network of doctors, but typically if your doctor accepts Medicare, he/she will also accept your Medicare Supplement Plan (based on the terms and conditions of the plan). Take important note that Medicare Supplement plans do not cover medications, so you will have to enroll in separate prescription drug plan or Part D to cover the cost of prescription drugs.

Part D- Medicare Prescription Drug Plan

These plans are provided by private insurance carriers. Each plan has their own list of approved drugs (also known as formularies) and you should carefully review each plan's list to ensure that your medications are covered. A feature that is widely used within Part D is the mail order program which allows you to obtain a 90-day supply of certain medications. This is both convenient for the patient and can result in increased cost savings.

The cost for these plans can range from anywhere between \$15 to over \$100 per month.

Part C- Medicare Advantage

Part C is also known as Medicare Advantage. This is a program that combines Parts A and B, adds additional benefits (i.e. vision or dental), and typically includes prescription drug coverage (Part D). Keep in mind that while using Medicare Advantage Part C, Part A and B do not go away and you are still responsible for those premiums.

Medicare Advantage will *typically* take the shape of either a PPO or an HMO. A PPO gives you in *and* out of network choices, while an HMO will give you only one network of providers from which to choose. If you go to in-network providers, you will receive the negotiated rate. Be sure to research the chosen plan's list of providers to ensure that your doctor is available in that network.

These programs typically have maximum out-of-pocket expenses that can be up to \$6,700 per year, not including prescription drugs (in-network). Out-of-network provider expenses can cost even more. However, compared with the prospect of having to pay an "unlimited amount" due to the uncapped 20% we discussed earlier, \$6,700 does not sound too terrible.

The Bottom Line

To get the most comprehensive and cost-effective coverage possible, most people end up electing some version of the following two combinations:

1. Medicare Part A & B, with a Medicare Supplement Plan and Part D (to cover prescription drugs), OR
2. Medicare Part A & B, with a Medicare Advantage Plan (Part C), most of which include Part D (to cover prescription drugs)

Understand that you will have either a Medicare Supplement Plan *or* a Medicare Advantage Plan, but not both.

Premium-wise, a Medicare Advantage Plan will typically be less expensive per year than a Medicare Supplement Plan. For example, the cost range of the premium in Georgia (my home state) is from \$0 to over \$80 per month. However, a Medicare Supplement Plan gives you more flexibility as there is no insurance company's network of doctors that you are steered towards. The cost range of the premium in Georgia is generally \$100-\$200, depending on your age.

I would suggest that when you are planning for retirement, which according to my research you should do for at [least five hours a year](#), you should be sure to also take time to think about your plan for medical insurance.

Please note that we've tried to break this down into a brief and general overview. For more detailed information specific information, please speak with your insurance provider. Al Schiebel is the Vice President of the [GA Assoc. of Health Underwriters](#).



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Wes Moss is the host of Money Matters – the country's longest running live call-in, investment and personal finance radio show – on WSB radio. He is the Chief Investment Strategist at [Capital Investment Advisors](#) (CIA), and a partner at [Wela, a digital financial advisory service](#). In 2014 and 2015, Barron's Magazine named Wes as one of America's top 1,200 Financial Advisors. Wes is also the editor and writer for [About.com's Financial Planning Blog](#), and contributes regularly to the Atlanta Journal Constitution. Wes has written several books including [You Can Retire Sooner Than You Think- The 5 Money Secrets Of The Happiest Retirees](#), his latest book which has been a best seller in the retirement planning category. Contact him at wmos@yourwealth.com, @WesMoss365, or [Facebook.com/wesmossmoneymatters](https://www.facebook.com/wesmossmoneymatters). [View More Articles](#)

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