

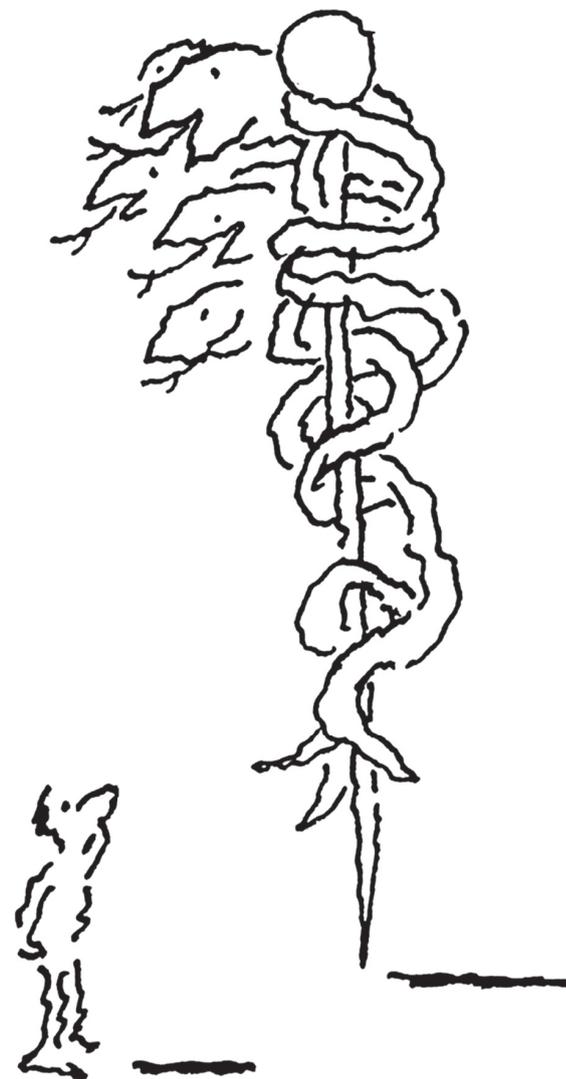
**You're a boomer.** The milestone of your 65th birthday may be here or just over the horizon. But you know zip about Medicare. Do you need it? What does it cover? When should you sign up? Lots of questions—but don't panic. You can get your head around Medicare with this guide to what you most need to know.

# Medicare Starter Kit

By Patricia Barry

## Top Eight Do's and Don'ts

- 1 Do give yourself time to learn about Medicare:** It's a system with many choices and deadlines. Being informed is the best way to avoid mistakes that cost money.
- 2 Don't expect to be notified when it's time to sign up:** Unless you're already receiving Social Security benefits, you must apply for Medicare. But you won't get any official notice on when or how to enroll.
- 3 Do enroll when you're supposed to:** To avoid permanent late penalties, enroll at age 65 if you're not working, don't have employer insurance or live abroad; or, beyond 65, enroll within eight months of stopping work—even if you continue to receive COBRA or retiree health benefits from an employer.
- 4 Don't despair if you haven't worked long enough to qualify:** You may qualify for Medicare on your current or former spouse's work record. Or you may be able to buy into the program.
- 5 Don't worry that poor health will affect your coverage:** If you qualify for Medicare, you receive full benefits. You can't be denied coverage or charged higher premiums because of current or past health problems.
- 6 Do remember that Medicare is not free:** You pay premiums for coverage and copayments for most services, unless you qualify for a low-income program or have other, extra insurance.
- 7 Don't assume that Medicare covers everything:** It covers a wide range of health services (including expensive ones like organ transplants), prescription drugs and medical equipment. But there are gaps.
- 8 Don't expect Medicare to cover your dependents:** Nobody can get Medicare under age 65, except those who qualify through disability. Medicare has no family coverage.



Illustrations by R.O. Blechman

## What It Covers

**Unlike other health insurance, Medicare coverage is divided into four parts: A, B, C and D. This allows you to choose which parts you want and avoid duplicating coverage from other insurance.**

■ **Part A** helps pay the costs of a stay in a hospital or skilled nursing facility, home health care, hospice care, and medicines administered to inpatients.

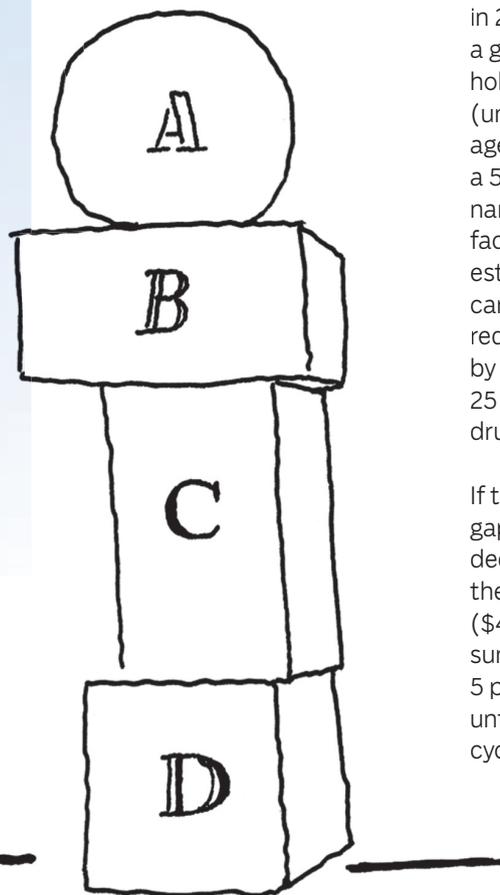
■ **Part B** helps pay bills for physicians and outpatient services such as rehab therapy, lab tests and medical equipment. It also covers doctors' services in the hospital and most medicines administered in a doctor's office.

■ **Part C** is a different way you can choose to receive your Medicare benefits. It consists of a variety of private health plans, known as Medicare Advantage plans, that cover Part A, Part B and (often) Part D services in one package. (See page 6.)

■ **Part D** helps pay the cost of prescription drugs that you use at home, plus insulin supplies and some vaccines. To get this coverage, you must enroll in a private Part D drug plan or in a Medicare Advantage plan that includes Part D drugs. (See page 6.)

**Medicare covers** most services deemed "medically necessary," but it doesn't cover everything. Except in limited circumstances, it doesn't cover vision, hearing and dental care; nursing home care; or medical services outside the United States.

**Free physical exams and tests:** Under the new health care law, you're entitled to a physical checkup once a year free of charge if it's provided by a doctor who accepts Medicare reimbursement in full. Many lab tests and screenings used to diagnose diseases early are also free, though in most cases you still pay the required copay to see the doctor who prescribes them.



## What Does It Cost?

**Premiums:** There's no premium for Part A if you paid enough in Medicare taxes while working. Part B requires a monthly premium—at the standard rate of \$115.40 a month if you join Medicare in 2011. Part D drug plans charge additional premiums, and so do most Medicare Advantage plans.

You pay higher premiums for Parts B and D if your modified adjusted gross income on your latest tax return is above \$85,000 (if you're single) or \$170,000 (if married and filing joint returns).

**Deductibles:** You pay annual deductibles for Part B (\$162 in 2011) and Part D (\$310 in 2011)

before coverage kicks in. Part A has a deductible (\$1,132 in 2011) for hospital stays. Some Part D and Medicare Advantage plans reduce or waive deductibles.

**Copays:** In traditional Medicare (Parts A and B), you pay 20 percent of the Medicare-approved amounts for most Part B services. In Part A, after meeting the deductible you pay nothing more for up to 60 days in the hospital, but additional days may require daily copays. In Part D and Medicare Advantage plans, you pay the copays required by your plan.

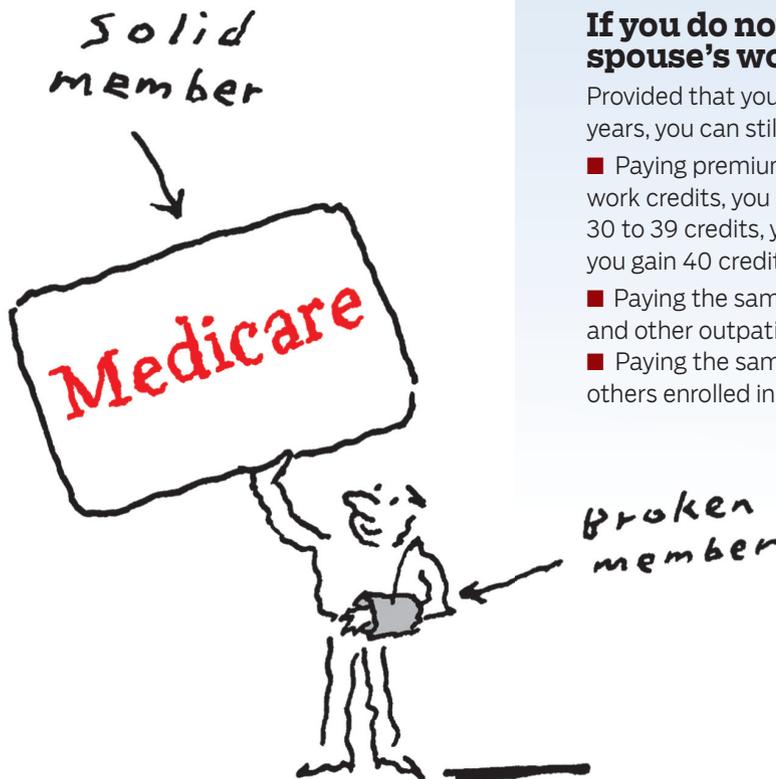
**Part D drug coverage** is uniquely designed. You pay your plan's deductible and copays until the total cost of the drugs you've used since the start of the year reaches a certain level (\$2,840 in 2011). Beyond that, you're in a gap known as the "doughnut hole." Your plan then pays nothing (unless it provides some coverage in the gap), but now you get a 50 percent discount on brand-name drugs from the manufacturers. This discount was established under the new health care law, which also will gradually reduce your costs every year, until by 2020 you'll pay no more than 25 percent of the price of any drug in the doughnut hole.

If the full cost of the drugs in the gap, plus what you've paid out on deductibles and copays before the gap, reaches a certain limit (\$4,550 in 2011), the coverage resumes and you pay no more than 5 percent of the cost of any drug until the end of the year. This cycle repeats itself every year.

# Do You **Qualify?**

## Why Is Medicare So Confusing?

The program has separate rules for people in different situations and a range of choices that require everyone to make personal and timely enrollment decisions. From time to time over Medicare's 45-year history, Congress has added more benefits and options, each with its own new set of rules. Although every piece has an inner logic, Medicare now resembles a crazy quilt that bewilders many enrollees—but it still gives the comfort of guaranteed health coverage to more than 46.5 million Americans.



**Nobody is automatically entitled to Medicare. To qualify for Medicare, you must meet certain requirements.**

### You qualify at age 65 or older if:

- You are a U.S. citizen or a permanent legal resident; and
- You or your spouse has worked long enough to be eligible for Social Security or railroad retirement benefits—usually having earned 40 credits from about 10 years of work—even if you are not yet receiving these benefits; or
- You or your spouse is a government employee or retiree who has not paid into Social Security but has paid Medicare payroll taxes while working.

**Note:** You can qualify for Medicare on your spouse's work record if he or she is at least age 62 and you are at least age 65. You also may qualify on the work record of a divorced or deceased spouse. But under the Defense of Marriage Act, people in same-sex marriages cannot qualify on their spouse's work record.

### You qualify under age 65 if:

- You have been entitled to Social Security disability benefits for at least 24 months (which need not be consecutive); or
- You receive a disability pension from the Railroad Retirement Board and meet certain conditions; or
- You have Lou Gehrig's disease (amyotrophic lateral sclerosis), which qualifies you immediately; or
- You have permanent kidney failure requiring regular dialysis or a kidney transplant—and you or your spouse has paid Social Security taxes for a certain length of time, depending on your age.

### If you do not qualify on your own or your spouse's work record

Provided that you're a U.S. citizen or have been a legal resident for at least five years, you can still get Medicare benefits at age 65 or older by:

- Paying premiums for Part A (hospital insurance). If you have fewer than 30 work credits, you pay the maximum premium, \$450 a month in 2011. If you have 30 to 39 credits, you pay less, \$248 a month in 2011. If you continue working until you gain 40 credits, you will no longer pay these premiums.
- Paying the same monthly premiums for Part B, which covers doctor visits and other outpatient services, as other enrollees pay.
- Paying the same monthly premium for Part D prescription drug coverage as others enrolled in the drug plan you choose.

You can enroll in Part B without Part A. But if you buy into A, you also must enroll in B. You can get Part D if you're enrolled in A or B.

Most people receive annual statements from Social Security saying whether they're yet eligible on their work records. If you don't get these statements, or are still not sure if you qualify, call Social Security at **1-800-772-1213**.

# Enrolling at the Right Time

**Nobody is obliged to sign up for Medicare. But there are important consequences if you don't meet your enrollment deadline and then decide to join the program.**

As many have learned the hard way—better to sign up at the right time than regret it later. Your own deadline depends on which enrollment period fits your circumstances:

## Initial enrollment period

Anyone who is a U.S. citizen or legal resident and is turning 65 is entitled to a first enrollment period that lasts seven months—from three months before the month of their 65th birthday to three months after that month. For example, if you turn 65 in June, your enrollment period is March 1 to Sept. 30.

Use this enrollment period to sign up for Medicare Part A and Part B if you are retired; live abroad; or do not have health insurance from an employer for whom you or your spouse is *still* working.

**WARNING:** To avoid a late penalty, enroll in Part B at age 65 even if you haven't worked long enough to get Part A without paying a premium.

If you are already receiving Social Security retirement benefits when you turn 65, you need not apply for Medicare. Your Medicare card will be mailed to you, and coverage begins the first day of your birthday month. You can decline Part B if you choose—for example, if you're still working and have employer insurance—by following the instructions on the letter Social Security sends you.

Unless you're receiving Social Security benefits, you need to apply for Medicare if you want it. Your coverage begins according to which month of your initial enrollment period you sign up:

- Months 1, 2 and 3: the first day of the month in which you turn 65
- Month 4: one month after enrolling
- Month 5: two months after enrolling
- Months 6 or 7: three months after enrolling

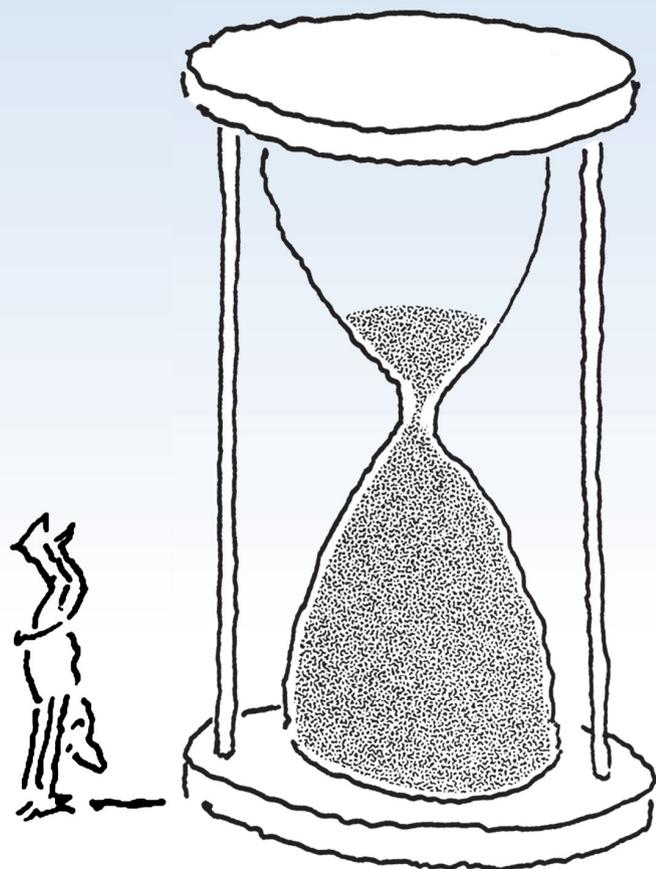
## Special enrollment period

You can delay signing up for Part B beyond age 65 for as long as you have group health insurance from an employer for whom you or your spouse is still working.

You'll be entitled to a special period to sign up for Part B without penalty when you (or your employed spouse) stop working or your health coverage ends. This period lasts eight months from that date, but you can enroll earlier to ensure no break in coverage. Medicare benefits begin the first day of the month after you enroll.

**WARNING:** To avoid a late penalty, you must enroll in Part B when employment ends—even if you continue to be covered under COBRA extended insurance or retiree health benefits.

**WARNING:** Most people enroll in Part A during their initial enrollment period even if they delay Part B. But if you're still working and your employer coverage is a high-deductible plan with a health savings account, be careful. Under IRS rules, you cannot contribute to an HSA once you enroll in Medicare (A or B) or receive Social Security retirement or disability benefits. You can draw on funds already in your account, but you can't add to them.



**Other enrollment situations**

**If you're not a U.S. citizen:** Beyond age 65, you can apply for Medicare during a seven-month individual enrollment period that ends three months after the month in which you have both established legal residency and lived in the United States for five years.

**If you are living outside the United States** when you turn 65, you're in a Catch-22 situation. You can either:

- Enroll in Part B during your initial enrollment period (IEP) and pay monthly premiums—even though Medicare does not cover medical services overseas; or
- Delay Part B until your return to this country—but then you risk a permanent late penalty and may have to wait for coverage. Except in very limited situations, medical coverage abroad—including other countries' national health programs—does not entitle you to a special enrollment period when you return.

**Medicare Doctors: Some Do And Some Don't**

Most doctors accept Medicare patients, but some don't. Be aware that a physician who has opted out of Medicare cannot bill Medicare for treating you and you will be responsible for the whole cost. If you need to find a primary care doctor or specialist who accepts Medicare, go to the Medicare website at [medicare.gov](http://medicare.gov), click on "Resource Locator" and then on "Find a Doctor." Or call Medicare at 1-800-633-4227.

**If you are in a same-sex marriage or partnership:** You're entitled to a special enrollment period if your coverage is from your own employer. But if you're covered under your partner's employer health insurance, you must enroll during your IEP at age 65 to avoid a late penalty.

**Signing up for drug coverage**

If you have drug coverage that is "creditable"—meaning that Medicare considers it of at least equal value to Part D—you don't need Part D when you turn 65. Your current insurance plan can tell you whether it's creditable or not.

If you lose creditable coverage—whether it's from a current or former employer, union, COBRA,

Veterans Affairs or the military's TriCare-for-Life system—you'll have a two-month period to enroll in a Part D plan without penalty. But if you voluntarily drop such coverage after your individual enrollment period expired, you must wait until open enrollment at the end of the year.

You also get a special period to enroll in a Part D drug plan without penalty if you do so within two months of returning to the United States after living abroad.

**Missing your enrollment deadline means:**

- Being able to enroll in Part B only during the general enrollment period from Jan. 1 to March 31 each year, with coverage that doesn't begin until the following July 1.
- Paying a late penalty of an extra 10 percent permanently added to your Part B premiums for each 12-month period you delayed. For example, if you delayed five years, your premiums would cost 50 percent more for the same coverage for as long as you're in Medicare.
- Only being able to enroll in Part D during open enrollment from Oct. 15 to Dec. 7 each year, with coverage beginning Jan. 1.
- Paying a late penalty permanently added to your Part D premiums for every month that you did not have creditable drug coverage since turning 65.

**Some exceptions:** If you qualify for Extra Help under Part D or a Medicare Savings Program, you won't pay late penalties. If you have Medicare due to disability, any late penalty you incur will cease when you reach 65 and reenroll in Medicare based on your age.

**How to enroll**

To sign up for Part A or B, call Social Security at **1-800-772-1213** and make an appointment for an interview, which can be done on the phone or at your local Social Security office. If English is not your first language, you can request an interpreter at no charge.

*John Doe* 

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**Sign here**

# Figuring Out Your **Choices**

**Medicare is not a simple “one size fits all” system. Some coverage is offered through a variety of private insurance plans—and you must choose the plan that suits you. You may feel overwhelmed by the choices in Medicare, but you can switch plans every year. Here’s a quick overview of your options:**

## **Traditional Medicare or Medicare Advantage?**

When you enroll in Medicare for the first time, you’re automatically in the “traditional” or “original” program that’s been in place since 1966. If you prefer to join a Medicare Advantage plan, you can do so right away or during open enrollment (Oct. 15 to Dec. 7) in any year.

Traditional Medicare covers Parts A and B, and you pay standard rates for services, regardless of where you live. You can go to any doctor, hospital or other provider that accepts Medicare patients anywhere in the country. You can add Part D coverage by enrolling in a private “stand-alone” drug plan for an additional premium. You can buy separate medigap insurance (see page 8) to cover some or most of the out-of-pocket costs of Parts A and B.

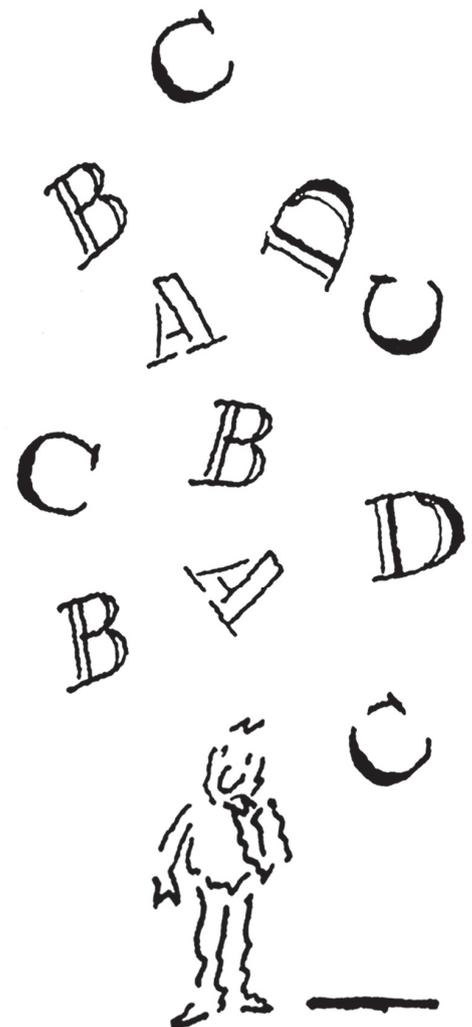
Medicare Advantage (MA) offers an alternative way of receiving your benefits through local or regional private plans. The plan must include everything covered by traditional Medicare, but may offer more benefits or lower copays. Most plans charge a monthly premium (in addition to the Part B premium) and most include Part D drug coverage. Your choice of doctors and other providers may be restricted to those in the plan’s network. Each plan can, each calendar year, change its premiums, its extra benefits and its copays, or withdraw from Medicare. Each plan has an annual limit on out-of-pocket costs.

## **How do I choose a Medicare Advantage plan?**

Almost everyone in Medicare has access to at least one MA plan, and in many areas there are dozens, each with its own mix of costs, benefits and conditions. Your mailbox may be stuffed with their ads. But to compare plans objectively and free of sales pressure, use the official Medicare website, which lists details of every plan in your area, including a measure of the quality of its care—or call the Medicare help line for assistance (see page 8). You can enroll in the plan you choose through Medicare or directly through the insurance company.

## **How do I choose a Part D plan?**

If you need to add prescription drug coverage to traditional Medicare, you also will be faced with dozens of different plans. You can compare them in the same way you compare Medicare Advantage plans. If you don’t currently take any drugs, you may want to choose the plan with the lowest premium to get coverage at the least cost. Otherwise, it’s best to choose a plan according to the specific drugs you take, because plans charge widely varying copays even for the same drug. The plan finder on Medicare’s website automatically does the math to find your best deal. (We’ve created a guide on the AARP website to help you work your way through the process—see page 8.) You can enroll through Medicare or directly with the plan.



## **How the new health care law affects Medicare**

- Guarantees existing Medicare benefits
- Provides free annual checkups and many tests
- Closes the Part D doughnut hole by 2020
- Reduces government payments to private Medicare Advantage plans but gives them bonuses for improving quality
- Sets annual limits on enrollees’ out-of-pocket costs in Medicare Advantage plans
- Requires people with high incomes to pay higher Part D premiums
- Gives government more authority to fight Medicare fraud
- Extends Medicare’s financial solvency

# What if You Have **Other Health Coverage?**

## **Group health insurance from a current employer**

Most employers cannot require employees (or their spouses) who turn 65 to sign up for Medicare. While still working, you must be offered the same benefit options as younger employees. If you do sign up and your employer has fewer than 20 workers (or fewer than 100 if you have Medicare through disability), then Medicare becomes primary. This means Medicare pays your medical claims first and your employer plan serves as secondary insurance, covering services that Medicare doesn't, according to the plan's terms.

## **Retiree health benefits**

Medicare Parts A and B are always primary to retiree coverage provided by a former employer or union. In effect, your plan becomes supplemental insurance that improves on Medicare—maybe covering some services that Medicare doesn't, or paying some of Medicare's out-of-pocket costs. Contact your retiree plan to find out exactly how it fits in with Medicare. If the plan provides "creditable" drug coverage (see page 5), you don't need Part D.

## **Federal retiree health benefits**

If you're covered by the federal employee health benefits program, you are not required to join Medicare Part B when you retire. But if you later wanted to enroll—perhaps if your plan became too expensive to keep up—you'd then get a late penalty (see page 5). If you keep your plan and join Medicare, then Medicare becomes primary, as explained at left, and you can switch to a lower-cost federal health plan for secondary coverage. If your plan provides creditable drug coverage, you don't need Part D.

## **Veterans health benefits**

With coverage from Veterans Affairs, you're not required to enroll in Part B, but it's recommended. Medicare increases coverage beyond VA hospitals and doctors. You can use your VA card at VA facilities and your Medicare card elsewhere. Delaying enrollment could result in a late penalty if you lose VA benefits. While in the VA program, you don't need Part D. If you lose drug coverage, you won't receive a late penalty if you enroll in Part D within two months. Part D might be worth having if you qualify for Extra Help.

# My AARP Card can do *that?*

**Don't just carry the NEW AARP Member Card. Now members can:**

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Visit [www.aarp.org/benefitsforyou](http://www.aarp.org/benefitsforyou) for more offerings like free online courses, financial information, and tips on everything from romance and relationships to staying healthy.

### **SCAN AND SAVE.**

Your AARP card is now accepted for discounts at participating retailers including Denny's, Walgreens, Borders, Dunham's Sports and more.

### **GIVE BACK.**

You can make a difference in your communities through the *AARP Foundation*, *The Drive to End Hunger* or *Create the Good*. AARP can help you contribute to those in need across the country.

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Use your membership to get travel tips and discounts on car rentals, hotels, cruises and more. Now that's smart travelling.

### **TRACK YOUR VALUES ONLINE.**

View all the benefits you're receiving from AARP by visiting your new Online Member Value Statement.

**Dr. Pepper Schwartz**  
AARP Love & Relationships  
Ambassador



## Where **Can I Get Help?**

### **Military retiree benefits**

If you're retired, you (and your covered spouse) are switched from TriCare to the TriCare for Life (TFL) program at age 65. You must then enroll in Part A and Part B, which become primary, and TFL serves as supplemental insurance. If you don't enroll, TFL cannot pay for any services that Medicare covers. This rule also applies if you or your spouse becomes eligible for Medicare at an earlier age due to disability. You don't need Part D.

### **Coordination of benefits**

Be sure to fill out a form you receive from Medicare asking you to specify other coverage. Your benefits can then be coordinated automatically without your having to file paperwork for claims. For information on how this works, visit the Medicare website (right). In complicated situations, call the Medicare Coordination of Benefits contractor at **1-800-999-1118**.

**Help paying for Parts A and B:** If your income is low, you may qualify for Medicaid or a Medicare Savings Program, both run by states. Depending on which program you're eligible for, the state pays your Part B premiums and maybe other out-of-pocket costs.

**Help paying for Part D:** If your income is under a certain level, you may qualify for the Extra Help program in Part D, which provides low-cost drug coverage—zero or reduced premiums and deductibles, and low copays.

**Medicare supplemental insurance called medigap** is private insurance you can buy to cover some or most of the out-of-pocket expenses of traditional Medicare—such as the hospital deductible and Part B copays—depending on the policy you choose. You cannot use medigap if you're in a Medicare Advantage plan.

If you're 65 or older and buy a policy within six months of enrolling in Part B, medigap insurers cannot deny you coverage or require higher premiums because of current or past health problems. You may be able to buy medigap later on and still have these guarantees, in some circumstances. These federal protections only apply to people 65 and older, though some states have similar laws for younger beneficiaries. If you have Medicare because of disability, contact your state insurance department for information.

### **Learning about Medicare:**

- Check out Medicare Interactive for details on Medicare benefits, at [medicareinteractive.org/aarp](http://medicareinteractive.org/aarp).
- Learn how the Part D prescription drug program works, at [aarp.org/partd](http://aarp.org/partd).
- Browse AARP's "Ask Ms. Medicare," a collection of answers to questions from members, at [aarp.org/amm](http://aarp.org/amm).
- Use the Resource Locator at [medicare.gov](http://medicare.gov) to read the "Medicare & You" handbook, find a doctor, compare hospitals, check coverage and more.
- For a Spanish version of this article, go to [aarp.org/viva](http://aarp.org/viva).

### **Sources of help and information**

- Social Security Administration: Call **1-800-772-1213** or go to [ssa.gov](http://ssa.gov) for Medicare enrollment help.
- Centers for Medicare & Medicaid Services: Call **1-800-633-4227** or go to [medicare.gov](http://medicare.gov) for information on Medicare coverage and to compare Medicare options and plans.
- State health insurance assistance program (SHIP): Trained counselors offer help on all Medicare and Medicaid issues for free. To locate your SHIP office, call **1-800-677-1116** or go to [shiptalk.org](http://shiptalk.org).

