
Medicare 2014 Basics

Medicare is a federal program that provides health insurance to retired individuals, regardless of their medical condition. Here are some basic facts about Medicare that you should know.

What does Medicare cover?

Medicare coverage consists of two main parts: Medicare Part A (hospital insurance) and Medicare Part B (medical insurance). A third part, Medicare Part C (Medicare Advantage), is a program that allows you to choose among several types of health-care plans. A fourth part, Medicare Part D, offers prescription drug coverage that can help you handle the rising costs of prescriptions.

Medicare Part A (hospital insurance)

Generally known as hospital insurance, Part A covers services associated with inpatient hospital care. These are the costs associated with an overnight stay in a hospital, skilled nursing facility, or psychiatric hospital, including charges for the hospital room, meals, and nursing services. Part A also covers hospice care and home health care.

Medicare Part B (medical insurance)

Generally known as medical insurance, Part B covers other medical care. Physician care--whether you received it as an inpatient at a hospital, as an outpatient at a hospital or other health-care facility, or at a doctor's office--is covered under Part B. Laboratory tests, physical therapy or rehabilitation services, and ambulance service are also covered. Medicare Part B also covers 100 percent of the cost of many preventative services and an annual wellness visit.

Medicare Part C (Medicare Advantage)

The 1997 Balanced Budget Act expanded the kinds of private health-care plans that may offer Medicare benefits to include managed care plans and private fee-for-service plans. Medicare Part C programs are in addition to the fee-for-service options available under Medicare Parts A and B. Medicare Part C programs vary, but generally provide all Medicare-covered benefits. Many also offer extra benefits, including prescription drug coverage, and coverage for additional days in the hospital.

Medicare Part D (prescription drug coverage)

All Medicare beneficiaries are eligible to join a Medicare prescription drug plan offered by private companies or insurers that have been approved by Medicare. Although these plans vary in price and benefits, they all cover a broad number of brand name and generic drugs available at local pharmacies or through the mail. Medicare prescription drug coverage is voluntary, but if you decide to join a plan, keep in mind that some plans cover more drugs or offer a wider selection of pharmacies (for a higher premium) than others. You can get information and help with comparing plans on the Medicare website, www.medicare.gov, or by calling a Medicare counselor at 1-800-Medicare.

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What is not covered by Medicare Parts A and B?

Some medical expenses are not covered by either Part A or B. These expenses include:

- Your Part B premium
- Deductibles, coinsurance, or co-payments that apply
- Most prescription drugs
- Dental care
- Hearing aids
- Eye care
- Custodial care at home or in a nursing home

Medicare Part C may cover some of these expenses, or you can purchase a supplemental Medigap insurance policy that will help cover what Medicare does not.

Are you eligible for Medicare?

Most people age 65 or older who are citizens or permanent residents of the United States are eligible for Medicare Part A (hospital insurance) without paying a monthly premium. You are eligible at age 65 if:

- You receive or are eligible to receive Social Security or Railroad Retirement Board benefits based on your own work record or on someone else's work record (as a spouse, divorced spouse, widow, widower, divorced widow, divorced widower, or parent), or
- You or your spouse worked long enough in a government job where Medicare taxes were paid

In addition, if you are under age 65, you can get Part A without paying a monthly premium if you have received Social Security or Railroad Retirement Board disability benefits for 24 months, or if you are on kidney dialysis or are a kidney transplant patient.

Even if you're not eligible for free Part A coverage, you may still be able to purchase it by paying a premium. Call the Social Security Administration (SSA) at (800) 772-1213 for more information.

Although Medicare Part B (medical insurance) is optional, most people sign up for it. If you want to join a Medicare managed care plan or a Medicare private fee-for-service plan, you'll need to enroll in both Parts A and B. And Medicare Part B is never free--you'll pay a monthly premium for it, even if you are eligible for premium-free Medicare Part A.

How much does Medicare cost?

Medicare deductible amounts and premiums change annually. Here's what you'll pay for Medicare in 2013:

	Premium	Deductible	Coinsurance
Part A (hospital)	None for most people, but noneligible individuals pay up to \$441 per month (if they have 39 or fewer quarters of Medicare-covered employment)	\$1,184 per benefit period	\$296 a day for the 61st to 90th day each benefit period; \$592 a day for the 91st to 150th day for each lifetime reserve day (total of 60 lifetime reserve days); up to \$148 a day for the 21st to 100th day each benefit period for skilled nursing facility care
Part B (medical)	\$104.90 (Certain beneficiaries will pay more--see note below)	\$147 per year	After satisfying a deductible if one applies, you normally pay 20 percent of the approved amount for medical expenses (20 to 40 percent for outpatient mental health services, 20 percent for hospital charges for outpatient hospital services, nothing for laboratory services)

Note: You will pay a higher premium if you file an individual income tax return and your annual modified adjusted gross income is more than \$85,000, or if you file a joint income tax return and your annual modified adjusted gross income is more than \$170,000. For more information, visit www.medicare.gov.

Since Medicare doesn't cover every type of medical care, and you'll have to pay deductibles and coinsurance, you may want to buy a Medicare supplemental insurance (Medigap) policy.

Who administers the Medicare program?

The Centers for Medicare & Medicaid Services (formerly known as the Health Care Financing Administration), a division of the U.S. Department of Health and Human Services, has overall responsibility for administering the Medicare program and sets standards and policies. But it's the SSA that processes Medicare applications and answers questions about eligibility.

However, as a beneficiary, you deal mostly with the private insurance companies that actually handle the claims on the local level for individuals with Medicare coverage. Insurance companies that handle Medicare Part A claims are known as Medicare intermediaries, and insurance companies that handle Part B claims are known as Medicare carriers. Managed care plans handle Part C claims. Although the same private insurance company may handle both Part A and Part B claims, Part A and Part B are very different in regard to administration (e.g., different deductibles and co-payment requirements). There is virtually no overlap; it is as if you have two separate health insurance policies.

How do you sign up for Medicare?

Any individual who is receiving Social Security benefits will automatically be enrolled in Medicare Parts A and B at age 65 when he or she becomes eligible. If you are not receiving Social Security benefits before age 65, you will be automatically enrolled when you apply for benefits at age 65. But if you decide to delay retirement until after age 65, remember to enroll in Medicare Parts A and B at age 65 anyway, because your enrollment won't be automatic. If you're going to be automatically enrolled in Medicare, you'll receive an initial enrollment package by mail from the SSA, usually three months before your 65th birthday.

Of course, even if you sign up for Part A, you don't have to enroll in Part B, or you can decide to delay enrolling. But first, carefully read the information contained in your initial enrollment package. It explains the consequences of not enrolling at age 65 (e.g., you may have to pay a higher premium later) and will help you learn more about the Medicare program.

For more information about enrolling in Medicare, call the SSA at (800) 772-1213.

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