

Health Care Options in Retirement

Medicare may be one of the most unifying themes of life for Americans aged 65 and older. This article looks at the choices facing every Medicare recipient.



Today's retirees have a host of health care options to choose from. But costs and coverage can vary significantly. Medicare is available to virtually every citizen and legal resident age 65 or over who has worked and paid taxes in the United States or was married to someone who did. Medicare Part A covers hospitalization costs. Part B is for doctor's fees and other medical treatment costs. Part D pays for prescription medication. All three parts require the beneficiary to pay some fraction of the cost of treatment out of pocket. In addition, Parts B and D charge monthly premiums that are deducted from Social Security checks.

As an alternative to the traditional Medicare system, seniors can opt for coverage under Medicare Part C, also known as Medicare Advantage. These managed care plans may charge a premium, but there may be few, if any, out-of-pocket expenses for covered treatments and medications.

For Americans turning 65, signing up for Medicare is a rite of passage. It's also the entrance to a labyrinth of choices and tradeoffs. What follows is a guide that can help you untangle the way through it.

Medicare's Basics

Medicare is the nation's largest health insurance program, covering millions of Americans. Generally speaking, if you are eligible for Social Security or Railroad Retirement Board benefits, or you've paid Medicare taxes while working in a government job, you are eligible for Medicare benefits when you turn 65, even if you haven't yet retired. Those benefits come in one or more of these packages:

- **Part A** is hospital insurance and covers most of the costs of a stay in the hospital, as well as some follow-up costs after time in the hospital. Part A pays some other outpatient medical services, including medically necessary equipment and supplies, home health care, and physical therapy. Under most circumstances, you do not have to pay a premium for Part A, but you may have to share in the cost of care by making copayments and meeting deductibles out of your own pocket.
- **Part B** is medical insurance. This coverage is intended to help pay doctor's bills for treatment in or out of the hospital. It also covers many other medical expenses you incur when you are not in the hospital, such as the costs of necessary medical equipment and tests. If you elect Part B, the monthly premium is automatically deducted from your Social Security check. Keep in mind that Part B does not provide 100% coverage and covers only medically necessary services. You can decline to sign up for Part B when you turn 65, but if you then seek to enroll in later years, you may pay a significant penalty.
- **Part C** -- also called *Medicare Advantage* -- is the managed care alternative to traditional Medicare's A plus B. Medicare Advantage plans are operated by private insurance companies under contract to Medicare. Medicare Advantage plans provide both hospitalization and medical coverage for a fixed price, but they may restrict your choice of caregivers and limit your treatment options.
- **Part D** is stand-alone prescription drug coverage insurance. Most people must pay a premium for this coverage. Plans vary, and they may cover different drugs at different rates, but all medically necessary drugs are covered. As with Part B, if you do not sign up at age 65 but wait until later, you may be subject to significant penalties.

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Premiums for Parts B and D vary depending on your income level and coverage choices. While typical costs are about \$100 per month for each part, high income people with expansive prescription coverage may pay as much as \$500 to \$600 per month. In addition to Medicare, many people also sign up for private insurance policies called Medigap plans to help pay for any deductibles and copayments they might incur. Medigap policies may cost about \$100 to \$200 per month, but the normal out of pocket costs for a significant illness or injury can be several thousand dollars. Also, many union and employer-sponsored retiree health programs are essentially mechanisms to finance Part B, Part D, and Medigap coverage.

Non-Medicare Coverage Issues

People who work past age 65 may have employer-sponsored health insurance in addition to their Medicare coverage. In this case, you may be asked to sign up for Part A while using your employer coverage to substitute for Parts B and D. If you do opt for employer coverage at age 65, you may not be penalized if you later enroll for the optional parts of Medicare when your employer coverage ends. Some people over age 65 may also be covered by a spouse's employer-sponsored health plan. The choices in this case would be comparable to those for someone covered by their own employer's plan.

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