

Medicare is a government-run health insurance system for Americans over 65 years old or disabled. The system is funded through employee and employer payroll contributions and provides coverage for portions of certain health care costs, depending on level of coverage selected.

For most people, Medicare Part B premiums increased by approximately 5.89% from 2024 and Part D premiums have increased by 6% from 2024.

Medicare coverage is split into four Parts:

Part A (Hospital Insurance)

Covers inpatient hospital care, skilled nursing facility, hospice, lab tests, surgery, home health care

Monthly Premium*:	\$0.00
First 60 days of hospitalization - patient pays a deductible	\$1,676
Next 30 days - patient pays	\$419 per day
Next 60 days (lifetime reserve days)	\$838 per day
Skilled Nursing Facility:	
First 20 days - patient pays	\$0.00
Next 80 days - patient pays	\$209.50 per day
Over 100 days - patient pays	All costs

*Most individuals over age 65 receive Part A free ("premium-free Part A") as a result of paying Medicare taxes while working. For those who have not sufficiently paid Medicare taxes (rare), you can buy Medicare Part A and pay a premium of either \$285 or \$518 per month.

Part B (Medical Insurance)

Doctor and other health care providers' services, home and outpatient care, durable medical equipment, ambulance services, and some preventive services

Premium Rates*	If your 2023 income was**	
	Single	Married Filing Jointly
\$185.00	\$106,000 or less	\$212,000 or less
\$259.00	\$106,001 - \$133,000	\$212,001 - \$266,000
\$370.00	\$133,001 - \$167,000	\$266,001 - \$334,000
\$480.90	\$167,001 - \$200,000	\$334,001 - \$400,000
\$591.90	\$200,001 - \$500,000	\$400,001 - \$750,000
\$628.90	Above \$500,000	Above \$750,000
Deductible:	\$257 per year	
Coinsurance:	20% of amount after deductible	

*Most people will pay this amount; however, a small number of people who pay premiums out of monthly Social Security benefits will pay less than this amount due to Social Security's "Hold Harmless" provision that prevents a decline in Social Security benefits for most people.

**Medicare uses the modified adjusted gross income reported on your 2023 tax return to determine your 2025 premium (the most recent income information provided to Social Security by the IRS). Therefore, if your income has decreased from 2023 to 2024, Medicare premiums can remain higher than expected due to this lag.

Parts A and B do not cover long-term care (aka, custodial care) as well as dental care, eye care, and hearing aids.

Part D (Prescription Standard Benefit Model)

Provided by private insurers. The costs and drugs covered varies by Medicare Prescription Drug Plan

Monthly Premium*:	Based on prescription drug plan selected	
Initial deductible:	\$590 maximum (deductibles vary between plans)	
Co-payment or coinsurance on next**	\$2,000	
Premium Rates Based on Income	If your 2023 income was	
	Single	Married Filing Jointly
Plan premium	\$106,000 or less	\$212,000 or less
\$13.70 + plan premium	\$106,001 - \$133,000	\$212,001 - \$266,000
\$35.30 + plan premium	\$133,001 - \$167,000	\$266,001 - \$334,000
\$57.00 + plan premium	\$167,001 - \$200,000	\$334,001 - \$400,000
\$78.60 + plan premium	\$200,001 - \$500,000	\$400,001 - \$750,000
\$85.80 + plan premium	Above \$500,000	Above \$750,000

*Each prescription drug plan has its own list of covered drugs (referred to as a "formulary"), with drugs assigned to different "tiers". The drugs in lower tiers will generally cost less than drugs in higher tiers.

**Starting in 2025, the Inflation Reduction Act eliminates the old "donut hole" in which people had partial drug cost coverage and places a \$2,000 (2025) out-of-pocket cap on prescription drug costs for enrollees. In addition, it caps the price of insulin at \$35, and drug price increases at the rate of inflation.

Part C (Medicare Advantage)

Part A and B coverage but through private companies instead of through Medicare. Some companies may offer additional benefits such as prescription drugs, vision, and/or Dental

Part C plans are Medicare approved but administered through private insurance companies.

Monthly premium amounts vary by plan.

Plans, not Medicare, establish the amounts they charge for premiums, deductibles, and services. Amounts can only change once per year, on January 1st.

Medigap Policies

In addition to the four Medicare Parts above, Medigap insurance is offered by private companies to reimburse individuals for out-of-pocket medical costs resulting from gaps left by traditional Medicare benefits, such as co-payments, coinsurance, and deductibles.

Medigap policies do not provide additional coverage but rather supplement costs of original Medicare benefits.

Medigap policies don't work with Medicare Advantage Plans (Part C). If you decide to have Part A and B coverage, determine if you need Part D, and then consider a Medigap policy. If you decide to gain coverage through a Medicare Advantage Plan, a Medigap policy is unnecessary.

Effective as of 2020, Medigap plans which cover the Part B deductible (i.e., Plans C and F) are no longer allowed and are unavailable to those first eligible for Medicare on or after January 1, 2020. The Plans remain available to those already eligible for Medicare prior to 2020.

Must follow federal and state laws and, in most states, are limited to "standardized" policies.

In order to determine if a Medigap Policy is the right fit, contact your State Health Insurance Assistance Program. Medicare.gov can also be a resource to point you in the right direction.

Medicare Enrollment & Election Periods*

Initial Enrollment Period: 7-month period beginning 3 months prior to the month you turn 65 and ending 3 months after the month you turn 65

Coverage Begins:

Part A	1st day of your birthday month
Part B & Part D	Varies depending on what month you enroll
General Part A & Part B Enrollment:	January 1st to March 31st
General Part D Enrollment:	April 1st to June 30th
Annual Election/ Open Enrollment:	October 15th to December 7th

***Individuals already collecting Social Security as of 3 months prior to turning 65 will be automatically enrolled in Part A and Part B at 65 unless waived. You still must manually enroll in Part D.**

If an individual misses the Initial Enrollment Period then they can enroll during General Enrollment, but late enrollment penalties may apply which vary for Part A, Part B, and Part D. Under certain circumstances individuals may be eligible for a delayed Special Enrollment Period with no penalties.

Changes to existing Part A, Part B, and Part D Medicare can be made annually during the Annual Election/Open Enrollment Period. Individuals have the option to switch between Part C coverage and original Medicare coverage between January 1st to March 31st of each year.

Planning Considerations & Preparation

Health costs are the 4th largest expense for individuals between 65 - 74 years old after housing, transportation, and food. They are the second largest expense for those over 75, after housing.

Traditional Medicare covers only about 60% of medical costs in retirement, with the rest being covered by out-of-pocket spending and private insurance.

Estimated retirement health care costs for a couple (Medicare Part B and Part D premiums, Medigap premiums, and out-of-pocket drug expenses) starting at age 65 in 2023.

Chance of Personal Savings Meeting Total Expenses*	Estimated Amount Needed
50%	\$234,000
90%**	\$351,000

*Assuming median prescription drug expenses throughout retirement.

**Couples with prescription drugs prices in the 90th percentile would require personal savings of \$413,000 based on a 90% chance of meeting total expenses.

Source: Employee Benefit Research Institute

It's important to consider other factors when planning such as increasing life expectancies, personal health variables, and the impact of inflation. Also, Part D, Medicare Advantage Plans, and Medigap policies can vary widely based on state, so it's important to contact a specialist in your area if you have questions.

For more information about Medicare, you can go to [medicare.gov](https://www.medicare.gov) or call 800-633-4227 (800-MEDICARE).