



Pierce County

## Senior Information & Assistance

# The ABCs and D of Medicare

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Updated by Senior Information and Assistance

Huge changes have been made to the nation's Medicare program, but many Americans -- even among the elderly -- know and understand little about the giant program that's been a major part of the American health scene for almost four decades.

Medicare, officially known as Title XVIII of the Social Security Act, is the federal government's health insurance program, implemented in 1966 to provide health insurance coverage for people age 65 and older. Eventually the coverage was extended to include the legally blind, people with end-stage kidney disease and younger people who are disabled and who meet the criteria to collect Social Security Disability Benefits.

Enrollment in Medicare is automatic at age 65 for U.S. citizens and legal residents of the United States who have paid Medicare payroll taxes for a minimum of 10 years while employed or who have met other specific guidelines. Also eligible are those who qualify for Railroad Retirement Benefits, and federal, state and local government employees and their spouses. If you are not sure if you qualify for coverage, try [Medicare's Eligibility Tool](#) ([www.Medicare.gov](http://www.Medicare.gov)), call or visit your local Social Security office or call 1-800-772-1213 toll-free a few months before your 65th birthday.

### Simple as A, B and C

Medicare consists of two parts: Part A, which is hospital insurance, and Part B, which is medical insurance. In 1997 a new option was added, called Medicare+Choice. This is now known as Medicare Advantage, or MA for short. This program is commonly referred to as Part C, although the Medicare administration does not label it as such. Medicare Advantage offers expanded benefits for a fee through private health insurance programs such as health maintenance organizations and preferred provider organizations that have contracts with Medicare.

Medicare doesn't mean free health care. How much you pay for your health care depends on the type of Medicare plan you choose, whether you have additional health insurance coverage through an employer or a pension plan, and how often you go to the doctor or hospital. You may have to contribute to the cost of your health care in the form of deductibles and co-payments, and certain services may not be covered at all.

### Medicare Part A

Most people are automatically enrolled in Medicare Part A, also referred to as "original Medicare," at age 65. Part A is free and you don't have to pay any monthly premiums. It pays for inpatient hospital expenses and some other services, such as a skilled nursing facility, home health care, or hospice care. If you don't fully qualify for Part A because you or your spouse didn't work 40 or more quarters in Medicare-covered employment, you may still be able to buy into the plan. If you have 30 to 39 quarters covered, you can buy Part A for a premium of \$206 a month. If you have fewer than 30

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quarters and you're not eligible for premium-free hospital insurance, you can buy Part A for \$375 per month. For 2004, Part A has a deductible of \$912 for hospital stays of one to 60 days; \$228/day for 61-90 days; and \$456/day for 91-150 days.

### Medicare Part B

Part B helps pay for doctors' and outpatient hospital services, physical and occupational therapists and some home health care when medically necessary. This is an optional plan, and you will have to pay a premium to participate. The monthly premium for Part B for 2005 has been raised from to \$78.20 per month, deducted from your Social Security, Railroad Retirement or Civil Service Retirement check. It has a \$110 per year deductible and co-payments of 20 percent of approved services.

If you are 65 or older, still employed and still covered by your employer's health insurance plan, you won't need Medicare Part B coverage. But if you don't sign up for Part B during the seven-month period that begins three months before you turn 65, the premium can go up 10 percent for each year that you could have had Part B but elected not to. And, you'll have to pay that extra 10 percent for the rest of your life.

### Medicare Advantage (Part C)

You need to have Part A and Part B to qualify for Part C. These plans, which you obtain through a private health insurance company, offer expanded benefits depending on the type of policy purchased. In most states, if you sign up for Part C the month you turn 65 or within a six-month window after your 65th birthday, you will qualify without having to answer medical questions. After that period, you will have to answer a medical questionnaire and can be turned down for health reasons. [Medicare's Personal Plan Finder](#) ([www.Medicare.gov](http://www.Medicare.gov)) is designed to help you narrow down your options and choose a plan.

For a complete listing of Medicare Advantage plans, contact the SHIBA office (Office of the Insurance Commissioner) at 1-800-562-6900 or click on [www.insurance.wa.gov/publications/consumer/MedicareAdvantage.pdf](http://www.insurance.wa.gov/publications/consumer/MedicareAdvantage.pdf).

### Medigap

Yet another choice is called Medigap, which is a health insurance policy sold by private insurers to fill the "gaps" in Medicare parts A and B. There are 10 standardized Medigap plans, each of which offers a different set of benefits.

When you buy Medigap, you pay a premium to the insurance company in addition to the Part B premium. Similar to Medicare Advantage, you must be enrolled in Medicare A and B. You don't need a Medigap policy if you are in a Medicare Advantage plan, and may not have both Medigap and Medicare Advantage.

"Shop around wisely for plans that offer Medigap and Part C benefits, because premiums vary widely and the benefits are the same," says Robert M. Hayes, president of the Medicare Rights Center.

The government will mail you a Medicare information packet, including the Medicare Handbook, before your 65th birthday. If you don't receive it, contact your local Social Security Office or call toll-free at 1-800-772-1213 to request the information.

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For a complete listing of Medigap plans in the State of Washington, contact the SHIBA office (Office of the Insurance Commissioner) at 1-800-562-6900 or click on [www.insurance.wa.gov/publications/consumer/Medigap\\_Chart.pdf](http://www.insurance.wa.gov/publications/consumer/Medigap_Chart.pdf).

### **Part D is not so simple**

With the passage of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 comes a new prescription drug benefit, Part D, plus coverage for preventive screenings and tests.

The legislation is complicated and confusing, and it has many seniors worried that they will wind up with fewer benefits than before.

The centerpiece of the act is the prescription drug benefit that takes effect January 2006.

Many seniors are skeptical that the new benefit will help them. Some feel it doesn't go far enough, while others think it's a good starting point.

And many among the 2.7 million retirees who already have prescription drug benefits from their previous employers fear that they will eventually lose their coverage.

“Am I completely satisfied with this bill? No,” says Bill Novelli, executive director of AARP, which supported the legislation. “But it will make prescription drugs more affordable and provide millions of older Americans with much needed help.”

### **Drug Discount Cards**

In 2004 Medicare authorized prescription drug discount cards. The cards have been sold by individual companies – mainly drug companies, insurance companies, and pharmacy benefit managers. They sell for about \$30. Success has been much less than Medicare had hoped.

With the cards, seniors have been able to purchase prescription drugs at 10 to 25 percent off the full retail price. Seniors have to choose among dozens of companies sanctioned by the government whose lists of drugs and prices vary.

Individuals with incomes of less than \$12,569\* a year, or married couples with incomes of less than \$16,862\*, receive their cards free. Low income seniors may also qualify for \$600 from the federal government to help pay for prescription drugs.

Purchasing the card is voluntary, and it's an interim program that's being offered on a temporary basis only. Enrollment will continue through December 31, 2005.

Those whose drugs are covered by Medicaid are not eligible for the card.

### **The Prescription Drug Benefit**

In January 2006, the prescription drug benefit will kick in. Everyone covered by Medicare will have choices to make. They will be eligible to:

- Stay in traditional Medicare, a Medicare HMO or a retiree plan without signing up for the drug benefit;
- Stay in traditional Medicare and enroll in a stand-alone drug plan;
- Enroll in a private health plan that offers drug coverage and Medicare health services.



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Those who choose to take advantage of the drug benefit and have incomes exceeding \$12,569 will pay a monthly premium now estimated at \$35. They will also pay a \$250 deductible.

Medicare will cover 75 percent of drug costs between the deductible and \$2,250.

There is a gap in coverage (known as the “donut hole”) between \$2,250 and \$5,100; beneficiaries will have to pay all drug costs within that range. Once the costs exceed \$5,100, Medicare will cover 95 percent. There will be a \$2 co-pay for generic drugs and \$5 for brand names, but co-pays will be waived for patients in nursing homes.

Those with incomes of less than \$12,569\* (\$16,862\* for couples) and assets under \$6,000 (\$9,000 for couples) will pay no premiums or deductibles, nor will they have a gap in their coverage.

They will, however, be required to pay \$2 for generics and \$5 for brand names, but they will have no out-of-pocket expenses once their costs pass the \$5,100 catastrophic limit.

(Note: All the premiums, income levels, deductibles, and co-pays mentioned above will increase each year along with general cost of living.)

### Other changes

As mentioned above, this year Medicare Advantage replaces the private HMO option now known as Medicare+Choice. Then in 2006, Medicare Advantage will be expanded to include preferred provider plans.

Beginning this year, Medicare, for the first time, covers preventive procedures, including:

- A one-time initial preventive physical exam within six months of when a person with Medicare first becomes enrolled in Medicare Part B;
- Screening blood tests for early detection of cardiovascular diseases;
- Diabetes screening tests for people at risk of diabetes.

Becoming an informed consumer is the best way to make the right Medicare choices. Read through all the information available from the government and other non-profit sources; discuss your health care needs with your doctor and friends who have Medicare.

You can find up-to-date information about Medicare and review many Medicare publications at Medicare's Web site ([www.Medicare.gov](http://www.Medicare.gov)).

(\* Exact income eligibility guidelines for Medicare Part D may will periodically.)

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