Medicare For Dummies®, 2nd Edition


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Introduction

For most people, turning 65 or otherwise becoming eligible for Medicare feels like stepping into alien territory without a map. The signposts you think should be there often aren’t immediately visible. When you ask for directions, you can’t always be sure you’re being pointed down the right path.

*Medicare For Dummies, 2nd Edition,* is the map you need. It gives accurate, practical information about Medicare in plain language. It shows you how to skirt pitfalls and avoid wrong turns that can cost you dearly. My goal is to help you make informed, confident decisions that take you where you want to be. How can I promise that? Because this book is, in essence, the result of thousands of questions I’ve received over the years from people just like you.

I know from many of those questions that people eligible for Medicare often receive incorrect information from sources — such as government officials — they should be able to trust. That’s why, in these pages, I not only give you info that’s firmly based in law but sometimes also identify certain specific regulations (by name, number, and website) that you can use if you need to prove to an official the legal authority for a particular point about eligibility, enrollment, late penalties, and so on. You can’t find these useful references, which I offer as a kind of consumer empowerment, in other guides.

Confusion about Medicare is almost inevitable for two main reasons. Its regulations apply to different people in different ways, according to their specific circumstances, so the decisions you need to make may be unlike the next person’s. Also, it offers an array of choices that can be bewildering if you don’t know how to sift through them to get to the one that’s right for you.

So think of your Medicare card as your passport into the terrain of guaranteed health care, where you’re welcome regardless of income or preexisting medical conditions, but you still have to find your way around. And consider this book the road map that helps you navigate the highways and some of the more obscure byways of that system and keeps you on track.
About This Book

*Medicare For Dummies* gives you a lot to chew on, but don’t worry; you can take small bites. What you personally need to read depends on your situation and on whether you’re using this book to help yourself or somebody else.

In this book, you find out what you need to know to get through the Medicare maze and get the most out of your coverage. You find answers to some questions that are barely addressed — and sometimes not touched upon at all — in official consumer publications about the program. You discover where to turn for additional help, if you need it. And, as in any *For Dummies* book, you can easily locate and understand the specific information you’re looking for because of the reader-friendly organization and straightforward language.

As you may expect from a program run partly by a federal bureaucracy and partly by private insurance plans, you’re going to meet some unavoidable jargon in this book. These terms are worth getting to know because notices you get from the government or the plans — or any to-and-fros you have with either — will be easier to understand. So I use the following conventions:

» I explain new terms in Medicare-speak the first time they appear in the text. They’re also defined in the glossary in Appendix B.

» When you see the word *Medicare* used on its own, it usually means the whole Medicare program (as in “When you join Medicare . . .”). Sometimes it means the federal agency that runs Medicare (as in “Medicare may send you a notice . . .”). The agency’s official name, the Centers for Medicare & Medicaid Services (CMS), appears as the source of information in some tables.

» I typically refer to the basic Medicare program (Part A plus Part B) as “traditional Medicare.” I call the private plans that comprise the alternative Part C program “Medicare Advantage plans” or “Medicare health plans.”

» I use the terms *Part D* and *Medicare drug coverage* interchangeably to discuss the Medicare prescription drug program. I refer to the plans that provide this coverage as “Part D plans” or “Medicare drug plans.”

Feel free to skip anything marked with the Technical Stuff icon as well as the sidebars — those chunks of text that appear in shaded boxes. They’re not necessary to understanding how to find your way through Medicare. Still, you may find them interesting. Ever wonder how on earth Congress dreamed up some of the more oddball bits of this program? You can find the answers in sidebars scattered throughout this book.
Within this book, you may note that some web addresses break across two lines of text. If you’re reading this book in print and want to visit one of these web pages, simply key in the address exactly as it’s noted in the text, as though the line break doesn’t exist. If you’re reading this text as an e-book, you’ve got it easy — just click the address to be taken directly to the page.

**Foolish Assumptions**

This book assumes that you don’t have any working knowledge of Medicare — really, none at all! But even if you do, you can still find practical insights and useful tips to help you navigate the system more quickly, easily, and confidently. If you recognize yourself in any of the following scenarios, you can find help in these pages:

- Your 65th birthday is on the horizon or coming up fast, and you realize you know nothing about Medicare or how to get it.
- You’re younger than 65 but will soon qualify for Medicare as a result of disability and need to know how it works for you.
- You intend to continue working beyond 65 in a job that provides health insurance, and you aren’t sure whether you should join Medicare.
- You have good retiree health benefits from a former employer and wonder how they fit in with Medicare or whether you even need it.
- You’re living outside the United States and want to know about Medicare enrollment and coverage rules for Americans abroad.
- You’re already enrolled in Medicare but can use some help to troubleshoot problems, find a better deal, or reduce your expenses.
- You need a crash course on Medicare issues because you’re helping a parent, relative, or friend navigate the system.
- In your job or volunteer time working with seniors or people with disabilities, you can use a plain-language reference to Medicare.
Another point: This book assumes no political standpoints. Medicare has always been a controversial hot potato, gingerly tossed between those who think of it as a social safety net that should be extended to everyone and those who see it as an expensive luxury that is a growing drain on the economy. If you hold strong opinions, fine; that’s your privilege. But in these pages, the only “us versus them” undertone is a bias toward consumers (us) rather than government bureaucracies and insurance companies (them). The aim of this book is to help you understand and deal with the system as it is now. If you want it changed, please tell your members of Congress, not me!

Icons Used in This Book

Icons are those cute drawings you see in the page margins now and again. Here’s what they mean:

This icon signals important information. If you take anything away from this book, it should be info highlighted with this icon.

This icon draws your attention to on-target advice and practical insights that will save you time, effort, and maybe even money.

This icon raises a red flag to alert you to a Medicare rule or potential pitfall that may trip you up if you remain blithely unaware of it.

This icon points out information that’s interesting but not crucial to understanding the ins and outs of Medicare.

Beyond the Book

In addition to the material in the print or e-book you’re reading right now, this product also comes with some access-anywhere goodies on the web. For important Medicare do's and don'ts, pointers on enrolling in Medicare at the right time, and key sources of Medicare help, go to www.dummies.com and type Medicare For Dummies Cheat Sheet in the Search box. Also, be sure to visit www.dummies.com/extras/medicare for free articles about breaking a language barrier in order to enroll in Medicare, knowing which federal agency will answer your Medicare questions, and much more.
Where to Go from Here

Nobody expects you to read this book cover to cover. It’s not a thriller or a bodice-ripper! But it does act as a plain-language reference to a program that millions of people use but few understand. So you can jump in anywhere to the bit you need, at whatever point you happen to be when grappling with Medicare. For example:

» Want to know how Medicare works? Start with Part 1 to see what Medicare covers, how much it costs, and how you can lower expenses.

» Don’t know when you should sign up or how to go about it? Chapters 6 and 7 show you the way, according to your circumstances.

» Need to make a choice among Medicare’s many options and private plans? Find out how to do so in Chapters 9, 10, 11, and 12.

» Want to get the best out of your Medicare coverage and avoid pitfalls? You’ll find lots of pointers in Part 4.
Getting Started with Medicare
IN THIS PART . . .

Set the record straight on common assumptions and misconceptions about Medicare and how it compares with other types of health insurance.

Discover the basics of Medicare with a quick primer on how it's divided into four separate programs: Part A (hospital stays), Part B (doctors' and outpatient services), Part C (Medicare's private health plans), and Part D (prescription drug coverage).

Find out which services Medicare helps pay for, which services it doesn't cover at all, and which ones come with certain coverage limits.

Recognize what you're likely to pay toward your costs in Medicare — the basic premiums, deductibles, and co-payments, plus the premium surcharges you may have to pay if your income is over a certain level.

Get the scoop on ways to reduce your out-of-pocket expenses in Medicare, including special help if your income is under a certain level.
Medicare is a federal government insurance system that helps tens of millions of seniors and people with disabilities pay for their health care. It’s the only truly national health care program in the United States — meaning that it’s available regardless of your income, the state of your health, or where you live nationwide — and it has been enduringly popular since it began in 1966.

Yet Medicare works like no other insurance you may have known in the past. To avoid total confusion, you’re wise to gain at least a broad understanding of how the program is put together and how its rules may affect you personally.

This chapter provides an overview of the program: addressing common concerns about how Medicare is different from other types of health insurance; describing the four parts of Medicare coverage (A, B, C, and D); and providing a checklist for the decisions that you have to make in choosing among the coverage options that Medicare offers.

This stuff is basic information aimed primarily at people who are new to the program. (You can find more details of benefits and costs in later chapters.) But if you’re an old hand looking for specifics in navigating Medicare more easily, feel free to skip these pages and plunge into Part 3 or 4.
Addressing Some Upfront Questions

When the prospect of becoming a Medicare beneficiary looms on the horizon, you suddenly become aware — if you’re like most people — of how little you know about the program. And even if you think you know, can you be sure that the information you have is accurate? Based on the questions I receive all the time, I can tell you that a lot of perceptions about Medicare are way off base; quite often, they’re gleaned from the Internet or even mass emails that are deliberately designed to spread misleading information and scare seniors.

But if you’ve had health insurance in the past, especially from an employer, you may be nervous about how Medicare coverage compares with it. So before I examine how Medicare actually works later in this chapter, I want to tackle some of the concerns people frequently raise about the program:

» **As a government-run system, will Medicare give me inferior care?** No (or at least, not inherently). The federal government runs and regulates Medicare and also largely pays for the medical services you use. Even so, those actual services are almost wholly private. The doctors you go to are not government employees; the hospitals and laboratories that provide services to you are not government-owned. Instead, they’re free to enter or not enter into contracts with Medicare as they choose. Those who accept you as a Medicare patient are the same kind of independent, private practitioners that you would’ve seen for diagnosis and treatment before coming into Medicare.

» **Will Medicare allow me fewer choices than I have now?** No. In fact, the reverse may be true. If you’ve had health insurance from a private employer, for example, you probably had only two or three plans to choose from each year. In contrast, Medicare offers a choice between the traditional program (in which you can go to any doctor or other provider in the United States that accepts Medicare patients) and a variety of private Medicare Advantage health plans, which are likely similar to health plans you may have known in the past. Depending on where you live, you may be overwhelmed by the number of options; in some areas, as many as 50 different Medicare Advantage plans are available. Also, at least 25 private Part D plans in each state offer Medicare prescription drug coverage. (I explain Medicare Advantage and Part D plans, and how they differ from the traditional program, in the next section.)

» **Will my health issues and preexisting medical conditions work against me?** Current and past health problems don’t bar anybody from Medicare coverage or cause anybody to pay higher premiums or co-pays than somebody who is in perfect health. That kind of discrimination, so common in the past in private health insurance, has never existed in Medicare. The one exception is that people with advanced kidney failure can’t enroll in a Medicare Advantage health plan; however, they still receive coverage for the appropriate care — regular dialysis or a kidney transplant — under the
traditional Medicare program. (For the record: A history of smoking, alcohol use, or obesity doesn't increase rates either.)

**Will Medicare be less expensive than the insurance I have now?** Medicare isn't free. Just like other insurance, it requires monthly premiums, deductibles, and co-pays that you're responsible for paying unless you qualify for a low-income program or have extra insurance that covers these costs (see Chapter 4 for details). However, you need to consider the alternatives. Without Medicare, most older and disabled people wouldn't be able to find affordable insurance on the open market.

Compared to most employer insurance (which as a whole covers younger and healthier people), Medicare is reasonably priced. In 2015, Medicare Part B premiums at the standard rate cost $104.90 per month per person, whereas workers' monthly contributions to employer insurance averaged $90 for a single person and $402 for a family of two or more, according to the Kaiser Family Foundation's 2014 survey of employer health benefits. Still, this isn't an apples-to-apples comparison; many employees pay more than these averages for health benefits, and Medicare beneficiaries usually pay extra for drug coverage, while those with higher incomes pay more than the standard premiums.

**Will I pay a large deductible before getting Medicare coverage?** Medicare does have some deductibles, but they're relatively small compared with the ones many people pay in high-deductible health plans that are sponsored by employers or bought on the open insurance market. (I examine deductibles, along with co-pays and other Medicare costs, in detail in Chapter 3.)

**Will my out-of-pocket expenses be capped in Medicare?** Not necessarily. Traditional Medicare sets no limit on the costs you pay out of pocket during a year, although you may buy Medigap insurance to cover those costs (see Chapter 4). But all Medicare Advantage plans are required by law to set caps on these expenses (up to $6,700 per year, but some plans have lower limits). And in the Part D program, after you've spent a certain amount out of pocket on your prescription drugs in a year, you qualify for catastrophic coverage that greatly lowers your costs for the remainder of the calendar year.

**Do I have to sign up for Medicare again every year?** No; your coverage just rolls over from year to year unless you decide to change it. But you do have the opportunity to change your coverage if you want to during the open enrollment period that runs from October 15 to December 7 each year. During this time, you can switch from traditional Medicare to a Medicare Advantage plan (or vice versa), from one Medicare Advantage plan to another, or from one Part D prescription drug plan to another, as explained in Chapter 15.

**Will Medicare cover my younger spouse or other dependents?** No. Family coverage doesn't exist in Medicare — not for spouses, dependent children, or other family members. Each person must wait until age 65 to join the program unless he qualifies through disability at a younger age, as explained in
Also, if you and your spouse are both in Medicare, each of you must pay premiums separately and in full unless you receive government assistance to help pay for them. Medicare doesn’t give price breaks for married couples, even in its private Medicare Advantage health plans and Part D drug plans.

**Will Medicare coverage be cut off when I grow old?** No! Medicare coverage is based on medical necessity, not age. So if you need a hip replacement when you’re in your 90s or even over 100, Medicare picks up most of the cost in the usual way.

The idea of Medicare rationing care and denying coverage for people over a certain age has been spread through mass emails designed to discredit the 2010 Affordable Care Act (commonly called ObamaCare). In fact, the act doesn’t cut Medicare benefits or allow rationing, and no Medicare regulation limits care for people based on their age.

### Coming to Terms with the ABCs (and D) of Medicare

Do you really need to know the details of what Parts A, B, C, and D stand for? Doesn’t Medicare just pay its share of your bills and that’s it? Well, not entirely. Medicare’s architecture is more than a tad weird, but each of its building blocks determines the coverage you get and what you pay.

Besides that, however, is the simple fact that making sense of the information in the rest of this book is difficult unless you understand what Parts A, B, C, and D actually mean. The following sections break down the basics.

### Part A

Medicare Part A is usually described as *hospital insurance* — a term originally coined to distinguish it from medical insurance (Part B). But the phrase is misleading. “Hospital insurance” sounds as though Part A covers your entire bill if you’re admitted to a hospital, but it doesn’t work that way. The services you receive from doctors, surgeons, or anesthetists while in the hospital are billed separately and are covered under Part B. And you don’t even have to be hospitalized to get services under Part A because some are provided in settings outside the hospital or even in your own home.

A more accurate way to think of Part A is as coverage primarily for *nursing care*. It helps pay for the following: