



# MEDICARE



## WELCOME TO MEDICARE

As you approach your 65th birthday, you will begin to receive a great deal of literature in the mail regarding Medicare plan designs. The purpose of this piece is to help clarify your rights, options and entitlements to the Medicare system. If you have questions or would like further information, please contact:

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## WHAT IS MEDICARE?

Medicare is a federal health insurance program for seniors age 65 and older and other individuals with certain medical conditions and disabilities. It is often confused with Medicaid, a federal-state health insurance program for people with limited resources.

## WHO IS ELIGIBLE FOR MEDICARE

- People age 65 and older
- People younger than 65 with certain disabilities
- People of all ages with end-stage renal failure or permanent kidney failure

## HOW DO I ENROLL?

### Signing Up for Part A

You are automatically enrolled for Part A when you receive Social Security benefits and you turn 65. In this case, you will receive your Medicare card three months prior to your eligibility date.

If you are not taking Social Security and you are turning 65 years old, you need to sign up for Part A by contacting your local social security office or by visiting [www.ssa.gov](http://www.ssa.gov).

**Note: You cannot be on Medicare if actively contributing to an HSA.**

## MEDICARE PARTS DEFINED

Medicare is made up of four parts, which are explained below.

### Part A: Hospital Coverage

Once enrolled, Part A will assist in covering hospitalization, skilled nursing and hospice. Below is a breakdown of Part A deductibles:

- You have a benefit period deductible of \$1,556 (Medicare will pay 100% after the deductible for the first 60 days)
- Medicare will pay all but, \$389/day for days 61 to 90
- Medicare will pay all but, \$778/day for days 91 to 150
- Medicare will pay \$0 for days 151 and beyond

*It is important to know the benefit period begins again at day one if there is a 60-day elimination period between hospital stays.*

### Skilled Nursing

Must meet Medicare's requirements upon which:

- Medicare will pay 100% of days 1 to 20
- Medicare will pay all but \$194.50 for days 21 to 100
- Medicare will pay \$0 after 100 days
- Additional benefits include blood, home healthcare and hospice

### Part B: Medical Benefits

Medicare's annual deductible is \$233. After you meet the deductible, Medicare pays:

- 80% of eligible covered charges
- 100% of Medicare-covered clinical laboratory services (blood tests for diagnostic services)
- Varying amounts for covered preventative services
- Nothing for any charges in excess of the Medicare-approved amount

### Part C: Advantage Plans

Once enrolled, you are removed from original Medicare (Parts A and B)

- Private health plan, not supplemental insurance
- Normally comes with network restrictions
- Optionally renewable every year
- Your out-of-pocket costs can change over time
- You cannot purchase Medicare supplement insurance to cover extra costs

### Part D: Drug Plans

A prescription drug option run by private insurance companies approved by and under contract with Medicare.

- Helps cover the cost of prescription drugs
- May help lower your prescription drug costs and help protect against higher costs in the future
- Each year between October 15 and December 7 you can review or choose a new plan for the following year

## MEDICARE AND MY HSA

### Health Savings Accounts and Age 65

When you reach age 65, HSA eligibility changes due to Medicare, as will the rules for withdrawing funds. Enrolling in Medicare ends your HSA eligibility in one of two ways:

- If Medicare is your only health insurance, you are no longer eligible to contribute to an HSA because Medicare is not a high deductible health plan.
- If Medicare is secondary to a group health plan, HSA eligibility is lost because "other coverage" is in effect.
- Bottom line, don't enroll in Medicare if you want to keep your HSA eligibility.

Before age 65, the money in an HSA can only be used tax-free for qualified medical expenses. If funds are withdrawn for anything else, the money will not only be taxed, but also assessed a 20% penalty.

After age 65, the rules regarding use of HSA funds change in the following ways:

- HSA funds can be used tax and penalty free to pay out of pocket expenses for employer-sponsored health coverage or Medicare Part B and Part D premiums as well as approved Medicare out of pocket expenses.
- Nonmedical retirement expenses – Although money used for non-medical expenses will be subject to federal and usually state income taxes, after age 65 the 20% penalty fee will not be accessed.
- After age 65, eligibility typically ends for HSA contributions. However, options expand for using the money saved in an account.

## I'M NOT PLANNING TO RETIRE

At age 65, you do not have to enroll in full Medicare. If you are eligible to remain on your group health plan you can do so. If you're enrolled in a traditional plan, you should enroll in Medicare Part A only. You should have a Medicare analysis completed to make sure you are enrolling or not enrolling in the appropriate parts of Medicare as well as making sure you are enrolling in the best plan available to you.

**Note: You cannot contribute to an HSA if on Medicare.**

## WHAT ABOUT MY SPOUSE

It is important to know Medicare is individual coverage. There is no family coverage. If you are turning 65 and your spouse is younger, he or she is not eligible to go onto Medicare at the same time you are.

## SOCIAL SECURITY AND MEDICARE

Social Security and Medicare are not the same. Each program has its own eligibility requirements and age specifications for enrolling in benefits. For more information regarding Social Security, please visit [www.ssa.gov](http://www.ssa.gov) or call **1.800.772.1213**.