

Understanding Medicare

Choosing your retirement healthcare coverage is an important decision that can be complicated. This guide will help you to understand Medicare and the choices available to you. Be sure to refer to the glossary on page 8 if you are unfamiliar with a term.

Original Medicare provides in-patient hospital services and outpatient physician services in two “parts,” Part A and Part B. Many people elect to add prescription drug insurance (Part D) and a Medicare Supplement policy (“Medigap”) to Parts A and B to provide more comprehensive coverage. Senior supplement policies, which are different from Medicare Supplement policies, can provide vision, dental, or hearing coverage.

Medicare Advantage, a managed-care plan (Part C), is an alternative you can choose that provides the services of original Medicare Parts A and B and, usually, prescription drug coverage. As with original Medicare, you can buy a senior supplement policy for vision, dental, or hearing coverage.

Parts A and B are available through Medicare. Parts C, D, Medigap, and senior supplement insurance are available from commercial providers.

Original Medicare	OR	Medicare Advantage
In-patient hospital services (Part A)	}	
Outpatient physician services (Part B)		Medicare Advantage (Part C)
Prescription drug insurance (Part D)		
Medicare supplement insurance (“Medigap”)		Not required or available with Advantage
Senior supplement insurance		Senior supplement insurance

Premiums

- For most individuals, the annual premium for Part A is \$0.
- The premiums for Parts B and D depend on your income. If your Modified Adjusted Gross income exceeds thresholds that are determined annually, the premiums are subject to an Income Related Monthly Adjustment Amount (IRMAA), or a surcharge (see the table on page 5 for current thresholds and surcharges).
- The surcharge applies to Part B under both original Medicare and Medicare Advantage.
- The Part D surcharge applies to Advantage plans that include prescription drug coverage.
- Premiums for Advantage plans and senior supplement insurance depend on the provider and coverage you select.

Retirement Healthcare Considerations

Choosing your healthcare coverage in retirement often requires you to make trade-offs between your annual healthcare expenses and the coverage available to you. For many, the choice becomes whether to choose original Medicare or a Medicare Advantage plan.

The considerations on this page and the roadmap on the next page are designed to help you make that choice by highlighting the essential differences between original Medicare and Medicare Advantage.

		Original Medicare	Medicare Advantage
Financial considerations	Summary difference	Potentially higher annual cost but broad provider access and few barriers to care	Potentially lower annual cost and additional benefits but more barriers to care
	Total cost (premiums, copays, etc.)	Usually higher than Medicare Advantage	Usually lower than original Medicare
	Cost sharing	Part A and B deductibles, copays, and coinsurance can be covered via Medigap insurance	May include deductibles or copays at the time of service
	Ability to cap or limit out-of-pocket costs	Only via Medigap insurance	Available depending on the plan
Access	Provider access	Almost all providers nationwide	Typically limited to local plan network
	Access to specialists	Few restrictions to specialists	Often limited to plan network and pre-authorization
Maintenance	Enrollment	Must enroll separately in several components	Choose among available Advantage plans
	Health insurance maintenance	Must review coverage and premiums annually	Must review coverage and premiums annually
Coverage	Domestic coverage	Coverage nationwide	Generally limited to emergency care outside plan area
	International coverage	Only via Medicare supplement insurance	Available depending on the plan
Extra benefits	Vision, dental, or hearing insurance	Only via senior supplement insurance	Routine vision, dental, and hearing services may be included depending on the plan

Medicare Supplement Insurance (“Medigap”) Plans

Because original Medicare does not cover every healthcare expense, many people elect to buy commercially available Medicare supplement insurance, or “Medigap” coverage. The federal government regulates Medigap policies, but they are sold and administered by private insurance companies. Medigap policies are identified by letters and are standardized to help you shop for providers and premiums.¹ Plan A is the basic Medigap policy and the others modify or increase the coverage of plan A.

Medicare Supplement Insurance (Medigap) Plans²

Medigap Plan Letter:	A	B	D	G ⁷	K	L	M	N
Part A hospital costs coinsurance ³	✓ ⁴	✓	✓	✓	✓	✓	✓	✓
Part B coinsurance or co-payments	✓	✓	✓	✓	50%	75%	✓	✓ ⁵
Blood transfusion (first three pints)	✓	✓	✓	✓	50%	75%	✓	✓
Part A hospice care coinsurance or co-payments	✓	✓	✓	✓	50%	75%	✓	✓
Skilled nursing facility care coinsurance			✓	✓	50%	75%	✓	✓
Part A deductible		✓	✓	✓	50%	75%	50%	✓
Part B deductible								
Part B excess charges				✓				
Foreign travel emergency care (up to plan limits)			80%	80%			80%	80%
Out-of-pocket expense limit ⁶					\$6,940	\$3,470		

¹ Medigap policies are standardized differently in Massachusetts, Minnesota, and Wisconsin.

² Plans C and F were only available to those eligible for Medicare before January 1, 2020.

³ Up to an additional 365 days after Medicare benefits are exhausted.

⁴ Plan pays 100% of checked (✓) benefits.

⁵ Plan N pays 100% of the Part B coinsurance, except for copays of up to \$20 for some office visits and up to \$50 for emergency room visits that do not lead to patient hospital admission.

⁶ For 2023. These amounts change annually.

⁷ Plan G is available as a high-deductible version in some states. You pay deductibles, copays, and coinsurance amounts up to the deductible limit before your policy covers any expenses.

Note: Medigap plans cannot decline your application or charge a higher premium because of preexisting conditions if you apply during the first 6 months of being covered by Medicare Part B during initial enrollment. After this period you can still apply for a Medigap policy or change policies, but it may require a medical questionnaire or underwriting, and the insurer can decline coverage or charge more due to preexisting conditions. Your Local State Health Insurance Program has counselors that can help with questions and discuss options for beneficiaries considering changing to a new or different Medigap policy.

Medicare Parts B and D Premium Surcharges

If your modified adjusted gross income as reported on your IRS tax return from two years ago is above certain thresholds, you'll pay the standard Part B premium (\$164.90 in 2023) and a surcharge known as the Income Related Monthly Adjustment Amount (IRMAA). The surcharge is an extra charge added to your premium.

The Part D premium is also subject to an IRMAA surcharge, which is in addition to the premium you pay for your commercial policy. The surcharge is not part of your plan premium and you don't pay the extra amount to your plan. Instead, most people have the extra amount withdrawn from their Social Security or Railroad Retirement Board check.

If you don't pay the Part D surcharge, you may get "disenrolled" and lose your prescription drug coverage until you join another Part D plan during the Open Enrollment Period in the fall of each year (see page 7).

These surcharges apply to original Medicare Parts B and D. The Part B surcharge also applies to Medicare Advantage participants because they must enroll in Part B to be eligible for Advantage plans. The Part D surcharge applies to Advantage plans that include prescription drug coverage.

Income in 2021 (for your 2023 premiums)			Your monthly 2023 premiums	
File individual tax return	File joint tax return	File married & separate tax return	For Part B	For Part D
\$97,000 or less	\$194,000 or less	\$97,000 or less	\$164.90	your plan premium
Above \$97,000 up to \$123,000	Above \$194,000 up to \$246,000	Not applicable	\$230.80	\$12.20 + your plan premium
Above \$123,000 up to \$153,000	Above \$246,000 up to \$306,000	Not applicable	\$329.70	\$31.50 + your plan premium
Above \$153,000 up to \$183,000	Above \$306,000 up to \$366,000	Not applicable	\$428.60	\$50.70 + your plan premium
Above \$183,000 and less than \$500,000	Above \$366,000 and less than \$750,000	Above \$97,000 and less than \$403,000	\$527.50	\$70.00 + your plan premium
\$500,000 and above	\$750,000 and above	\$403,000 and above	\$560.50	\$76.40 + your plan premium

Medicare Enrollment Periods and Penalties

Medicare has several enrollment periods that you must know about to avoid gaps in coverage or late-enrollment penalties. Please review each enrollment period carefully.



Your first opportunity to enroll in Medicare is the Initial Enrollment Period.

- Initial Enrollment Period runs for seven months, starting three months before the month you turn age 65* and ending three months after.
- You enroll in Parts A and B during the Initial Enrollment Period.
- You will automatically be enrolled in Parts A and B if you are already receiving Social Security retirement benefits.
- Depending on your coverage preferences, you may also enroll in a Part D prescription drug policy or an Advantage plan during your Initial Enrollment Period. Your Parts B and D premiums can be permanently higher if you miss the Initial Enrollment Period.
- Medicare and Health Savings Accounts (HSAs)

A Health Savings Account allows you to set aside money on a pre-tax basis to pay for qualified medical expenses. If you are enrolled in a high-deductible health insurance plan (HDHP) prior to enrolling in Medicare, you can qualify for an HSA.

1. Once enrolled in Medicare you can continue to spend from your HSA but you cannot set up or contribute to an HSA.
2. You should stop contributing to your HSA six months before you apply for Social Security retirement benefits to avoid potential tax penalties.

If you choose to continue working beyond age 65 (when you become eligible for Medicare) and want to contribute to an HSA, you must defer your Social Security benefits because you cannot decline Part A while collecting Social Security benefits. If you don't defer Social Security, you will be automatically enrolled in Part A when you turn 65 and will no longer be eligible to contribute to an HSA.

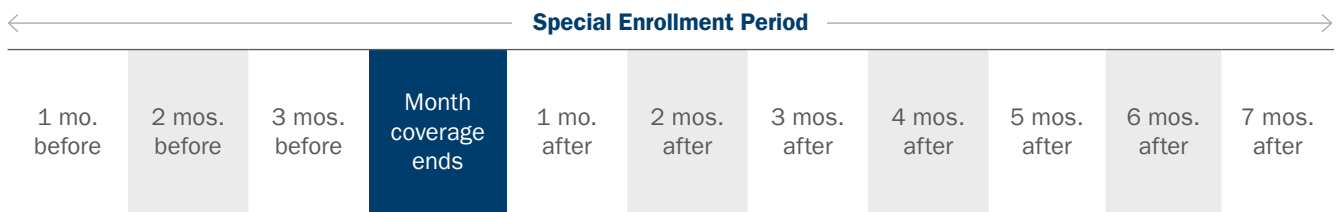
Those who enroll in Medicare Part A after age 65 receive up to six months of retroactive coverage (but not earlier than the month they turn 65). If you choose to enroll in Medicare after 65, be sure to stop your HSA contributions six months before enrolling to avoid having to remove ineligible contributions.

The Initial Enrollment Period is the best time to choose between original Medicare or a Medicare Advantage plan because Medigap plans cannot decline your application or charge a higher premium because of pre-existing conditions. After the Initial Enrollment Period, Medigap plans in most states may decline your application or charge higher premiums to enroll or change plans. Once you are enrolled in a Medigap plan you can stay in that plan without special underwriting provided that plan is still available. If that plan becomes unavailable or you need to make a change to your plan your local State Health Insurance Program is a good resource to talk through your options.

Understanding these enrollment considerations might lead to two possible planning opportunities:

- Those who prefer no geographic restrictions at the outset of retirement — perhaps for extensive travel or a second home — might enroll in original Medicare for its flexibility and switch to an Advantage plan later. The annual expenses of an Advantage plan might be lower than original Medicare but generally come with geographic restrictions for ordinary (i.e., non-urgent or non-emergency) care.
- Others might choose an Advantage plan for the potential costs savings at the outset of retirement — when their health might be better and the physician and geographic access restrictions of Advantage are less important — and switch to original Medicare later when access and flexibility become more important. Please carefully read the underwriting notes about enrolling in a Medigap plan (above) after the Initial Enrollment Period if you are considering this strategy.

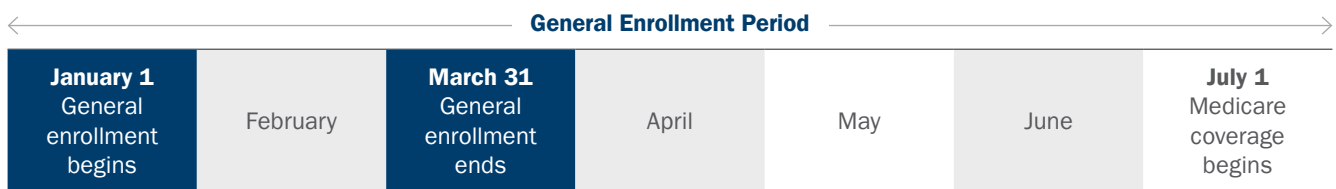
* If your birthday is on the 1st of a month, your Initial Enrollment period starts four months before your age-65 month and ends two months after it. In other words, it's as if your birthday occurs in the month before it actually does.



If you're still working at age 65 and have health insurance through your employer or your spouse's employer, you're eligible for a Special Enrollment Period.

- The Special Enrollment Period lets you enroll in Part A when you turn 65 but decline Part B and “re-enroll” in Part B later without a late-enrollment penalty (remember, the premium for Part A is \$0 for most people).
- The Special Enrollment Period runs for eight months, starting the month your employer coverage ends and ending seven months later but you can start to enroll in Medicare three months before the employer coverage ends. Note that neither retiree health insurance nor COBRA insurance counts as employment-based coverage for the Special Enrollment Period.

Remember to discontinue HSA contributions at least 6 months prior to enrolling.

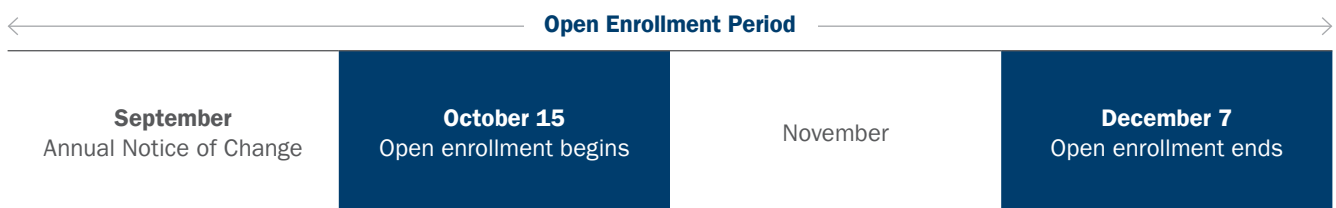


If you don't enroll in Medicare during your Initial Enrollment Period, you can sign up during the annual General Enrollment Period, which runs from January 1 to March 31. But notice that your Medicare coverage won't begin until July 1 and, since you enrolled late, your premiums for Part B (and Part D if applicable to you) will be permanently higher.

If you are already enrolled in an Advantage plan, you can switch among Advantage plans or switch to original Medicare during the General Enrollment Period.

Remember that to enroll in a Medigap policy during this period may require medical underwriting.

Remember to discontinue HSA contributions at least 6 months prior to enrolling.



The Open Enrollment Period starts with an annual “notice of change” that Medicare sends in September and is your chance to review your coverage and make any desired changes for the next year.

- You don't have to do anything if you don't want to make any changes to your current coverage.
- During the Open Enrollment Period, review the formulary of your prescription drug plan for the next year carefully, and, if you're in an Advantage plan, ensure that your healthcare providers will remain in the plan.
- Open Enrollment is generally the only chance to switch from original Medicare to an Advantage plan. You can also switch from an Advantage plan to original Medicare during open enrollment but be sure to understand whether the Medigap plan you anticipate will accept your application and at what premium (read more under the Initial Enrollment Period, above).

Retirement Healthcare Glossary

Medicare is the health insurance program for those age 65 and older and for those with certain disabilities. It is available anywhere in the United States. Here are some important Medicare terms:

Coinsurance

Coinsurance is the percentage of costs you pay after you've met your deductible.

Copayments

A copayment is a set amount that you pay for prescriptions, doctor visits, and other types of care.

Deductible

A deductible is a defined amount that you pay for medical services before your coinsurance begins.

Formulary

A formulary is a list of prescription drugs covered by a prescription drug plan. It's sometimes called a drug list.

Health Savings Account (HSA)

Linked to a qualifying high-deductible health plan, an HSA is a special, tax-favored savings account that can be used for allowable health care expenses.

Medigap

Parts A and B have deductibles, copayments, and coinsurance amounts that are your financial responsibility. Medicare supplement plans, known as Medigap plans, are meant to fill the Medicare coverage gaps. Medigap plans are standardized by letter codes (see the table on page 4) and available from commercial providers.

Part A

Parts A and B are the basic building blocks of Medicare. Part A provides coverage for in-patient hospital care and some post-hospital services. The premium for Part A is \$0 as long as you qualify for Social Security benefits under your own record or your spouse's record.

Part B

Part B provides coverage for outpatient physician services and covered lab tests and other services. It has a monthly premium that depends on your income.

Part C

Part C, or Medicare Advantage, combines the coverage of Parts A, B, and (usually) D into one plan. Advantage plans are available from commercial providers and the coverage, benefits, and premiums for Advantage plans vary. You can shop for a policy that meets your needs and must review and choose your plan each year.

Part D

Part D is prescription drug coverage from commercial providers. The formulary, or the specific drugs covered by a plan, varies and can change. You can shop for a policy that meets your needs and must review and choose your plan — especially the formulary — each year.

Senior Supplement Insurance

Senior supplement insurance is available from commercial providers and can include dental, vision and hearing coverage. Senior supplement plans are not Medicare plans.

For more information, go to [Medicare.gov](https://www.Medicare.gov).

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