

# What You Need to Know About Starting Medicare

By [Andy Stroman](#)

Founder, [Stroman Insurance Advisors](#)

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## A Note From the Author

Welcome to Medicare, or as I like to say, “congrats on getting some of your tax dollars back!” I know Medicare can be an intimidating subject, but I think you’ll find that this guide makes it much simpler. When you’re done here, I want you to know exactly what to do, when to do it, and feel confident in the decisions you need to make around Medicare. If you need help along the way, I’m available to help at no charge.

My best,



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## What is Medicare?

Medicare is a federally funded and sponsored health insurance program primarily for Americans aged 65 and older. It can also provide coverage for individuals under 65 with certain chronic illnesses or disabilities.

### Who is eligible for Medicare?

- Age 65 and older: If you're 65 or older and you're a U.S. citizen or a legal permanent resident who's lived in the U.S. for at least 5 consecutive years, you're eligible.
- Under 65 with certain disabilities: If you've been receiving Social Security Disability Insurance (SSDI) for 24 months, you're automatically eligible for Medicare, regardless of your age.
- People with End-Stage Renal Disease (ESRD): If you have permanent kidney failure requiring dialysis or a kidney transplant, you're eligible for Medicare at any age.
- People with ALS (Lou Gehrig's Disease): If you have ALS, you're eligible for Medicare immediately upon receiving SSDI benefits, without the usual 24-month waiting period.

### Common misconceptions about Medicare

#### Misconception #1: Medicare is entirely free

While many qualify for premium-free Part A, most people pay for Part B (\$174.70/month in 2024, more if your income is above a certain level). There are also deductibles and coinsurance. Your years of work primarily qualify you for Part A, not free healthcare overall.

#### Misconception #2: The government will notify you when it's time to enroll

If you're not receiving Social Security benefits at least four months before turning 65, you need to sign up for Medicare yourself. The government won't notify you - it's your responsibility to know when to enroll.

#### Misconception #3: I don't need to enroll at age 65 if I'm still working

Most people should enroll in at least Medicare Part A when they turn 65. If you get health insurance from an employer with 20 or more employees, you can delay Part B enrollment until retirement, but that's not always the best decision. We'll cover this topic later in the guide.

### Medicare vs. Medicaid

It's easy to confuse Medicare and Medicaid, so let's clear that up at the start. Medicaid is a separate program that provides healthcare coverage based on financial need, regardless of age. Some people qualify for both Medicare and Medicaid.

# The Parts of Medicare

## Part A and Part B: major medical coverage

There are 2 main parts of Medicare: Part A and Part B. They were the original parts of Medicare when it started in 1965. Unsurprisingly, the combination of Part A and Part B is often called **Original Medicare**. Think of Original Medicare as the foundation of your coverage. You may be familiar with the term “major medical coverage” which is another good description of Original Medicare. Everyone who enrolls in the program needs to start with at least Part A and Part B.

Part A (Hospital Insurance)	Part B (Medical Insurance)
<ul style="list-style-type: none"><li>• Inpatient hospital stays</li><li>• Hospice care</li><li>• Some home health care</li><li>• Skilled nursing care for a limited time and under specific circumstances</li></ul>	<ul style="list-style-type: none"><li>• Outpatient medical services including some mental health care</li><li>• Preventive services like doctor visits and vaccines</li><li>• X-rays, CT scans, MRIs, EKGs</li><li>• Bloodwork and urine tests</li><li>• Drugs administered by a healthcare professional, like infusions</li><li>• Clinical research</li><li>• Ambulance services</li><li>• Durable medical equipment (DME) like wheelchairs and blood sugar meters</li></ul>

## Part C: Medicare Advantage

This is an alternative to Original Medicare. More on this later.

## Part D: prescription drug coverage

Part D was added to the Medicare program in 2006. It helps cover the cost of prescription drugs. It used to be pretty complicated, but thankfully it’s been simplified to work just like traditional health insurance. Starting in 2025, Part D plans will have an annual deductible of no more than \$590 and an out-of-pocket maximum of \$2,000. No more donut hole, no more unlimited out-of-pocket cost exposure.

You can buy a standalone Part D plan, which usually pairs with Original Medicare and a Medigap plan, or you can choose a Medicare Advantage plan with Part D included.

## Part A and Part B aren't enough coverage

A lot has changed in healthcare since Medicare started in the mid-1960s. Advancements in medical science and the cost for healthcare are the obvious changes. While Part A and Part B cover a lot of services, they do not pay for 100% of them. To put it simply, with Original Medicare alone, you'll be on the hook for 20% of major medical expenses with no limit to that amount. Additionally, Original Medicare does not cover prescription drugs.

To fill the gaps in coverage left by Part A and Part B, you have 2 options to choose from: a Medigap (Medicare Supplement) plan or a Medicare Advantage (Part C) plan.

Medigap (Medicare Supplement)	Medicare Advantage (Part C)
<ul style="list-style-type: none"><li>• Works with Original Medicare to pay most of your share of costs</li><li>• Insured by private insurance companies</li></ul>	<ul style="list-style-type: none"><li>• Alternative to Original Medicare</li><li>• Insured by private insurance companies</li></ul>

# Medicare Plan Options

Put simply, you have 2 Medicare plan types to choose from.

## Option 1: Original Medicare + Medigap + Part D

With this option, you keep Original Medicare and enhance it with plans from private insurers.

For a total of \$300 - \$350 per month (more for high earners), you can get coverage with zero network restrictions, no prior authorization requirements, and an annual medical out-of-pocket maximum of just \$240.

You can see any doctor in the U.S. that accepts Medicare, which is about 98% of them. Here's Medicare's webpage to look up which doctors accept Medicare:

<https://www.medicare.gov/care-compare/>

With this option you will need to purchase prescription drug coverage and dental/vision coverage separately.

## Option 2: Medicare Advantage (Part C)

This involves "trading in" Original Medicare for a plan sold by a private insurance company.

It's about half the cost of option 1, but it's more of a "pay as you go" plan. You will have copays for office visits and many other services, and your out-of-pocket maximum can be as high as about \$9,000 per year. Despite that, it's still excellent coverage compared to most "under 65" health insurance from employers or the individual market.

Most Medicare Advantage plans include prescription drug and dental/vision coverage. Note: if you want drug coverage with a Medicare Advantage plan (which I recommend if you go with this type of plan), you need to buy a plan that includes both. You cannot buy separate Medicare Advantage and Part D plans.

## How to choose between these options

To put it simply, Medigap plans are considered the premium option, while Medicare Advantage plans are the more affordable option. Medicare Advantage plans, sometimes called MA or MAPD plans, often come with no monthly fee but tend to have higher costs when you use healthcare services.

With Medicare Advantage plans, you can expect to pay copayments for various services such as doctor appointments, hospital stays, diagnostic imaging, and laboratory tests. In contrast, a Medigap Plan G features a \$240 deductible and provides full coverage for all expenses beyond that point.

Moreover, Medigap plans offer the flexibility to visit any healthcare provider who accepts Medicare, as they don't have a restricted network. Medicare Advantage Plans, however, require you to stay within their specific network of providers. While many of these plans are structured as HMOs, PPO options have become increasingly available in recent years.

One last point: Medicare Advantage plans can (and typically do) change every year, and doctors can leave or join those plans just as frequently. You'll be able to select a new plan every fall to start on January 1, but it can be tedious to figure out what's changed. Medigap plans do not change from year to year, leaving you only having to check prescription drug coverage in the fall.

Original Medicare + Supplement + Part D	Medicare Advantage (Part C)
<ul style="list-style-type: none"> <li>● Higher monthly premiums</li> <li>● Low/no copays, no coinsurance, very small deductible</li> <li>● Go to any doctor that accepts Medicare (95%+ of all U.S. doctors)</li> <li>● No prior authorization or referrals needed to see a specialist</li> <li>● Must buy a separate Part D plan for drug coverage</li> <li>● No extras like dental or vision coverage</li> <li>● Plans do not change every year</li> <li>● Rates typically increase 3-8% per year</li> </ul>	<ul style="list-style-type: none"> <li>● Low/no monthly premiums</li> <li>● Higher copays and deductibles</li> <li>● You can only see doctors in your plan's network</li> <li>● Prior authorizations and referrals often required</li> <li>● Part D drug coverage often included</li> <li>● Extras like dental and vision coverage often included</li> <li>● Plans and networks usually change every year</li> </ul>

A good general recommendation is this: if your budget allows for a Medigap plan, go with that. If the premium becomes too expensive down the line, moving to a Medicare Advantage plan is always an option. However, the ability to move from Medicare Advantage to Medigap isn't guaranteed.

Medigap plans offer the greatest degree of versatility and the most extensive coverage. If cost is a significant factor in your decision-making process, then a Medicare Advantage plan might be more suitable. The Medicare Advantage system is very well designed, and as long as you have a thorough understanding of the specifics of the plan you're selecting, you're likely to make a choice that suits your needs.

# Medicare Costs

## Part A

If you (or your spouse) have worked and paid income tax in the U.S. for at least 10 years, Part A will cost you \$0 per month.

## Part B

In 2024, Part B costs \$174.70 per month. If you have a high household income (more than \$206,000 for couples filing taxes jointly) your Part B costs will range from \$244.60 to \$594.00 per month.

## Medigap

Most of these plans cost anywhere from \$100 to \$175 per month. Your cost will depend on age, gender, ZIP code, and whether or not you use tobacco.

There are 12 types of Medigap plans, each with a letter assigned to them. Plan G and Plan N are by far the most popular and the ones I recommend choosing from.

## Part D

If you take generic drugs (or don't take any drugs) you'll be able to find a Part D plan that fits your needs for about \$10 per month. If you take specialty or brand name drugs, expect to pay closer to the national average, which in 2024 is around \$55 per month.

The way to find the right Part D plan for you is simple. Enter your drugs in a plan search tool like Medicare.gov's and choose the plan that gives you the lowest total cost for 12 months of the plan's premium and a year's worth of drugs at the pharmacy(ies) you prefer.

## Medicare Advantage (Part C)

Medicare Advantage plans usually have a zero monthly premium. Some of the more comprehensive plans can have a premium. There is typically no need to pay for Part D separately, as most plans include that coverage. In most cases, your total cost will just be your Part B premium paid to the government.

## Estimate your costs

- Option 1 (Medigap + Part D): starting at about \$300 - \$350 per month
- Option 2 (Medicare Advantage): starting at about \$174.70 per month

Estimate your costs here: <https://stromaninsurance.com/resources/medicare-cost-calculator/>

Look up plans here: <https://www.medicare.gov/plan-compare/>

## When to Sign Up for Medicare

Medicare enrollment is handled by the Social Security Administration.

If you are already receiving Social Security retirement benefits before age 65, you will automatically be enrolled in Medicare Part A and Part B at age 65.

If not, you will need to enroll “manually” when you’re ready. Depending on your circumstances, healthcare needs, and costs, you may need to enroll in Medicare at age 65. In some cases, you have the choice to enroll at 65 or wait until retirement.

### New to Medicare and retiring

If you’re retiring at age 65, you will need to enroll in Medicare during your Initial Enrollment Period (IEP). It’s a 7-month window with your birth month in the middle.

- IEP begins: 3 months before your 65th birth month
- IEP ends: 3 months after your 65th birth month

If you enroll in the 3 months before your 65th birthday, Medicare will start on the 1st of your birth month. If you enroll any later than that, Medicare will start on the 1st of the following month (avoid this).

Here’s an example for someone with a birthday in July:

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
			Green	Green	Green	Yellow	Red	Red	Red		

**Green** = best time to get enrollment done

**Yellow** = coverage start date will be delayed

**Red** = IEP ending soon, coverage start date will be delayed, late enrollment penalties possible

### New to Medicare and still working

If you get your current health insurance from an employer with 20 or more employees, you can either:

- Drop the group plan and switch to Medicare at age 65; or
- Keep the group plan and defer your Medicare enrollment



If you keep your group health plan and defer Medicare enrollment, you must enroll in Medicare as soon as you lose that group plan (usually due to retirement, moving to part time, or termination).

### Deciding on group health plan vs. Medicare

Sometimes it makes sense to stay on your group health plan beyond age 65. Sometimes it doesn't. Here's what to consider when making this decision.

First off, if your group health plan is the best health insurance option for your spouse and/or children, it might make sense to keep it for their sake. Don't assume that's always the case, though. See what options your family has to get their own coverage via Healthcare.gov, where substantial subsidies are on offer for many households.

Next, compare your group health plan to the 2 Medicare options we've reviewed. These are the most important factors to compare:

- Monthly premium
- Deductible
- Copays
- Coinsurance
- Out-of-pocket maximum
- Network
- Prior authorizations and referral requirements

Here's a breakdown of each Medicare option that you can use to compare your group plan:

	<b><u>Original Medicare + Medigap</u></b>	<b><u>Medicare Advantage</u></b>
Monthly premium	\$300 - \$350 (more for high income)	\$174.70
Medical deductible	\$240	\$0
Drug deductible	\$545	\$545
Copays	None (Plan G) / \$20 (Plan N)	Yes
Coinsurance	None	Usually 20%
Out-of-pocket maximum	\$240	Up to \$8,850
Network restrictions?	None	Yes
Prior auth/referrals?	None	Sometimes

The average deductible for a group plan is about \$1,800. However, some plans blow that out of the water with up to \$5,000+ deductibles. The out-of-pocket maximum is usually twice the amount of the deductible.

If you were to switch to Medicare, your annual deductible would only be \$240 with a Medigap plan (prescription drugs not included). If your deductible has been an issue for you, it's worthwhile to consider switching to Medicare.

Does Medicare look like the better plan for you? Great. If not, then stick with your group plan for now. This is entirely your decision, and you can't be coerced or incentivized to choose one over the other.

If you decide to keep your group plan and delay Medicare

You can go ahead and enroll in Medicare Part A, as it's probably free to you. It will act as "secondary coverage" to your group plan. You can enroll in Medicare Part B and either a Supplement + Part D or Advantage plan up to 3 months before you drop or lose the group plan.

You'll want each of those remaining parts/plans to start the day after your group coverage ends. For example, if your group plan ends on June 30, the ideal start date is July 1.

If you decide to drop the group plan and switch to Medicare

Your enrollment steps are the same as in the "new to Medicare and retiring" section above.

**Note about Health Savings Accounts (HSAs):**

*You can no longer contribute to an HSA once you're enrolled in any part of Medicare. This might impact your decision to enroll in Medicare while you're still working. You can still use the funds already in your HSA account once on Medicare, but you can't put any more funds into it.*

**WARNING about COBRA coverage:**

*COBRA is not necessary if you're going to enroll in Medicare. When you're 65 or older and lose group health coverage, it's best to move to Medicare immediately. However, if you're going to enroll in COBRA, you must also enroll in Medicare at the same time.*

# How to sign up for Medicare

## Online

<https://www.ssa.gov/medicare/sign-up>

You'll need to sign in to your "my Social Security" account in order to complete the enrollment. If you don't already have that account, you'll need to create one. It's a fairly simple process and the link will direct you to the right place. More info here:

<https://www.ssa.gov/myaccount/create.html>

## Phone

If you want to sign up over the phone, you can call Social Security at (800) 772-1213. Tell the representative you want to sign up for Medicare Parts A and B, or Part A only.

*Note: do not expect to get the enrollment done on the first phone call. You will likely need to schedule a separate phone appointment with the representative.*

The phone lines are staffed in most U.S. time zones Monday through Friday, 8 a.m. to 7 p.m., in English, Spanish, and other languages. Call TTY (800) 325-0778 if you're deaf or hard of hearing.

## Info you'll need to provide when you sign up

### Basic information about yourself

- Social Security number
- Where you were born (city, state, country)

### Health insurance information

- Start and end dates for any current group health plans
- Start and end dates for any group health plans after age 65

### For Part B only

- Valid email address
- Your existing Medicare number

## Check the status of your application

[Click here](#)

## Signing up for Medigap, Part D, and Medicare Advantage plans

Once you've enrolled in Medicare Part A and Part B, you can enroll in the plan(s) from private insurance companies that you need.

You can buy plans directly from the companies that sell them, or you can use a broker like us.

### Why use a broker?

A broker like Stroman Insurance Advisors can sell plans from multiple companies and can compare every market option on your behalf. There is no cost for a broker's services, and for most plans you'll pay the same price through a broker as you would buying a plan from the insurance company.

A good broker will be available to answer billing and claims questions throughout the year. They'll also help you review plans every year and make changes as needed. It's in their best interest to make sure you're happy with your plan and remain their client as a result.

### Shopping for plans online

Medicare's plan finder is a good place to see prices and features of plans in your area:

<https://www.medicare.gov/plan-compare/>

A word of warning: if you request a quote from anywhere else online, it's probably tied to a call center or sales agency who will market to you aggressively. Even insurance companies will do this, so tread carefully when on their websites, too.

## Other Coverage

### Dental & Vision

If you opt for a Medicare Advantage plan, this dental and vision coverage will sometimes be included.

If you opt for Medigap, or you want more coverage than a Medicare Advantage plan offers, you'll need to buy a standalone plan. Dental coverage starts at around \$40 per month. Vision coverage starts at around \$12 per month. If you use a dental/vision plan's benefits every year, like for cleanings, exams, frames, and lenses, it should pay for itself.

### Cancer, Heart Attack, and Stroke Insurance

These plans pay lump-sum benefits (usually up to \$30,000) upon diagnosis of a critical illness, and you can use the money as you see fit. These plans are great for things like offsetting a Medicare Advantage plan's out-of-pocket medical costs and paying for household expenses like a mortgage, utilities, or travel for visiting family. Cost is around \$15/month per \$5,000 in benefits.

### Life Insurance

If you don't already have life insurance, now is a good time to consider adding it.

In the later stages of life, it usually makes sense to look at permanent life insurance options, but in some cases a term life insurance plan can be appropriate. Many people buy small permanent life insurance plans of up to \$50,000 to cover end-of-life expenses. Another use for life insurance is as a way to get affordable coverage for long term care expenses.

### Long Term Care Insurance

The annual cost of a private room is over \$100,000 per year. The average long term care facility stay is about 3 years. Women tend to have longer stays than men.

Traditional long term care insurance has become quite expensive. For \$300,000 in benefits, which is enough to cover average expenses, expect to pay around \$500 per month.

If that's outside of your budget, you might consider short term care insurance. You can buy coverage of up to \$400 per day for a maximum of 360 days. Typical plans cost around \$75 to \$150 per month depending on how rich you want the plan.

A third option for long term care insurance is buying a whole life or universal life plan with a long term care rider. Premiums vary widely based on death benefit and long term care benefit.

## Frequently Asked Questions

I'm worried about late enrollment penalties. Am I at risk?

You are safe from late enrollment penalties if you enroll before 3 months past your 65th birthday. Or, if you get your health insurance from a group with 20 or more employees, you can do it as late as 60 days after the group coverage ends. If you've followed the advice in this guide, you're in great shape.

What's the deal with all these ads about extra benefits and giving me money back on Social Security check?

These are usually ads from call centers trying to sign you up for a certain type of Medicare Advantage plan called a "give back" plan. These plans do give you part of your Medicare Part B premium back, but they are almost always horrible plans. Tiny networks, very high copays and coinsurance, and overall not a high quality insurance product. I don't recommend going anywhere near them.

I don't take any medications. Do I need Part D coverage?

I recommend getting Part D coverage even if you don't take any prescription drugs. Firstly, you need to be enrolled in Part D as soon as you start Part B to avoid a late enrollment penalty. Secondly, if you need an expensive drug in the middle of the year, you'd be stuck until January 1 of the next year without coverage.

Is Medicare in danger of going away?

I don't think so. Medicare is too big of a program, and there are too many people reliant on it, for lawmakers and politicians to mess with it. Insurance companies and drugmakers are far too invested in Medicare, and their political influence is too powerful, for them to allow Medicare to go away. There will be slight tweaks to Medicare over the years, but it's not at risk.

How do Medicare brokers get paid?

If you buy an insurance plan through a broker, they will get a commission from the insurance company you chose. That commission is built into the premium you pay, but you don't pay anything extra as a result.