

Understanding Medicare Options and Late Enrollment Penalties

Overview: Enrolling in Medicare can be overwhelming. The following looks at enrollment periods for different coverage options.

Medicare health insurance is a dense topic. Each of the various options have specific coverage and enrollment periods. To select the best coverage for you, it helps to have a better understanding of the program. This knowledge can help you and your loved ones iron out the areas that tend to cause the most confusion.

The Basics

Medicare is available for U.S. citizens who are 65 or older, those under the age of 65 but have certain disabilities and those of any age with end-stage renal disease.

Different Parts

There are five main options for Medicare and each serves a purpose:

- **Medicare Part A:** Coverage for hospital inpatient care, hospice care, inpatient skilled nursing facility and home health care. In most cases, this is a free benefit paid for with Medicare taxes.
- **Medicare Part B:** Coverage for physician services, outpatient care, home health and medical services, and some preventative services to help maintain health. There is a premium charge for this coverage.
- **Medicare Part D:** Coverage for prescription drugs through Medicare-approved private insurance. There is a premium charge for this coverage.
- **Medicare Supplement Insurance (Medigap):** Health insurance sold by private companies. Its role is to fill the gaps in Medicare plan coverage. There is a premium charge for this coverage.
- **Medicare Part C:** Single plan offered by private insurance companies that combines coverage for Part A and Part B, and sometimes Part D. In some plans, additional benefits such as dental or vision are provided. There is a premium charge for this coverage.

How to Enroll

There are several ways to enroll in Medicare: 1) visit www.Medicare.gov, 2) call 800.MEDICARE or 3) visit your local Social Security office. Wealth advisors or topic experts are other resources when planning to enroll in Medicare. They can assist you in making sure your enrollment is submitted correctly as well as offer guidance throughout the process.

Enrollment Periods and Penalties

It is important to understand the different Medicare enrollment periods and subsequent penalties to avoid late fees and make the overall experience less daunting.

Medicare Part A and Part B

If you are currently receiving benefits from Social Security, you are automatically enrolled in Part A

and Part B on the first day of the month you turn 65. If you are receiving disability insurance, you are automatically enrolled in Medicare Part A and Part B on the first day of the 25th month after your Social Security benefits begin. If you are not currently receiving benefits from Social Security, you are still eligible for enrollment upon reaching age 65.

The initial enrollment period for Medicare Part A and Part B includes the three months before the month you turn 65, the month you turn 65 and the three months after you turn 65. For those covered under a group plan through your current employer, you do not need to enroll in Part A or Part B. Instead, there is a special enrollment period that includes the eight-month period beginning the month after your group coverage ends or your employment terminates.

Moreover, if you do not sign up for Part A and/or Part B during your initial enrollment period, you can sign up during the general enrollment period, which takes place each year from January 1–March 31. If you sign up during this period, your coverage will begin on July 1.

The initial enrollment period is a time frame specific to when you turn 65; the general enrollment period takes place from January 1–March 31 each year.

Late enrollment penalties can significantly increase your monthly payments for coverage, but they are easily avoided. For most recipients, Part A is free, making late enrollment penalties an insignificant issue. For Part B, though, the late enrollment penalty is 10 percent for each 12-month period that a member could have signed up for Part B but did not. For example, if a member's coverage ended December 31, 2009, but he or she waited to enroll until the general enrollment period of March 2012, the premium penalty would be 20 percent. In most situations, the penalty for Part B late enrollment does not end.

Medicare Supplement Insurance (Medigap)

The open enrollment period for Medicare supplement insurance is a six-month period that begins the first month you are 65 *and* enrolled in Medicare Part B. Additionally, the Medigap special enrollment period is similar to that of Part A and Part B. Special enrollment for Medigap occurs once your group coverage has ended and you are enrolled in Part B. Your enrollment period is the six months following termination of your group plan. If you miss the period to enroll, you may be subject to answering underwriting insurance questions — an extensive examination of your current health status and medical records.

Medicare Part C and Part D

For Medicare Part C and Part D, the initial enrollment period takes place during the seven-month period that starts three months before the month you turn 65, includes the month you turn 65 and ends three months after the month you turn 65. For Part C and Part D, there is an open/annual enrollment period from October 15–December 7, which allows you to change plans without penalty or underwriting. Similarly for these parts, there is also a special enrollment period. This period applies if you leave coverage from your employer or union. Your chance to join lasts for two full months after the month your coverage ends.

The enrollment penalty for Part D includes something called the “national base premium.” Late enrollees have to pay 1 percent of the national base premium, which was \$31.08 for 2012. That

1 percent of the base premium is then multiplied by the number of months you were without coverage. This resulting amount is ultimately added to the Part D premium each month and is applied until coverage is no longer necessary.

Additional Information

There are various resources available to assist you with answering your Medicare questions. Call 800.MEDICARE or visit www.medicare.gov for additional information, or speak with a wealth advisor.

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