

Investor's Business Daily

## Mastering The ABCDs Of Medicare

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More than 40 million Americans are enrolled in Medicare. For many seniors, this federal program provides vital health insurance. Enrollees span all income brackets, including the affluent.

Yet few people know the basics. That's true for seniors. It's also the case for baby boomers, whether they're wondering how to help their parents or themselves.

"There is much confusion among baby boomers regarding their future access to Medicare," said Kansas Insurance Commissioner Sandy Praeger.

The National Association of Insurance Commissioners surveyed boomers. Only 36% knew that Medicare eligibility begins at age 65. "Many Boomers incorrectly think Medicare coverage is available at age 62, when they initially become eligible for Social Security benefits," Praeger said.

So your retirement planning should factor in Medicare eligibility at 65. To decide which variation to select -- there are many -- you should also know how the four parts of Medicare work.

Part A provides coverage if you stay in a hospital. It is available to anyone who worked at least 10 years in a job where Medicare taxes were paid.

Spouses of such workers are also eligible. For those workers and spouses, Part A is free.

With Part A, you pay a deductible. In 2008, it is \$1,024. After that, most hospital costs are paid by Medicare.

People who don't qualify for free coverage can buy Medicare Part A for up to \$423 a month in 2008. They must be either age 65 or disabled.

Part B covers medical services. That includes doctor visits and outpatient care.

You have to pay for Part B coverage. It's subsidized by the federal government.

In 2008, the basic fee is \$96.40 per person per month. Higher-income seniors pay more.

The increased fees apply to single taxpayers with at least \$82,000 of annual income. For married couples filing jointly, higher Part B fees apply once income tops \$164,000.

In 2008, the highest Part B fees are \$238.40 per person per month. Those fees apply to seniors with income over \$205,000 (single) or \$410,000 (joint).

But Part B does not provide full coverage. You pay 20% of the bills for doctor visits and outpatient treatment, for example.

So, many people buy supplemental insurance from private companies. It's often called Medigap coverage.

There are 12 types of Medigap policies. Each pays the 20% share of doctor bills and other medical treatment. One type offers a basic menu of benefits. The other 11 offer various combinations of benefits.

Those benefits can include care outside the U.S. Some plans also cover at least part of long stays in skilled nursing homes.

Part C has Medicare Advantage plans. Signing up for Part C is an option for Medicare enrollees. Advantage plans offer Medigap-type benefits. Many also cover prescription drugs and some benefits that are not covered by Medicare

or Medigap.

The plans are run by insurers. Medicare pays these plans a set monthly stipend for each enrollee.

If you choose a Medicare Advantage plan, you still have Part A coverage. You'll have to pay for Part B, too. And you might have to pay a monthly fee to the Part C plan.

So why would you sign up for Part C? Because you typically have lower overall costs. You might have a modest co-pay for a doctor's visit, not a 20% co-insurance bill.

That basically ends your need for a Medigap policy. So your total costs for medical care might be less.

Part C plans generally have networks of doctors and hospitals. To get the full cost savings, you must stay in the network.

Part D includes prescription drug plans. These medications are not covered by Part A or Part B. Some Part C plans also exclude drug coverage.

Part D covers drugs like Lipitor, the cholesterol-lowering medication. Nexium, an acid reflux treatment, is another example.

Like Part C plans, Part D drug plans are offered by private health insurers that have been approved by Medicare.

Various Part D plans offer different lists of covered drugs. So you should see if the prescription medicines you take are on an insurer's list before signing up.

If you buy a Part D plan, you'll have to pay a premium, maybe monthly. Also, there might be a deductible you pay out of pocket each year before coverage kicks in.

#### Pay To Play

In addition, you'll probably have to pay some of the cost each time a covered prescription is filled. And most Part D plans have a coverage gap. Once you have gotten a specified amount of drug benefits, you must pay all of the cost up to a set dollar limit. In 2008, the amount that comes out of your pocket to bridge this gap can be as much as \$4,050. Gaps vary from plan to plan.

After you spend through the gap, coverage begins again. For the rest of the year, you may have to pay only a token amount for drugs while the Part D plan pays the balance.

## Medicare Part B

Monthly premiums in 2008, by income bracket

Income		Premium
Single	Joint married	
\$82,000 or less	\$164,000 or less	\$96.40
\$82,000-\$102,000	\$164,001-\$204,000	\$122.20
\$102,001-\$153,000	\$204,001-\$306,000	\$160.90
\$153,001-\$205,000	\$306,001-\$410,000	\$199.70
Above \$205,000	Above \$410,000	\$238.40

Source: medicare.gov