

THE BASICS OF MEDICARE

A brief but comprehensive overview of what Medicare is, the costs associated with coverage, and how you can sign up



WHAT IS MEDICARE?

Medicare is a federal health insurance program created for individuals age 65 and older, as well as individuals with certain medical conditions or disabilities. Medicare is made up of parts that each provide a different type of health care coverage. In this guide, we'll take a closer look at each of these parts, starting with Original Medicare: Part A and Part B.

ORIGINAL MEDICARE



ADDITIONAL PLANS



MEDICARE ADVANTAGE



ORIGINAL MEDICARE

The federal government provides Part A and Part B to help cover general health care services received from a qualified health care provider (such as a doctor or a nurse practitioner). You must be enrolled in Original Medicare before you can sign up for add-on coverage or Medicare Advantage.



PART A

Part A is hospital insurance.

It helps cover:

- Inpatient hospital care
- Skilled nursing
- Hospice care
- Home health care



PART B

Part B is medical insurance.

It helps cover:

- Doctor visits
- Ambulance services
- Durable medical equipment
- Preventive and screening services
- Outpatient diagnostic testing
- Approved outpatient procedures

What's not covered?

While Original Medicare provides coverage for hospital and medical services, it doesn't cover all health care costs. In general, Original Medicare pays for only 80% of the costs of covered services. It's up to you to pay the remaining 20%. Plus, Original Medicare doesn't cover most prescription drugs or other benefits such as vision, dental, or hearing services.



What does it cost?

Most people don't pay the Part A premium—thanks to the Medicare taxes they paid while working—but everyone pays the Part B premium. This amount changes yearly and varies based on income. If you enroll late in Part B, you may have to pay a penalty fee. Part A and Part B also have deductibles and coinsurance, and there is no limit on what you pay out of pocket in a given year.

ADDITIONAL PLANS

Many choose to buy additional insurance to help pay for the 20% of health care costs that Medicare doesn't cover. Some choose a Medicare Supplement (Medigap) plan and/or a Part D prescription drug plan, while others choose a Medicare Advantage plan. Keep in mind that you can add either Medicare Supplement or Medicare Advantage to Parts A and B, but not both.

Medicare Supplement and Part D

Medicare Supplement and Part D prescription drug plans (PDP) work alongside Original Medicare. These plans are made available through private health insurance companies, although they are regulated by the government.

In other words, you must enroll in Parts A and B and either (or both) Medicare Supplement and Part D for more comprehensive health care coverage.

 **MEDICARE SUPPLEMENT**

 **PART D**

Medicare Supplement plans help pay your share of health care costs, such as copays, coinsurance, and deductibles. They also have their own monthly premium.

Part D prescription drug plans (PDPs) are stand-alone plans that help pay for medications you buy from a pharmacy or through a mail-order pharmacy service. PDPs have their own monthly premium, plus a yearly deductible, copays, and coinsurance.

What does it cost?

Health insurance companies set the prices for these types of coverage. Costs can be determined by things such as age, whether you use tobacco, and your ZIP Code.

MEDICARE ADVANTAGE

Health insurance companies provide Medicare Advantage (Part C) plans that are regulated by the government. These plans are sometimes referred to as an "all-in-one" option. They combine Original Medicare services with benefits such as vision, dental, hearing, or prescription drug coverage. These plans don't replace Part A and Part B. You still need to enroll in Original Medicare before you enroll in a Medicare Advantage plan.

 **PART C**

may also include   

What does it cost?

Medicare Advantage costs and coverage can differ from plan to plan. Most plans have a monthly premium (although some are as low as \$0), deductibles, copays and out-of-pocket maximums.

With a Medicare Advantage plan, you still have to pay your monthly Part B premium.

CHOOSING ADDITIONAL COVERAGE

While Medicare Supplement/Part D and Medicare Advantage help pay the health care costs Original Medicare doesn't cover, they differ quite a bit. We'll explain some of these differences to help you understand which Medicare coverage might be your best match.

Choosing Medicare Supplement and Part D plans may mean:

- Separate monthly premiums for Medicare Supplement and Part D
- Limited out-of-pocket costs for hospital and medical care
- No network restrictions to see a doctor or go to the hospital
- Extra benefits (dental, vision, hearing, etc.) must be purchased separately

These plans may be good for those who:

- Are comfortable paying higher monthly premiums to limit out-of-pocket spending on health care
- Want the freedom to access doctors/hospitals throughout the US
- Can afford to buy extra benefits separately

ENROLLMENT

Let's move on to another important topic: how (and when) you should sign up for Medicare.



Most people become eligible to sign up for Medicare 3 months before and 3 months after their 65th birthday. As you near 65, you should ask yourself, "Do I need Medicare coverage right now?"

Some individuals may still have health insurance through an employer and want to continue that coverage. Others may be coming off their health insurance and need to switch to Medicare.

Picking a Medicare Advantage plan may mean:

- Premiums as low as \$0
- A maximum out-of-pocket limit for hospital and medical care
- Network restrictions for seeing doctors or going to the hospital
- Prescription drug plan and extra benefits are often included

These plans may be good for those who:

- Want a lower monthly premium and are comfortable paying copays and deductibles for health care services up to the out-of-pocket limit
- Are comfortable seeking care within a defined provider network
- Want prescription drug coverage and extra benefits (dental, vision, hearing, etc.) included

If you plan to make Medicare your primary source of health insurance, you should enroll in Part A and Part B as soon as you become eligible and start considering the additional options we've covered.

We recommend you contact Social Security to enroll in Part A and Part B and determine how you'll pay for it (usually the premiums are deducted from your retirement benefits, although direct bill is another option). If you already receive Social Security retirement benefits, you're automatically enrolled in Part A and Part B when you turn 65.

LEARN MORE

Medicare.gov is a valuable resource on the topics covered here, including:

- A deeper dive into [Part A](#) and [Part B coverage](#)
- More on [premium-free Part A eligibility](#) and what your [Part B premium](#) could be. You can also learn more about the [Part B late enrollment penalty](#)
- More on [Medigap coverage](#)
- How to sign up for [Part D](#), what it covers, what it costs, and how it works with other insurance
- Understanding [Medicare Advantage plan types](#)

Or visit [Fidelity.com/Medicare.topics](https://www.fidelity.com/Medicare/topics)

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