



AGING COMES NATURALLY.

DECIPHERING

MEDICARE

DOESN'T.

A FIELD GUIDE TO MEDICARE

INVESTMENT AND INSURANCE PRODUCTS ARE:

- NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
- NOT A DEPOSIT OR OTHER OBLIGATION OF, OR GUARANTEED BY, THE BANK OR ANY OF ITS AFFILIATES
- SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED

This material is being provided to help explain Medicare in an easy-to-read format. It's for educational purposes only and is not intended to be used to promote the purchase of Transamerica's Medicare Supplement Insurance (Medigap) or Medicare Part D coverage.



TRANSAMERICA®

A photograph of a man and a woman sitting on a wooden pier or dock. The woman is in the foreground, wearing a dark cardigan over a light-colored shirt and dark pants, with her feet resting on the edge of the pier. The man is sitting behind her, also with his feet on the pier. They are both looking down at their hands, which are clasped together. The background shows a body of water and a hazy horizon. The text "MAKE THE MOST OF YOUR MEDICARE BENEFITS WHILE MANAGING HEALTHCARE COSTS." is overlaid in large, white, bold, sans-serif capital letters on the left side of the image.

**MAKE THE MOST
OF YOUR MEDICARE
BENEFITS WHILE
MANAGING
HEALTHCARE
COSTS.**



MAKE MEDICARE WORK FOR YOU

For years, you and your spouse have probably been contributing to Medicare. Now, the time is approaching when you can finally reap the rewards.

Medicare doesn't cover everything, but it does help lighten the load of healthcare costs for older Americans. This guide will provide an overview of how it works.

Our Field Guide to Medicare is simply designed to arm you with knowledge, so you can make informed decisions. No one should be using this to try to sell you any specific insurance product.

GETTING STARTED



THIS GUIDE IS MEANT TO GIVE YOU A BASIC UNDERSTANDING OF MEDICARE

For the most complete and comprehensive information on Medicare, visit the federal government's official site, **Medicare.gov**. Check there for the free *Medicare & You* handbook, which is updated annually.

The nonprofit Medicare Rights Center also provides easy-to-understand information at **medicareinteractive.org**. The nonprofit *Transamerica Center for Health Studies* website also provides clear information at **transamericacenterforhealthstudies.org** > Affordable Care Act Overview > Medicare Guide.



THIS GUIDE EXPLAINS:

- What each part of Medicare covers
- When to enroll to avoid penalties
- What Medicare doesn't cover
- Budgeting for your premiums
- How Medicare works with health savings accounts

GLOSSARY AT A GLANCE

Terms you may have heard.

ORIGINAL MEDICARE

Coverage managed by the federal government. You can choose this option, or you can buy a plan from a private insurer instead.

MEDICARE ADVANTAGE

Coverage that you buy from a private insurer instead of going with Original Medicare from the government.

MEDIGAP

If you go with Original Medicare, you might buy a Medigap policy (known as Medicare Supplement Insurance) from a private company to help cover co-payments, co-insurance, or deductibles that aren't covered by Original Medicare. You don't have to buy this if you don't want it.

DEDUCTIBLE

The amount of costs you pay out of pocket before coverage kicks in.

CO-PAY/CO-INSURANCE

Your share of costs on an individual medical bill.

PREMIUM

A periodic payment you make to Medicare, an insurance company, or a healthcare plan for health or prescription drug coverage.

A close-up photograph of a woman with long, wavy grey hair. She is laughing heartily, with her eyes closed and her mouth wide open, showing her teeth. She is wearing a black top and a small stud earring. The background is blurred, showing green foliage and a person with grey hair in the distance.

**MEDICARE WON'T
COVER ALL YOUR HEALTH
EXPENSES, BUT IT WILL
HELP YOU WITH SOME
OF THE COSTS.**

What's covered under Original Medicare Parts A, B, D, and Medicare Advantage

PART A

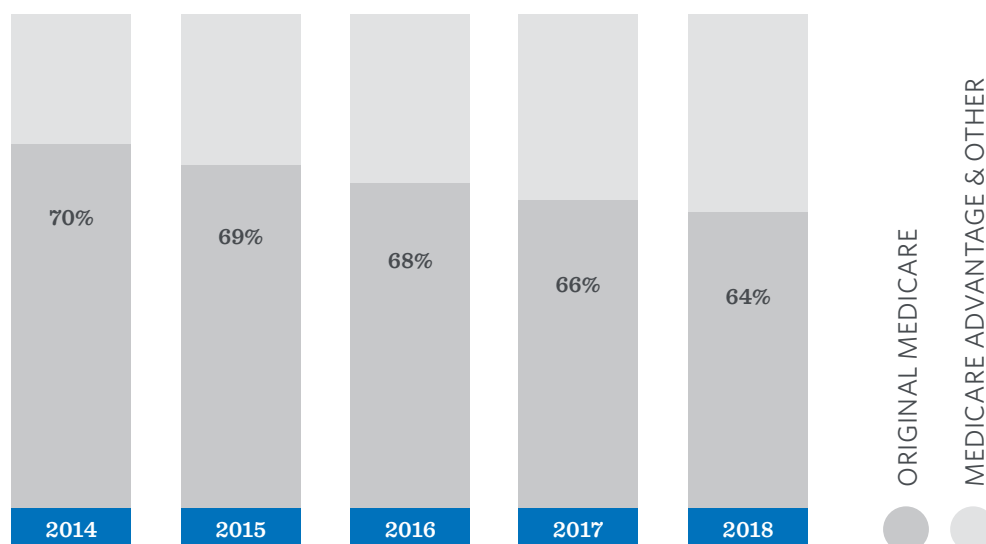
HOSPITALS (AND OTHER MEDICAL FACILITIES)

- Hospital care
- Skilled nursing facility care
- Hospice
- Home health services
- Nursing home care (though it generally won't cover custodial care, which is care that helps with the basics of daily living)

Most people don't pay a monthly premium for Part A because they've already paid Medicare taxes on their paychecks or their spouse's paychecks for at least 10 years. Otherwise, monthly premiums can be up to \$458 per month in 2020, depending on whether you have ever paid any Medicare taxes. There generally is a deductible amount to pay before Medicare steps in and covers your bill for inpatient stays in a facility. In 2020, the deductible is \$1,408 for each benefit period. (A "benefit period" starts when you are admitted as an inpatient at a hospital or skilled nursing facility and ends after you have been out of the hospital and have not received skilled care in any other facility for 60 days in a row.) You'll pay co-insurance for longer stays.

"Medicare Costs at a Glance," Medicare.gov, 2019

HOSPITAL/MEDICAL ENROLLMENT | TRENDS BY YEAR



"Medicare Enrollment Dashboard," CMS.gov, November 2019

PART B

DOCTOR SERVICES, OUTPATIENT CARE, MEDICAL SUPPLIES, PREVENTIVE CARE

- Medically necessary services, including services to diagnose or treat a condition
- Preventive services such as flu shots or tests that can detect illness early on
- Ambulance service (only when other transportation could endanger your health and to the nearest appropriate facility that can give you the care you need)
- Medically necessary durable medical equipment including crutches, wheelchairs, etc.
- Mental healthcare in some instances
- A second opinion on surgeries deemed medically necessary

Part B premiums vary by income. Your monthly premium is typically deducted from the monthly Social Security benefits payments you receive. For 2020, monthly Part B premiums for people who enroll in Medicare for the first time range from \$144.60–\$491.60, though the standard Part B deductible is \$198 in 2020, and you typically pay 20% of costs after that.

"Medicare Costs at a Glance," Medicare.gov, 2019

PART C

Part C lets you choose coverage through private health plans — known as Medicare Advantage Plans — instead of getting Original Medicare. Medicare Advantage Plans may or may not include prescription drug coverage.

PART D

PRESCRIPTION DRUGS

One option for getting prescription drug coverage is through Part D, offered through private companies. You don't need it right away if you have drug coverage from other sources such as an employer or union, but be sure to sign up if that coverage is ending soon. (If you don't sign up for Part D coverage once you're eligible or once your other prescription drug coverage has ended, you may be subject to a late enrollment penalty once you do sign up.)

You may have heard of the Medicare Part D "donut hole," or coverage gap. You enter the donut hole when your total drug costs — including what you and your plan have paid — reaches a certain limit. In 2020, that limit is \$4,020. While in the coverage gap, you will be responsible for 25% of the cost of your drugs.

After you have personally paid \$6,350 in out-of-pocket costs for covered drugs, you leave the "donut hole" and reach catastrophic coverage. During this period, you'll pay only 5% of the cost for your drugs, or \$3.60 for generics and \$8.95 for brand-name drugs (whichever is greater).¹

Out-of-pocket costs that help you reach catastrophic coverage include your deductible, what you paid during the initial coverage period, and almost the full cost of brand-name drugs purchased during the coverage gap. Costs that don't help you reach catastrophic coverage include monthly premiums, the cost of non-covered drugs, the cost of covered drugs from pharmacies outside your plan's network, and the 75% generic discount.¹

COST ESTIMATES FOR 2020

AVERAGE MONTHLY PREMIUM:	\$32.74²
MAX ANNUAL DEDUCTIBLE (VARIES BY PLAN):	\$435²

¹ "The Part D Donut Hole," MedicareInteractive.org, accessed February 2020

² "Part D Costs," MedicareInteractive.org, accessed February 2020



A photograph of an older Black man with a grey beard and mustache, smiling warmly. He is wearing a red and white checkered shirt. A young Black child is sitting on his shoulders, also smiling and looking off to the side. The background is a soft-focus outdoor scene with green grass and trees, bathed in warm, golden light, suggesting late afternoon or early morning.

**WHEN CHOOSING
MEDICARE COVERAGE,
MAKING DECISIONS
ON TIME WILL
ALLOW YOU TO
AVOID PENALTIES.**

WHEN TO ENROLL

PART A

There's a seven-month period in which you can sign up for Medicare.

It spans three months before and three months after your birthday month. If you are working (or your spouse is) and you're covered by a group health plan, avoid penalties by enrolling within eight months beginning the month after that work ends or that group coverage ends, whichever comes first. Note that COBRA (which is continued health coverage under a group plan after a job loss, for example) doesn't count as employer coverage.

PART B

Same as Part A, but since you'll pay premiums, you might want to wait until your employer coverage ends.

You can reject your automatic enrollment in Part B by following the instructions that are mailed to you with your Medicare enrollment. Then, beginning the month after your job or your coverage through your employer or spouse's employer ends (whichever comes first), you'll have eight months to enroll in Part B to avoid facing penalties.

More information can be found at **Medicare.gov**. From the home page, click "Sign Up / Change Plans." Then click "How do I get Parts A & B." Then click "Part A & Part B sign up periods."

PART D

Avoid penalties by making sure you don't go 63 days or more in a row without drug coverage, whether it's from a Medicare Advantage Plan, employer, union, or other provider like TRICARE.

If you don't already have drug coverage, you can enroll when you're first eligible for Medicare. The penalty for late enrollment in Part D is generally a permanent extra monthly fee. Learn more at **Medicare.gov**.



KEY ENROLLMENT PERIODS – ANOTHER CHANCE TO ENROLL (OR SWITCH COVERAGE)

PART A AND PART B:

January 1–March 31 for coverage starting July 1 every year, or within eight months beginning the month after the end of employment or coverage from your employer, whichever occurs first.

PART C (MEDICARE ADVANTAGE) AND PART D:

October 15–December 7

MAKE A SWITCH:

You can switch from a Medicare Advantage Plan to Original Medicare from January 1–March 31. If you take this route, you have until March 31 to also join a Medicare drug plan.



WHAT YOU'LL COVER ON YOUR OWN

EXAMPLES OF WHAT ORIGINAL MEDICARE DOESN'T COVER

Long term care

Most dental care

Routine eye exams

Hearing aids

A woman with short grey hair is jogging on a wooden dock. She is wearing a blue long-sleeved athletic top with orange accents and black leggings. The background features a calm lake reflecting the sky and surrounding greenery, with snow-capped mountains visible in the distance under a cloudy sky.

YOUR MEDIGAP OPTIONS

If you opt for Original Medicare and choose to add a Medicare Supplement Insurance (Medigap) policy, there are 10 standardized types.

Find out what's covered by each type of Medigap policy on the **Medicare.gov** Medigap Policies page.

Medicare.gov > Supplements & other insurance > How to compare Medigap policies

BUDGETING FOR PREMIUMS

Talk to your financial professional about your gross income.

The higher your income, the more you can expect to pay in premiums for Part B and Part D. The extra amount will be deducted from your monthly Social Security payment or billed to you.

What you'll pay is determined by your modified adjusted gross income (MAGI) from your federal tax return.

Premiums for Part B and Part D are based off your federal tax return provided by the IRS **from two tax years prior**. If you must pay higher premiums, a sliding scale is used to make adjustments, based on your MAGI. Your MAGI is your total adjusted gross income and tax-exempt interest income.*

* "Medicare Premiums: Rules For Higher-Income Beneficiaries," Social Security Administration, 2019



Be aware that Medicare has different thresholds for MAGI than the IRS.

The IRS considers high-income earners to be people with net investment income (they have more capital gains than capital losses in a given year) and modified adjusted gross income of \$200,000 or more as an individual; \$250,000

or more as a married couple filing taxes jointly; or at least \$125,000 for married couples filing tax returns separately. (If this describes you, you owe an extra 0.9% Medicare tax that's probably already coming out of your paycheck.)¹

PART B				PART D
IF YOUR MAGI FOR 2018 WAS (AS YOU REPORTED ON THE TAX RETURN YOU FILED IN 2020)			YOU PAY MONTHLY IN 2020	YOU PAY MONTHLY IN 2020
File individual tax return	File joint tax return	File married & separate return		Premiums vary by plan, but the average monthly premium for a basic Medicare prescription drug plan is projected to be \$32.74.*
\$87,000 or less	\$174,000 or less	\$87,000 or less	\$144.60	Your Part D premium
Above \$87,000 up to \$109,000	Above \$174,000 up to \$218,000	Not applicable	\$202.40	\$12.20 + your Part D premium
Above \$109,000 up to \$136,000	Above \$218,000 up to \$272,000	Not applicable	\$289.20	\$31.50 + your Part D premium
Above \$136,000 up to \$163,000	Above \$272,000 up to \$326,000	Not applicable	\$376.00	\$50.70 + your Part D premium
Above \$163,000 and less than \$500,000	Above \$326,000 and less than \$750,000	Above \$87,000 and less than \$413,000	\$462.70	\$70.00 + your Part D premium
\$500,000 or above	\$750,000 or above	\$413,000 or above	\$491.60	\$76.40 + your Part D premium

¹ "What is the Additional Medicare Tax?" IRS.gov, March 2017

² "Part D Costs," MedicareInteractive.org, accessed February 2020



Did you know?

You and your financial professional can evaluate options for limiting your gross income. Note that some options may save you money on Medicare but divert you from your overall financial goals.

QUESTIONS YOU MIGHT CONSIDER:

- If you have a second home you plan to sell, should you sell before age 63, so it doesn't boost your gross income?
- Can you maximize contributions to a retirement account, Roth IRA, or health savings account?
- Should you consider making a charitable gift?
- Do you have any options for offsetting your capital gains?
- Do you have any tax-free income sources?

We don't give tax advice, so consult your financial professional for answers on any of these topics.

MEDICARE & YOUR HEALTH SAVINGS ACCOUNT (HSA)

Did you know?



If you have a health savings account (HSA), keep in mind that:

- Contributions to your HSA must stop once you enroll in Medicare. Premium-free Part A coverage can begin six months back from the date you apply, so **Medicare.gov** suggests stopping contributions to an HSA at least six months before applying for Medicare to avoid tax penalties.
- You still can use money from your HSA to pay for qualified healthcare expenses in retirement.

 **LEARN MORE ONLINE**

MEDICARE:
[Medicare.gov](https://www.Medicare.gov)



More than
60,000,000

people are enrolled in
Medicare coverage.

—Centers for Medicare & Medicaid Services, October 2019

For more helpful tools on preparing for a healthy and successful life, contact your financial professional for other titles in our Field Guide series.



Make the most of Medicare.

To learn more about Transamerica's Field Guide to Medicare series and to get support materials:



Contact: Your financial professional

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