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[Nationwide Retirement Institute[®] | Medicare overview](#)

Your Medicare choices

and their impact on your health care costs

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Medicare: An overview of coverage and costs

An important part of planning for retirement is accounting for health care costs. Medicare comes with premiums, deductibles, co-pays and co-insurance, so it's good to know what to expect. Understanding the basics of the Medicare program will help you be prepared to discuss those costs with your financial professional.

What is Medicare, and who is eligible for it?

Medicare is a federal health care program for people age 65 or older and for those who are disabled or suffer from certain serious diseases.

An individual age 65 or older is eligible for Medicare if they:

- > Collect (or qualify to collect) Social Security or Railroad Retirement benefits, or
 - > Are a current U.S. resident and either
 - A U.S. citizen or
 - A permanent resident having lived in the U.S. for five years in a row prior to applying
-

An individual under 65 is eligible for Medicare if:

- > They have received Social Security Disability Insurance (SSDI) or Railroad Disability Annuity checks for total disability for at least 24 months
 - Exception: If the individual has Lou Gehrig's disease (amyotrophic lateral sclerosis, or ALS), there is no waiting period and they are eligible for Medicare when they start receiving SSDI
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- > Or they have end-stage renal disease (ESRD) and they (or a family member) have enough Medicare work history

Enrolling in Medicare

If you are collecting Social Security benefits, you will be automatically enrolled in Medicare starting the first day of the month you turn 65 — unless your birthday *is* the first of the month, in which case, your Medicare coverage will begin on the first day of the *previous* month. Auto-enrolled individuals will receive a “Welcome to Medicare” packet 3 months before they turn 65, and it will have information about additional steps to take.

As Social Security’s full retirement age goes up, many will not yet be receiving those benefits when they become eligible for Medicare. In that

case, you will have a seven-month period, known as the **Initial Enrollment Period**, to sign up. It includes the 3 months before the month you turn 65, your birthday month, and the 3 months after you turn 65.

Enrolling on time is important, because those who don’t do so may have to pay a permanent, lifelong penalty. The penalty is 10% of the Part B premium for each full year of delay.

However, if you do miss the Initial Enrollment Period, you can sign up between January 1 and March 31 of any year, and coverage will begin on July 1.

7-Month Initial Enrollment Period

3 months **BEFORE** the month you turn 65



3 months **AFTER** the month you turn 65



Two options for Medicare coverage

When enrolling in Medicare, individuals must choose one of two options: Original Medicare or Medicare Advantage.

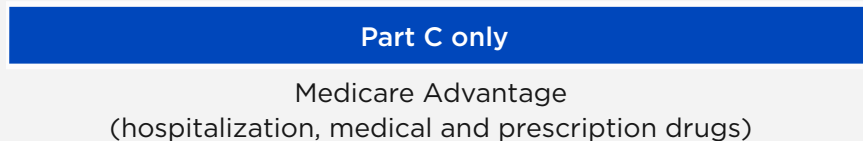
Original Medicare

A blend of coverage from the government (Part A and Part B) and private health insurers (Part D and Medigap)



Medicare Advantage

Offered through private insurance approved by Medicare (Medicare Part C)



● Government-provided insurance ● Private insurance

Original Medicare is a federal program that allows you to seek care anywhere in the country from any doctor who accepts Medicare patients. It consists of two parts administered by the government:

- > Part A covers hospitalization (inpatient care)
- > Part B is for doctor visits (outpatient care)

And then two elective parts are provided by private health insurers:

- > Part D provides prescription drug coverage
- > Medigap is supplemental insurance that pays for out-of-pocket costs on Medicare-approved services

Medicare Advantage, also known as Part C, is offered by private health insurance providers who are approved by the government. These may have a geographically limited network.

Some are health maintenance organizations (HMOs).

- > HMO plans will require an in-network doctor (exception: emergency room visits and urgent care are always covered anywhere in the country)

Some are preferred provider organizations (PPOs).

- > A PPO may allow an out-of-network doctor for an additional cost

Comparing coverage (2023 figures)

	What it's called	What's covered	What you pay
Option 1	Part A Hospital insurance	<ul style="list-style-type: none"> > Hospital care > Skilled care for 100 days following a 3-night hospital stay > Hospice > Home care only when certified by a physician; Medicare typically does not cover the expense of long-term care 	Each benefit period: <ul style="list-style-type: none"> > Monthly premium: \$0 > Deductible: \$1600 > Co-insurance: <ul style="list-style-type: none"> • Days 1 – 60: \$0 • Days 61 – 90: \$400 • Days 91 – 150: \$800 co-insurance per each lifetime reserve day (up to 60 lifetime reserve days, after which you are responsible for all costs)
	Part B Medical insurance	<ul style="list-style-type: none"> > Doctor and physician services > Preventive benefits > Durable medical equipment > Outpatient services 	<ul style="list-style-type: none"> > 2023 monthly premium ranges: \$164.90 – \$560.50, depending on income > Yearly deductible: \$226 > Co-insurance: 20% on doctors' services and outpatient care
Option 1 add-ons	Part D Prescription drug coverage > Stand-alone prescription drug plans (PDPs)	<ul style="list-style-type: none"> > Covered drugs vary by plan 	<ul style="list-style-type: none"> > Monthly premium: Varies by plan > Co-pay: 25%, or flat co-pay amounts based on formulary > Coverage gap¹: In 2023, the coverage gap begins once an individual has spent \$4,660 on covered drugs, after which they pay 25% of the cost on brand-name medications and 25% of the cost on generic medications > Catastrophic coverage is reached after \$7,400 is spent out of pocket, after which an individual pays the greater of 5% coinsurance, or \$3.95 co-pay generic or \$9.85 co-pay brand-name medication costs
	Medigap Supplemental insurance	Pays out-of-pocket costs for Parts A and B on Medicare-approved services	Costs and coverages vary by plan
Option 2	Part C Medicare Advantage	<ul style="list-style-type: none"> > Covers the services that Original Medicare² covers, except hospice care > May cover hearing, dental and vision treatment > May cover prescription drugs 	Costs vary by plan; visit Medicare.gov or call the plan(s) you're interested in for more details <i>Each year, plans establish the amount they charge for premiums, deductibles and services.³ The plan (rather than Medicare) decides how much you pay for the covered services. What you pay the plan may change only once a year, on January 1.</i>

Source: Medicare.gov, November 2022. Numbers reflect 2023 rates.

¹ The coverage gap, or donut hole, is a temporary limit on what your plan will pay for prescription drug costs. While you're in the coverage gap, you'll pay higher costs until you reach the yearly out-of-pocket spending limit.

² Original Medicare, offered directly through the federal government, is the traditional fee-for-service program. It can also be called Traditional Medicare or Fee-for-Service Medicare. It includes Part A and Part B coverage.

³ If you purchase a Medicare Advantage Plan, you still need (in addition to the premium) to pay Medicare Part B premiums.



How to get started

Medicare options can seem complex, but your financial professional can assist with the basics and ensure that your Medicare expenses are accounted for in your retirement income plan. They can also start you down the path to working with a Medicare broker. The broker will guide you as you make your decisions during the enrollment process.



Work with your financial professional to account for Medicare expenses as part of your retirement income plan.

Additional sources of information



Medicare

1-800-MEDICARE (1-800-633-4227)

Medicare.gov



Social Security Administration

1-800-772-1213

SocialSecurity.gov



State Health Insurance Assistance Program

1-877-839-2675

shiptacenter.org



National Council on Aging

571-527-3900

ncoa.org



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