2023 Medicare Fact Sheet

Lockton Companies

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Medicare coverages

Part A	Part B	Part C	Part D
Coverage for hospital stays, skilled nursing facility care, home healthcare, hospice care, blood transfusions (inpatient) and inpatient prescription drugs. There are deductibles, copays and/or coinsurance amounts that apply, depending on where and how much care the Medicare enrollee receives.	Coverage for other medical and physician services, clinical laboratory services, home healthcare, outpatient hospital services and blood transfusions (outpatient). Here, too, there are deductibles, copays and/or coinsurance amounts that apply, in addition to the monthly premium.	Part C is called the "Medicare Advantage" program. In essence, it is enhanced Medicare coverage provided by a private health insurer. Part C offers enrollees a trade-off: Enrollees are usually restricted to using (or have financial incentives to use) network providers, but often receive more generous benefits. To enroll in a Part C plan, a person must be enrolled in Parts A and B, and must pay the monthly Part B premium in addition to any applicable monthly Medicare Advantage premium.	Part D is an optional outpatient prescription drug benefit. Like Part C, drug benefits under Part D are provided through private "Part D plans" that have been approved by Medicare.

In addition to these programs, some Medicare enrollees also purchase private "Medigap" or Medicare supplement insurance policies. These policies fill in the "gaps" in Medicare basic coverage (Parts A and B). Medigap coverage pays some or all medical expenses not paid by Part A or B, except for the Part B deductible. There are many standardized, Medicare-approved policies to choose from, though insurers may not offer all of these plans in a given area. Various benefit levels and premiums are available.

Eligibility & enrollment

A person may qualify for Medicare on the basis of age (at 65, currently) or disability. Special eligibility rules apply in the case of end-stage renal disease (ESRD). Generally, to be eligible for Medicare, a person must be eligible to receive Social Security benefits. Contrary to popular belief, Medicare enrollment does not necessarily occur automatically at age 65, as noted below.

Part A

If a person is receiving Social Security benefits at the time they attain age 65, enrollment in Part A is automatic.

If a person is not receiving Social Security benefits when approaching age 65 but is eligible for those benefits, the person may enroll in Part A during a seven-month "initial enrollment period." This period begins three months prior to the month the person attains age 65 and extends for three months after the month in which the person attains age 65. If the person enrolls in Part A during this period, the person may also add Part B (see discussion below).

Most Medicare enrollees pay nothing for Part A coverage, provided they had Medicare taxes withheld from their pay for at least 40 calendar quarters. In 2023, the minimum quarterly earnings to qualify for premium-free Part A is $1,640 per quarter or $6,560 per year. A special rule applies to nonworking spouses. If an individual is at least age 62 and has worked for at least 10 years in Medicare-covered employment, their spouse is eligible for premium-free Medicare Part A at age 65 and may choose to enroll in Parts B and D.

If a person qualifies for premium-free Part A coverage, that person may defer Part A enrollment and add Part A coverage at a later date. If an application for Part A is filed within six months after the person is first eligible, coverage is retroactive to the first month of eligibility. After that, coverage is retroactive to the sixth month before the month in which the individual applies. This can sometimes create some issues with respect to health savings account contributions made during that six-month period. See Page 9.

There are no late enrollment penalties if an individual who qualifies for premium-free Part A delays enrollment to some date after age 65.

Part B

Initial enrollment period

If a person is receiving Social Security benefits at the time the person attains age 65, enrollment in Part B is automatic, but the person may then "opt out" of Part B because Part B requires a premium payment.

If a person is not receiving Social Security benefits when approaching age 65, the person may enroll in Part B during a seven-month initial enrollment period. This period begins three months prior to the month the person attains age 65 and extends for three months after the month in which the person attains age 65. If the person enrolls during the first three months of the initial enrollment period, coverage is effective on the first day of the month in which the person turns 65. Otherwise, coverage under Part B is prospective, unlike most late enrollments in Part A.

If an individual is covered by both Medicare Part A and TRICARE (coverage for active-duty and retired military members and their dependents), the individual must enroll in Part B to keep TRICARE coverage, if the individual is a retired service member or a dependent of a retired service member.

Annual enrollment period

A recurring annual enrollment period for Part B applies to individuals who did not enroll when first eligible. This late enrollment period runs from Jan. 1 through March 31 of each year. Coverage starts on July 1 of the year in which the person actually enrolls. Note that the cost of Part B coverage increases 10% for each full 12-month period that a person delays Part B enrollment, unless the late enrollment occurs during a special enrollment period, as described below.

Special enrollment period

The Part B special enrollment period applies if a person is eligible for Medicare but waits to enroll because the person (or their spouse) is working and the person has group health plan coverage through an employer-sponsored or union plan. Late enrollment during the special enrollment period does not trigger higher premiums. The special enrollment period ends eight months following the month in which the person's employer- or union-sponsored group coverage ends (or employment ends, if earlier). Thus, the eight-month special enrollment period begins running even if the person continues group coverage under COBRA, or has retiree coverage.

Part C

Generally, Part C enrollment is tied to one of the three Medicare enrollment periods for Part B (referenced above) that apply to the enrollee's specific situation, but there are differences, particularly as relates to special enrollments. The time at which a person applies may impact both cost and medical underwriting results.

Annual enrollment period

During the annual enrollment period (Oct. 15 to Dec. 7), individuals may move from Parts A/B to a Medicare Advantage plan (or vice versa) and move from one Medicare Advantage plan to another.

Special enrollment period

Part C-eligible individuals who leave employer- or union-based coverage (including COBRA coverage) or who lose Medicaid coverage may join a Medicare Advantage plan during the two full months after the month the other coverage ends. Part C-eligible individuals who move back to the U.S. after living abroad may join Medicare Advantage anytime up to two full months after the return to the U.S.

A Part C-eligible individual who loses other prescription drug coverage that was at least as good as Medicare coverage (creditable coverage) may join a Medicare Advantage Plan or a Part D plan (Part D is discussed next) any time during the two full months following the month in which the creditable coverage is lost (or, if later, the month in which the individual receives notice that the coverage is no longer creditable).

Part C-eligible individuals who live in an area served by at least one Medicare Advantage plan with a five-star rating may join a five-star plan at any time during the year for which the plan has the five-star rating (the individual may join just once per year, however).

Individuals may switch Medicare Advantage plans if they move to a new address that isn't in their Medicare Advantage plan's service area, or if there are new Medicare Advantage options available for the area to which they move. They may switch anytime up to the end of the second full month after the month in which they move.

Similarly, individuals may move between Medicare Parts A and/or B and Medicare Advantage, or between Medicare Advantage plans, when they move into, currently live in, or move out of an institution such as a skilled nursing facility or a long-term care hospital. They may join, switch or drop coverage while in the institution and for two full months after the month they leave the institution.



Part D

Initial enrollment period

The Part D enrollment scheme is similar to but slightly different from that of Part B and Part C. To enroll in Part D, a person must also be enrolled in Parts A and/or B. Thus, a Medicare-eligible person may enroll in Part D upon first becoming eligible for Medicare (assuming the person also actually enrolls in Parts A and/or B at that time).

Annual enrollment period

If a Part D-eligible person delays his or her enrollment in Part D after first becoming eligible for Part D coverage (for example, the individual wants to voluntarily jump to Part D from employer- or union-based drug coverage that is creditable, or just as good as Part D), the person may enroll during Part D's annual enrollment period, which runs from Oct. 15 to Dec. 7.

Note, however, that if at such later time the person begins coverage under Part D, the person has gone 63 days or longer without prescription drug coverage that is creditable (i.e., as good as Part D's drug coverage), Medicare may impose a late enrollment penalty. The Part D premium increases by at least 1% of the premium the enrollee would have paid had they enrolled when first eligible to do so, for every month that they did not have creditable coverage. This late enrollment penalty does not apply if the person signs up for Part D when first eligible, as noted above, or during a Part D special enrollment period, as noted below.

Special enrollment period

Part D-eligible individuals who leave employer- or union-based coverage (including COBRA coverage) or who lose or gain Medicaid coverage may join a Part D plan during the two full months after the month the other coverage ends. Part D-eligible individuals who move back to the U.S. after living abroad may join Part D anytime up to two full months after the return to the U.S.

A Part D-eligible individual who involuntarily loses prescription drug coverage that was at least as good as Medicare coverage (creditable coverage) may join a Part D Plan anytime during the two full months following the month in which the creditable coverage is lost. (The coverage may be lost, for example, where the employer or union terminates the plan or amends the plan to make the individual ineligible.) Similarly, a Part D-eligible person whose drug coverage changes from creditable to noncreditable may join a Part D plan anytime during the two full months following the month in which the individual receives notice that the coverage is no longer creditable.

Part D-eligible individuals who live in an area served by at least one Part D plan with a five-star rating may join a five-star plan at any time during the year for which the plan has the five-star rating. (The individual may join just once per year, however.)

Individuals may switch Part D plans if they move to a new address that isn't in their Part D plan's service area, or if there are new Part D options available for the area to which they move. They may switch anytime up to the end of the second full month after the month in which they move.

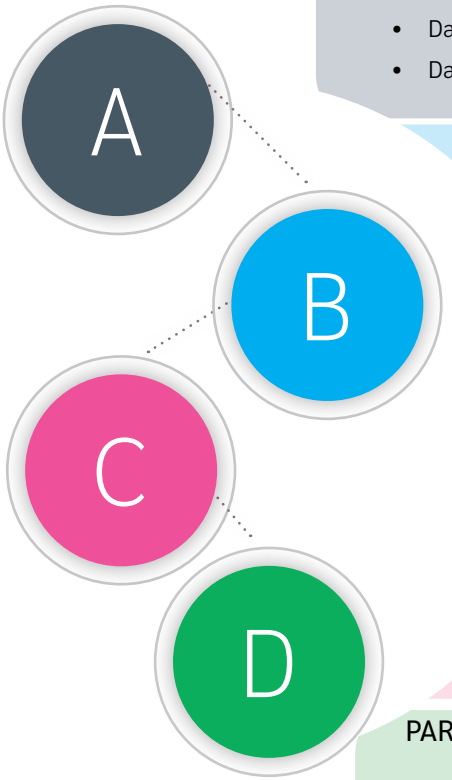
Similarly, individuals may join or drop a Part D plan or move between Part D plans when they move into, currently live in or move out of an institution such as a skilled nursing facility or long-term care hospital. They may join, switch or drop coverage while in the institution and for two full months after the month they leave the institution.

Medigap coverage (Medicare supplement)

Medigap coverage is coverage sold by private insurance companies. It fills the gaps in coverage under Medicare and may pay for deductibles, copayments and coinsurance, for example. Some Medigap policies cover services Medicare doesn't cover. Medigap policies come in standardized policies identified by letters (A to N). Different insurers might charge different prices for the same policy. In some states, you may be able to buy a Medicare SELECT Medigap policy that requires you to use specific hospitals and doctors.

To enroll in Medigap coverage, a person must be enrolled in Parts A and B. There is a six-month Medigap open enrollment period that begins upon a person's enrollment in Part B. If the person does not buy Medigap coverage during their Medigap initial enrollment period, the person may not be able to enroll later (or, if allowed to enroll, might pay more for the policy).

Premiums & cost-sharing for 2023



PART A — HOSPITAL INSURANCE

Most Medicare enrollees pay nothing for Part A coverage, provided they had Medicare taxes withheld from their pay for at least 40 calendar quarters. If a person wants to buy Part A, the monthly cost is $506.

COST-SHARING SCHEDULE:

• Inpatient deductible, days 1-60	$1,600.00
• Daily coinsurance, days 61-90	$400.00
• Daily coinsurance, 60 reserve days	$800.00
• Daily coinsurance, skilled nursing facility (days 21-100)	$200.00

PART B — SUPPLEMENTARY MEDICAL INSURANCE

• Standard monthly premium (deducted from SS benefits)	$164.90*
• Immunosuppressive drug coverage only	$97.10**

Note: Individuals with an income higher than $97,000 ($194,000 per couple) will pay a higher, income-related monthly premium+.

• Deductible	$226.00
• Coinsurance (typical)	20%

PART C — MEDICARE ADVANTAGE

- Monthly premium.
  - Generally the Part B premium plus any additional premium required by the plan.

PART D — PRESCRIPTION DRUG BENEFIT

• Monthly premium (deducted from SS benefits)	Varies by plan, but the average cost is $31.50.

Note: Individuals with an income higher than $97,000 ($194,000 per couple) will pay a higher, income-related monthly premium.

• Deductible	Maximum of $505.00

- Cost-sharing: Generally 25% of brand name and generic drug costs up to total out-of-pocket expense of $7,400.00; then excess varies by plan.***
- Maximum copayment for 30-day supply of insulin is capped at $35 starting in 2023 under the Inflation Reduction Act.

*The premium is $164.90 for those not collecting Social Security benefits, those newly enrolling in Part B in 2023, those who pay an income-adjusted premium, and those who are also eligible for Medicaid and have their premiums paid by that program. For most current Medicare enrollees, their monthly premium is expected to increase for 2023 based on the increase in Social Security benefits, up to the standard rate of $164.90.

**Beginning in 2023, certain Medicare enrollees who are 36 months post kidney transplant, and therefore are no longer eligible for full Medicare coverage, can elect to continue Part B coverage of immunosuppressive drugs by paying a premium. For 2023, the immunosuppressive drug premium starts at $97.10.

***All Part D cost-sharing (above and beyond the Part D deductible) will be 25% for both brand name and generic drugs up to an out-of-pocket expense of $7,400.00; then excess varies by plan.

+ Generally, this is based on adjusted gross income from 2021 per the return filed in 2022.

Coordinating coverage with Medicare

Generally, where a person has employer-provided coverage due to their own (or a relative's) employment status, the group plan pays first and Medicare pays second, where Medicare coverage is on account of age. An exception applies for employers with fewer than 20 employees.

Where Medicare coverage is on account of disability, the group plan still pays first if the coverage is due to current employment status and the employer has at least 100 employees. This means, for example, that Medicare will pay second for a Medicare-disabled spouse of an employee whose employer-based coverage is due to current employment status with a large employer. But Medicare will typically pay first for an employee who is out on long-term disability because that employee's employer-supplied coverage would not be due to current employment status.

Where Medicare coverage is due to end-stage renal disease, generally the group plan pays first for 30 months and then Medicare becomes the primary payer.

Considerations

Here are some actions employees may want to take if they are at or approaching age 65, covered under an employer group plan, and have not applied for Medicare Part A or B:

- Employees and/or dependents who have reached their full retirement age (based on birth year) may choose to file for Social Security benefits then if they haven't already done so. If the person wants to defer Social Security retirement benefits beyond age 65 to the date they may receive unreduced Social Security benefits, that person should consider applying for Medicare Part A at age 65 unless they are enrolled in their employer's high-deductible health plan (HDHP) and enjoy contributing to a health savings account (HSA). Enrolling in Medicare will cause the person to be ineligible to make contributions to an HSA. For people who delay enrollment in Part A past age 65, Part A coverage is retroactive for six months (but not to a date prior to the person's 65th birthday). Consequently, a person who delays enrollment in Part A might consider stopping contributions to the HSA six months before an application is filed for Part A, particularly if the person is making maximum monthly contributions.
- Employees and/or dependents may want to consider declining Part B and Part D coverage during the Social Security benefit application process if they are currently working and have medical and creditable prescription coverage through an employer- or union-sponsored group plan. The person should consider enrolling in Part B, however, during the eight-month special enrollment window after the earlier of the date that coverage, or the employment on which it was based ends. At the time of retirement, or at the date the other drug coverage becomes "noncreditable," the person should consider enrolling in Part D as well.
- Once enrolled in Medicare Part B, the enrollee automatically begins his or her Medigap "open enrollment period." Enrollees should consider purchasing Medigap coverage at this time. This is a one-time, six-month open enrollment period, and once it begins it cannot be changed or restarted.
- Medicare-eligible individuals should review all individual supplement insurance options available in their city and state prior to deciding which policy (if any) to purchase.





Notes



UNCOMMONLY INDEPENDENT

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