Understanding Medicare: The Four Parts

Medicare is the federal health insurance program for people age 65 and older, as well as certain younger people with disabilities. It is divided into four parts — each covering different types of care.

A Hospital Insurance

- Inpatient hospital stays
- Short-term skilled nursing care
- Hospice care
- Some home health care

B Medical Insurance

- Doctor visits and services
- Outpatient care
- Medical equipment
- Some preventive services

C Medicare Advantage

- Private plan that bundles A + B
- Often includes drug coverage
- HMO, PPO, or special needs plans
- Has an annual out-of-pocket cap

D Prescription Drugs

- Outpatient prescription coverage
- Offered through private insurers
- Premiums vary by plan
- Late sign-up penalty applies

Two ways to get Medicare coverage

Original Medicare

Parts A + B together. You use any doctor or hospital that accepts Medicare. Most people also add a **Medigap (supplement)** policy to cover the gaps, plus a **Part D** plan for prescriptions.

Medicare Advantage (Part C)

A private plan that replaces Original Medicare. Often includes prescription and dental/vision coverage. Has a yearly out-of-pocket maximum. You typically stay within a network of providers.

IMPORTANT TO KNOW

Medicare does **not** cover everything. Dental care, routine vision, hearing aids, and long-term custodial care (help with bathing, dressing, eating) are generally not covered. Planning ahead for these gaps is important.

When to Sign Up for Medicare

Timing your Medicare enrollment correctly is one of the most important steps in your retirement transition. Missing the right window can mean permanent premium penalties that last for life.

Part A — Hospital Insurance

Most people get Part A **automatically and for free** at age 65 if they're already collecting Social Security. If you're not yet drawing Social Security when you turn 65, you'll need to sign up separately.

> **STILL WORKING AT 65?**
> If you're covered by an employer health plan through a company with **20 or more employees**, your employer plan stays primary and Medicare is secondary. You can generally delay Part B without penalty and sign up when you retire.

Part B — Medical Insurance: Your 7-Month Window

You have a **7-month Initial Enrollment Period (IEP)** centered around your 65th birthday:

3 **3 months before your birthday month**
Your enrollment window opens. Signing up here means coverage starts on your birthday month.

Your birthday month
You are eligible for Medicare. Coverage can start this month.

3 **3 months after your birthday month**
Last chance to enroll without penalty during this window. Coverage may be delayed if you wait.

> **THE LATE ENROLLMENT PENALTY — IT'S PERMANENT**
> If you don't sign up for Part B during your Initial Enrollment Period (and you don't qualify for a Special Enrollment Period), your Part B premium increases by **10% for every 12 months** you were eligible but didn't enroll — and that higher premium lasts for life.
>
> *Example: Two full years of delay = a 20% higher monthly premium for the rest of your life.*

If you miss the initial window

General Enrollment Period

January 1 – March 31 each year. Coverage starts the following month. You may owe a late enrollment penalty.

Special Enrollment Period

If you were covered by an employer plan, you have an **8-month window** after you retire or lose coverage to enroll without penalty.

Sources: CMS “Medicare & You 2026”; SSA enrollment guidance (ssa.gov/medicare); medicare.gov for current Initial and Special Enrollment windows. For educational purposes.

Part A: What You'll Pay for a Hospital Stay

Part A covers inpatient hospital care, but it doesn't mean everything is free. Your costs depend on how many days you spend in the hospital during a single "benefit period."

What is a benefit period?

A benefit period starts the day you're admitted to the hospital. It ends when you've been out of the hospital *and* out of any skilled nursing facility for **60 consecutive days**. There's no limit to how many benefit periods you can have — but each one resets your deductible.

Days in the Hospital	What Medicare Pays	What You Pay
Days 1–60	All covered inpatient expenses	Annual deductible (one per benefit period) — *~$1,600 in 2024*
Days 61–90	All covered expenses minus co-payment	Daily co-payment — *~$400/day in 2024*
Days 91–150 *(Lifetime Reserve)*	Partial — requires a higher daily co-payment	Higher daily co-payment — *~$800/day in 2024*. You only get 60 lifetime reserve days total.
Day 151+	Nothing	You pay all costs

THE DEDUCTIBLE RESETS — IT'S NOT ANNUAL LIKE MOST INSURANCE

Unlike typical health insurance, Part A's deductible applies per *benefit period*, not per calendar year. If you're hospitalized twice in the same year with a 60+ day gap between stays, you owe the deductible twice. This is one of the most misunderstood parts of Medicare.

What does this mean in dollars?

Using approximate 2024 figures: A 70-day hospital stay would cost you roughly the deductible (~$1,600) plus co-payments for days 61–70 (~$400/day × 10 days = $4,000) — totaling around **$5,600 out of pocket** for one stay. A second hospitalization that same year resets the deductible.

HOW A MEDICARE SUPPLEMENT (MEDIGAP) HELPS

A Medigap plan (most commonly Plan G) covers the Part A deductible and daily co-payments — meaning your out-of-pocket for a hospital stay could be close to zero. The tradeoff is a monthly premium for the supplement plan itself. Ask your advisor whether a Medigap plan makes sense for your situation.

Part B: Your Doctor and Outpatient Costs

Part B covers doctor visits, outpatient services, and durable medical equipment. After you meet your annual deductible, Medicare pays 80% of covered services — and you pay the remaining 20%. There is **no annual cap** on your 20% share under Original Medicare.

Your costs at a glance

Annual Deductible

~$240/year in 2024. You pay 100% of covered services until this is met each calendar year.

Coinsurance After Deductible

Medicare pays 80% of the approved amount. **You pay 20%**. With no out-of-pocket cap, a serious illness can lead to large bills.

Does your doctor accept Medicare?

This affects how much you pay. Always ask your provider whether they "accept assignment."

Doctor's Situation	What It Means for You
Accepts Assignment	Doctor agrees to Medicare's approved amount. You pay only your 20% coinsurance — nothing more.
Does NOT Accept Assignment	Doctor can charge up to 15% above Medicare's approved amount. You pay your 20% *plus* the extra charge. It adds up.

> **TIP: ALWAYS ASK BEFORE YOUR APPOINTMENT**
>
> "Do you accept Medicare assignment?" A doctor who doesn't accept assignment on all claims may still accept it for your specific visit — it's worth asking every time. You can also look up participating providers at **medicare.gov/care-compare**.

What Part B does *not* cover

Many people are surprised by these common exclusions:

- ✕ Routine dental exams and cleanings
- ✕ Routine eye exams and eyeglasses
- ✕ Hearing exams and hearing aids
- ✕ Custodial / long-term care
- ✕ Ambulance (if used for convenience)
- ✕ Most care received outside the U.S.

Medicare Premiums: What You'll Pay Each Month

Part A — Usually Free

Most people pay **$0/month** for Part A because they (or a spouse) worked and paid Medicare taxes for at least 10 years (40 quarters). It's already been paid through your working years.

Part B — Monthly Premium Required

Everyone pays a monthly premium for Part B. The standard amount in 2024 is approximately **$174.70/month**. Premiums are typically deducted automatically from your Social Security check.

HIGHER INCOME? YOU MAY PAY MORE — IRMAA

If your income was above certain thresholds two years ago, you pay a higher Part B (and Part D) premium. This surcharge is called IRMAA — the Income-Related Monthly Adjustment Amount. It's based on your Modified Adjusted Gross Income (MAGI) from your tax return **two years prior** to the coverage year.

Example: Your 2026 Medicare premium is based on your 2024 tax return.

IRMAA income thresholds (2024 approximate)

Individual Income	Married Filing Jointly	Additional Monthly Surcharge
$103,000 or less	$206,000 or less	$0 (standard premium)
$103,001 – $129,000	$206,001 – $258,000	+$69.90/mo
$129,001 – $161,000	$258,001 – $322,000	+$174.70/mo
$161,001 – $193,000	$322,001 – $386,000	+$279.50/mo
$193,001 – $500,000	$386,001 – $750,000	+$384.30/mo
Above $500,000	Above $750,000	+$419.30/mo

IF YOUR INCOME DROPPED RECENTLY, YOU CAN APPEAL

If you retired, sold a business, or had another major life event that significantly reduced your income, you can ask Medicare to use a more recent year's income instead. This is called a "life-changing event" appeal. Talk to your advisor — it can save hundreds of dollars per month.

PLANNING NOTE FOR YOUR ADVISOR

Large Roth conversions, investment gains, or the start of Required Minimum Distributions can all push your income above an IRMAA threshold two years later. Your advisor can help you plan withdrawals and conversions with this in mind.

IRMAA brackets adjust annually. Verify current thresholds at ssa.gov or medicare.gov.

What Medicare Doesn't Cover

One of the biggest surprises for new retirees is discovering what Medicare does *not* cover. Understanding these gaps in advance gives you time to plan — and avoid unexpected bills.

Services Medicare generally does not cover

- ✕ **Dental care** — cleanings, fillings, extractions, dentures
- ✕ **Hearing aids** and most hearing exams
- ✕ **Routine eye exams** and eyeglasses (except after cataract surgery)
- ✕ **Long-term custodial care** — help with bathing, dressing, eating
- ✕ **Most care outside the U.S.**
- ✕ **Routine foot care**
- ✕ **Alzheimer's / dementia custodial care**
- ✕ **Ambulance** when used for convenience, not medical necessity

What about the 20% that Medicare doesn't pay?

Under Original Medicare, there is **no limit** on your 20% share for Part B services. A serious condition requiring $80,000 in covered services would leave you with a $16,000 bill — on top of any hospital deductibles.

Ways to fill the gaps

- ✓ **Medigap (Supplement)** — covers the 20% coinsurance and hospital deductibles
- ✓ **Medicare Advantage** — includes an annual out-of-pocket cap; often includes dental/vision
- ✓ **Standalone dental/vision plans** — available through private insurers
- ✓ **HSA savings** — pre-retirement HSA balances can be used tax-free for Medicare costs
- ✓ **Long-term care insurance** — covers custodial care that Medicare never will
- ✓ **Part D drug plan** — adds prescription coverage to Original Medicare

MEDIGAP OPEN ENROLLMENT — A WINDOW YOU DON'T WANT TO MISS

When you first enroll in Part B at age 65, you have a 6-month window during which insurers must sell you any Medigap policy at the same price as everyone else — regardless of your health history. After that window closes, you may be

> denied coverage or charged more based on pre-existing conditions. This is one of the most important decisions in your Medicare transition.

MPM Wealth Advisors

Sources: CMS “Medicare & You 2026”; National Association of Insurance Commissioners (NAIC) standardized Medigap plan benefits; KFF Medicare research. For educational purposes.

Long-Term Care: The Gap Medicare Can't Fill

Long-term care (LTC) refers to ongoing help with everyday activities — bathing, dressing, eating, getting around — when illness, injury, or aging makes those tasks difficult. **Medicare does not cover this type of care.** Planning for it is one of the most important steps you can take before retirement.

1 in 3
People age 65 will need nursing home care at some point

1 in 2
By age 75, odds of needing some form of LTC rise to roughly 1 in 2

$108K
Approximate annual cost of a private nursing home room (2023 national median)

What Medicare will (and won't) cover

Type of Care	Medicare Covers?
Short-term skilled nursing (after a 3-night hospital stay, medically necessary)	Yes — up to 100 days, with co-payments after day 20
Rehabilitation therapy (physical, occupational, speech)	Yes — when medically necessary
Hospice care (end-of-life comfort care)	Yes — under Part A
Custodial care — ongoing help with daily living activities	**No — not covered by Medicare**
Memory care / Alzheimer's custodial care	**No — not covered by Medicare**
Home health aide (custodial/personal assistance)	**No — not covered by Medicare**

How people pay for long-term care

$ **Personal savings** — works for the very wealthy; depletes the estate for everyone else

$ **Medicaid** — requires spending down most of your assets first; limited facility choices

✓ **LTC insurance** — pays a daily benefit for covered care; premiums rise with age

✓ **Hybrid life/LTC policy** — life insurance with LTC benefits; returns something if care isn't needed

A CONVERSATION WORTH HAVING EARLY

The best time to consider LTC coverage is in your **mid-to-late 50s** — before health issues make it harder to qualify or more expensive. Your MPM advisor can walk you through the options and model how each one fits your overall financial plan.

Medigap (Supplement) Plans: Filling the Gaps in Original Medicare

A Medigap policy is private health insurance that works alongside Original Medicare (Parts A and B) to cover many of the costs Medicare leaves behind — deductibles, coinsurance, and co-payments. All Medigap plans are standardized by the government, meaning a Plan G from one insurer covers exactly the same benefits as a Plan G from another. The difference between companies is price and customer service.

IMPORTANT: MEDIGAP ONLY WORKS WITH ORIGINAL MEDICARE

You cannot use a Medigap policy if you are enrolled in Medicare Advantage (Part C). Medigap is for people who have chosen Original Medicare (Parts A + B) as their foundation. Also, Medigap does **not** cover long-term custodial care, dental, vision, or hearing — those gaps remain regardless of which Medigap plan you choose.

Plans available today (for people new to Medicare on or after January 1, 2020)

Plans C and F are no longer sold to new Medicare enrollees because they covered the Part B deductible, which federal law no longer allows. If you already have Plan C or F, you can keep it.

What's Covered	A	B	D	G ★	K	L	M	N
Part A hospital coinsurance Days 61–90 + 365 extra lifetime days	✓	✓	✓	✓	✓	✓	✓	✓
Part B coinsurance (the 20%) Doctor and outpatient services	✓	✓	✓	✓	50%	75%	✓	✓ except $20 office / $50 ER
Part A deductible ~$1,600/benefit period in 2024	—	✓	✓	✓	50%	75%	50%	✓
Skilled nursing facility coinsurance Days 21–100 after a hospital stay	—	—	✓	✓	50%	75%	✓	✓
Part B excess charges When a doctor charges above Medicare's rate	—	—	—	✓	—	—	—	—
Foreign travel emergency Up to plan limits; $250 deductible, $50K lifetime max	—	—	✓	✓	—	—	✓	✓

★ Plan G is the most comprehensive plan currently available to new enrollees. Plan G also offers a high-deductible version with lower premiums.

Plans K & L — Cost-sharing versions

Instead of covering everything, K pays 50% and L pays 75% of most costs. In exchange, they carry lower monthly premiums. Both have an annual out-of-pocket cap — once you hit it, the plan covers

Plan N — The middle ground

Covers almost everything Plan G does, but you pay up to $20 for office visits and up to $50 for emergency room visits that don't lead to an inpatient admission. No coverage for Part B excess

100% for the rest of the year. Good for people comfortable with some cost exposure in exchange for lower premiums.

charges. Typically lower premiums than Plan G — a practical option for people who rarely see specialists outside the Medicare network.

ONE-TIME WINDOW YOU DON'T WANT TO MISS

When you first enroll in Part B at age 65, you have a **6-month Medigap Open Enrollment Period**. During this window, insurers must sell you any Medigap plan at standard rates — your health history cannot be used against you. Once this window closes, insurers can deny coverage or charge more based on pre-existing conditions. This is the most important decision in your Medicare setup, and timing matters.

Plan benefits are standardized federally. Premiums vary by insurer, age, and location. Plans C and F shown for reference — not available to new enrollees after Jan. 1, 2020.