

# **Understanding Medicare choices**

**Vanguard<sup>®</sup>**

# How to choose a Medicare plan that's right for you.

You may be approaching age 65. Or you may be older and have opted to wait to apply for Medicare until now. Either way, it's important to learn all you can about Medicare, so you can make the right decisions the first time. Why? In some cases—due to the way Medicare works—it may be difficult to make changes later, which can result in higher costs. Set yourself up for success by using the information in this brochure as your guide.

# Original Medicare offers baseline medical insurance<sup>1</sup>

## Part A: Hospital coverage

Free for most beneficiaries, this insurance helps to cover the cost of care in any facility that accepts Medicare in the U.S., including:

- Inpatient care in hospitals.
- Post-hospital skilled nursing facility care.
- Hospice care.
- Short-term post hospital home health care.

## Part B: Medical coverage

The monthly premium for 2023 is \$164.90 (which is deducted from your Social Security). It helps to cover 80% of your outpatient health care costs from any doctor or health care provider anywhere in the U.S. who accepts Medicare.

### Covered costs include:

- Services from doctors and other health care providers.
- Outpatient care.
- Home health care.
- Durable medical equipment.
- Many preventive services, such as screenings, shots, and yearly wellness visits.

## You have the option of adding Part D: Prescription drug coverage

You will pay a monthly premium to a private insurance company for a Medicare-approved plan. If you defer and decide not to opt for coverage when you're first eligible, you may face a late-enrollment penalty if you join a plan later.

### Part D helps to cover:

- The cost of prescription drugs.
- The cost of certain shots and vaccines.

There is no set limit on out-of-pocket costs associated with Original Medicare.

<sup>1</sup> Original Medicare includes Part A and Part B.



# Medicare does not pay 100% of your medical costs

**Here's what you should expect to pay out of pocket:**

## **Premiums**

- Your 2023 Original Medicare premium of \$164.90 (Part B).
- Cost of a supplemental insurance plan (called Medigap or Medicare Advantage).
- Cost of prescription drug coverage (Part D).

## **Deductible**

Amount of money you pay out of pocket before your benefits kick in.

## **Copay or coinsurance**

Your share of the potential 20% out-of-pocket costs not covered by Original Medicare.

## **Excess charges**

A small percentage of providers may charge up to 15% above the Medicare-approved amount for the Medicare-covered service.

## **Services not covered by Medicare**

- Dental care.
- Vision care.
- Hearing care.
- Cost of care outside the United States.
- Long-term care expenses.

**Some options can help you  
avoid the risk of unlimited  
out-of-pocket costs with  
Original Medicare.**

## Option 1: A Medicare Advantage plan (also known as Medicare Part C)

Part C plans are private plans that contract with Medicare to provide Medicare A and B benefits. Many of these bundled plans are available for low monthly premiums plus the cost of the standard Part B premium. Most Medicare Advantage plans include drug coverage.

### Medicare Advantage plans:

- Charge a premium for coverage in addition to Original Medicare premiums—or may be available for no additional premium.
- Offer incentives such as Part B premium rebates, dental or vision coverage, or free gym memberships, made possible by the funds they collect from Medicare to take you on as a participant.
- Require you to use a specific provider network.
- Require referrals and prior authorization for treatment.
- Set a maximum out-of-pocket (MOOP) limit, which is the most you will pay toward covered Part A and Part B services in one calendar year (includes deductibles, copays, and coinsurance but does not include monthly premiums).

The maximum for 2023 is \$8,300 for in-network services and \$12,450 for in-network and out-of-network services combined, excluding drug spending and plan premiums. Some plans will have lower limits than the set maximum.

### A Medicare Medical Savings Account (MSA) can augment a Medicare Advantage plan:

This special type of Medicare Advantage plan combines a high-deductible insurance plan with an MSA. There are only a limited number of providers of MSA plans, and plans are not available in all states. Here's how they work:

- The Medicare MSA plan deposits money into a special savings account for you to use to pay health care expenses. The amount of the deposit varies by plan.
- Costs before the deductible is reached can be mitigated by using the money in the MSA, which can be withdrawn on a tax-free basis for qualified costs (for such things as dental and vision care, which aren't covered under Medicare).
- Once the deductible is reached, all Medicare-eligible costs are covered, but enrollees are typically responsible for all costs before the deductible is reached.
- Your MSA balance can accumulate over time if you don't use the funds in a particular year.



## Option 2: Medigap = Medicare supplemental insurance

You can pay a monthly premium to a private insurance company to cover the costs associated with gaps in Medicare coverage. This insurance is widely accepted by doctors who take Medicare patients. Medigap plans are standardized by the federal government and are assigned letters to coincide with a set of specific benefits. Medigap plan offerings and Medicare laws for coverage and pricing vary by state.

## Option 3: Employer coverage

When you retire, your employer may offer health care coverage to you as a retiree.

### Here are some important things to note about employer coverage:

- Medicare will become your primary coverage, which means you must sign up for Part A and Part B.
- Your former employer's benefits administrator can help you learn what you will pay to maintain that coverage.
- Some employers will offer retiree coverage in the form of a group Medicare Advantage plan, with some plans offering a national network of doctors.
- If you are still working, your health coverage at work may serve as secondary coverage.

Here's a comparison of Medigap plans and what they cover for 2023

BENEFITS	A	B	C <sup>2</sup>	D	F <sup>3</sup>	G <sup>4</sup>	K	L	M	N
<b>Part A coinsurance daily costs</b> \$400 days 61–90; \$800 days 91–150	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Part B coinsurance/copays</b> 20% of outpatient health care costs	✓	✓	✓	✓	✓	✓	50%	75%	✓	\$20 doctor visits/\$50 ER
<b>Blood (first 3 pints)</b>	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
<b>Part A hospice</b>	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
<b>Skilled nursing facility daily coinsurance</b> \$200 for days 21–100	—	—	✓	✓	✓	✓	50%	75%	✓	✓
<b>Part A deductible</b> \$1,600 per 60-day benefit period	—	✓	✓	✓	✓	✓	50%	75%	50%	✓
<b>Part B annual deductible</b> \$226 for entire calendar year	—	—	✓	—	✓	—	—	—	—	—
<b>Part B excess charges</b>	—	—	—	—	✓	✓	—	—	—	—
<b>Foreign travel emergency</b> 80% emergency care capped at \$50K	—	—	80%	80%	80%	80%	—	—	80%	80%
<b>Out-of-pocket limit for 2023</b>	—	—	—	—	—	—	\$6,940	\$3,470	—	—



Plan covers 100%



% Amount the plan covers



Most popular plans for new enrollees to Medigap

**Source:** Vanguard, based on a table available at <https://www.medicare.gov/supplements-other-insurance/how-to-compare-medigap-policies>. Accessed on February 8, 2023.

<sup>2</sup> Plan C is closed to new enrollees eligible for Medicare after January 1, 2020.

<sup>3</sup> Plan F is closed to new enrollees eligible for Medicare after January 1, 2020, and also offers a high-deductible version with lower premiums and a max deductible of \$2,700.

<sup>4</sup> Plan G also offers a high-deductible version with lower premiums and a max deductible of \$2,700.

# Medicare Advantage plans and Original Medicare with Medigap insurance

## Medicare Advantage plans

### Pros

- Generally, the cheapest overall.
- Part D drug coverage often included.
- Extras such as dental or vision, and gym memberships.
- Simplicity of "all-in-one" coverage.

### Cons

- Geographic limitations.
- Not all doctors who take Medicare are included in networks.
- Preapprovals and referrals are often required.
- Coverage can be denied if not deemed "medically necessary."
- Variability between plans can be confusing.
- Can be more expensive if you become very ill.
- May face medical underwriting requirements if you want to switch to Medigap.

## Original Medicare + Medigap plan G

### Pros

- Almost everything is covered by premiums.
- No copays or out-of-pocket costs beyond the \$226 deductible.
- No need for preapprovals or referrals.
- See any doctor who takes Medicare, anywhere in the country.
- Guaranteed issue period when you are first eligible to enroll.
- Can be the least expensive option for those in very poor health.
- Can choose a separate Part D policy that best fits your prescription drug needs.

### Cons

- Usually more expensive over a lifetime than Medicare Advantage, due to higher monthly premiums.
- Multiple insurance cards.
- Extras like dental and vision not covered.
- Need to shop for a separate Part D policy.



# Common mistakes people make with Medicare



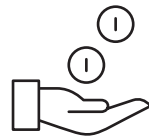
## Missing your enrollment period

You may face lifelong monetary penalties on your Part B and Part D premiums if you don't sign up during specific enrollment periods.



## Not reviewing your coverage annually

Things change, including medications you may have recently been prescribed. Don't miss out on big savings. Compare your plans to ensure you have the best coverage for the dollar.



## Assuming Medicare is free and covers all expenses

Medicaid is free for people with low income. Medicare has out-of-pocket costs and typically does not cover certain services, such as long-term care, dental care, and vision care.



## Not doing enough research on Medicare Advantage plans

The government pays insurance companies to cover your Part A and Part B services, but you still must sign up for Part B, even if the insurance company offers you a rebate.

# Stay aware of Medicare dates and trial period details

## Medigap open enrollment period

Six-month periods during which you can purchase any Medigap plan without medical underwriting.

- You must be offered the best available rate, regardless of your health status.
- You can't be denied coverage.

Starts with your Part B effective date (age 65 or older when you enroll in Part B).

- Plan will automatically self-renew year after year without benefit changes.
- Premiums may increase to keep up with inflation, but rate increases must be approved by the state, with supporting documentation.

## Medigap free-look period

- You have 30 days to make a decision.
- You can switch back to a previous Medicare supplemental plan or pick up a new one.

## Medicare Advantage trial period

One-year trial period to get out of a Medicare Advantage plan, with no medical underwriting, if:

- You enrolled at age 65 in Medicare Advantage—allowing you to switch back to Original Medicare within the first 12 months.
- You switched to Medicare Advantage from the Medigap plan for the first time less than 12 months ago—allowing you to rejoin the Medigap plan you had before the switch.

# What you should do next:

Contact your State Health Insurance Assistance Program (SHIP) for free, personalized help on choosing a Medigap or Medicare Advantage plan, in addition to getting your questions answered on state-specific Medicare rights and protections. The phone number for your state's SHIP program can be found in the Medicare handbook.



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