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Medicare

Overview

# Your Medicare choices

and their impact on your health care costs



## 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, or 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

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### 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
  - 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 three 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 three months before the month you turn 65, your birthday month, and the three months after you turn 65.

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

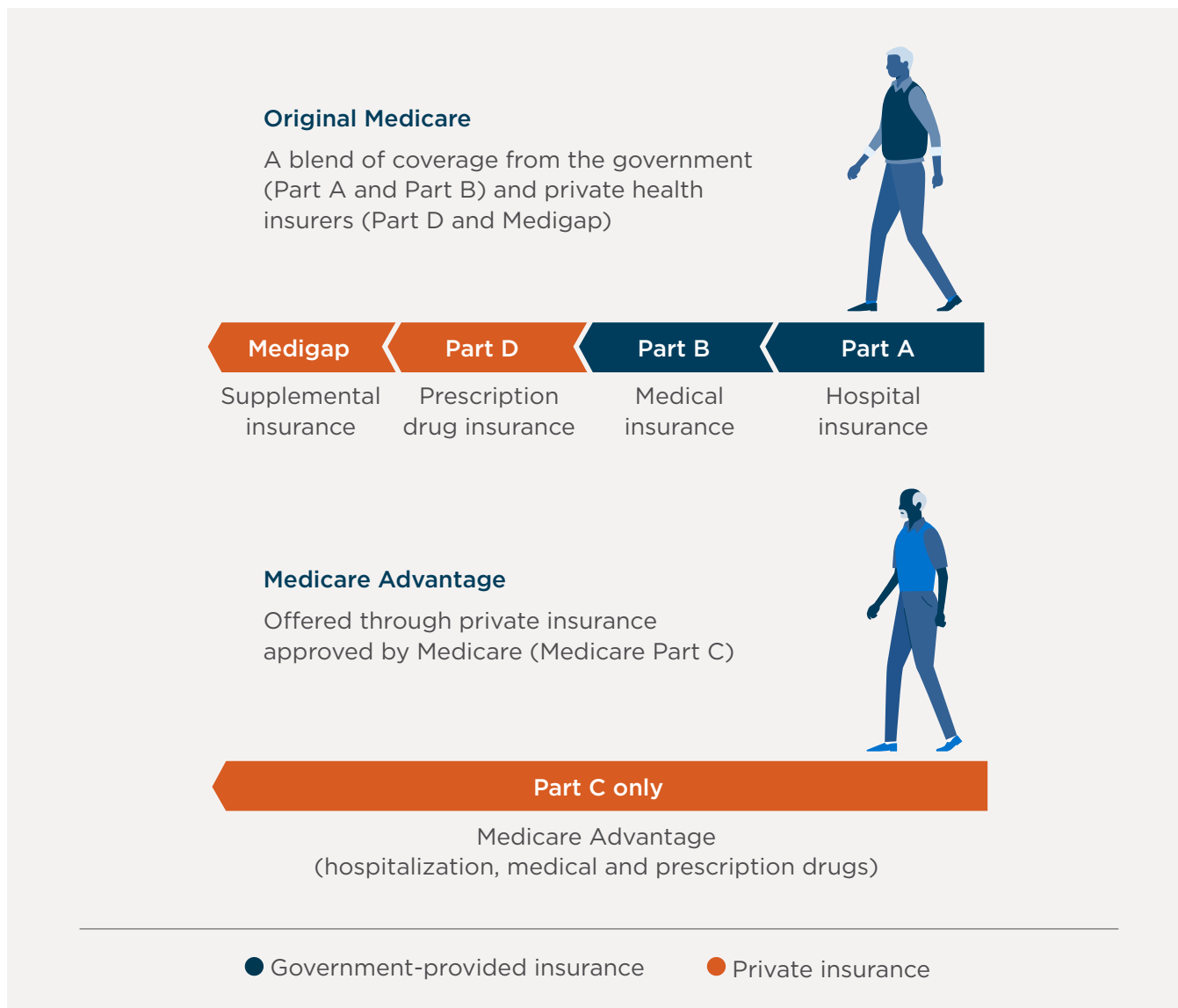
However, if you do miss the Initial Enrollment Period, you can sign up between January 1 and March 31 of any year, and coverage will begin on July 1.

### 7-month Initial Enrollment Period



## TWO OPTIONS FOR MEDICARE COVERAGE

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



**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 there are two elective parts that are provided by private health insurers:

- > Part D provides prescription drug coverage
- > Medigap is supplemental insurance that pays for the 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).

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

## COMPARING COVERAGE (2020 FIGURES)

	WHAT IT'S CALLED	WHAT'S COVERED	WHAT YOU PAY
OPTION 1	<b>Part A</b> Hospital insurance	<ul style="list-style-type: none"> <li>&gt; Hospital care</li> <li>&gt; Skilled care coverage for 100 days following a three-night admittance to a hospital</li> <li>&gt; Hospice</li> <li>&gt; Home care coverage only when certified by a physician, because Medicare typically will not cover the expense of long-term care</li> </ul>	<p><b>Each benefit period:</b></p> <ul style="list-style-type: none"> <li>&gt; <b>Monthly premium:</b> \$0</li> <li>&gt; <b>Deductible:</b> \$1,408</li> <li>&gt; <b>Co-insurance:</b> <ul style="list-style-type: none"> <li>• Days 1 – 60: \$0</li> <li>• Days 61 – 90: \$352</li> <li>• Days 91 – 150: \$704 co-insurance per each lifetime reserve day (up to 60 lifetime reserve days, after which you are responsible for all costs)</li> </ul> </li> </ul>
	<b>Part B</b> Medical insurance	<ul style="list-style-type: none"> <li>&gt; Doctor and physician services</li> <li>&gt; Preventive benefits</li> <li>&gt; Durable medical equipment</li> <li>&gt; Outpatient services</li> </ul>	<ul style="list-style-type: none"> <li>&gt; <b>Monthly premium:</b> Ranges from \$144.60 – \$491.60, depending on income</li> <li>&gt; <b>Yearly deductible:</b> \$198</li> <li>&gt; <b>Co-insurance:</b> 20% on doctors' services and outpatient care</li> </ul>
	<b>Part D</b> Prescription drug coverage  > Stand-alone Prescription Drug Plans (PDPs)	<ul style="list-style-type: none"> <li>&gt; Covered drugs vary by plan</li> </ul>	<ul style="list-style-type: none"> <li>&gt; <b>Monthly premium:</b> Varies by plan</li> <li>&gt; <b>Co-pay:</b> 25% or flat co-pay amounts based on formulary</li> <li>&gt; <b>Coverage gap*:</b> In 2020, the coverage gap begins once an individual has spent \$4,020 on covered drugs, after which they pay 25% of the cost on brand name medications and 25% of the cost on generic medications</li> <li>&gt; <b>Catastrophic coverage is reached after \$6,350 is spent out of pocket:</b> 5% minimum co-pay after coverage gap, \$3.60 generic or \$8.95 brand medication costs</li> </ul>
	<b>Medigap</b> Supplemental insurance	Pays out-of-pocket costs for Parts A and B on Medicare-approved services	Costs and coverages vary by plan
	<b>Part C</b> Medicare Advantage	<ul style="list-style-type: none"> <li>&gt; Covers the services that Original Medicare** covers, except hospice care</li> <li>&gt; May cover hearing, dental and vision treatment</li> <li>&gt; May cover prescription drugs</li> </ul>	<p>Costs vary by plan; visit Medicare.gov or call the plan(s) you're interested in for more details</p> <p><i>Each year, plans establish the amount they charge for premiums, deductibles and services.*** 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></p>
OPTION 2			

Source: Medicare.gov, October 2019. Numbers reflect 2020 rates.

\*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.

\*\*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.

\*\*\* 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 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

### National Council on Aging

571-527-3900  
ncoa.org



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NFM-15876AO.4 (07/20)