

# Costs associated with Medicare coverage

Original Medicare is a federally run national program that allows you to seek care anywhere in the country (or U.S. territories) from any doctor who accepts Medicare patients. Original Medicare consists of two parts (Part A and Part B), and is often supplemented with private insurance (Part D for prescription drug coverage and Medigap to cover out-of-pocket costs).

Summarized simply, Part A covers hospital stays and Part B is for doctor visits.

COVERED SERVICES	
<p><b>Part A</b> covers inpatient services, which are:</p> <ul style="list-style-type: none"> <li>&gt; Inpatient care at a hospital</li> <li>&gt; Skilled nursing facility care for up to 100 days following a 3-night (or longer) admittance to a hospital</li> <li>&gt; Hospice care</li> <li>&gt; Home health care — but only when certain physician-certified conditions are satisfied</li> </ul>	<p><b>Part B</b> covers outpatient care, which is:</p> <ul style="list-style-type: none"> <li>&gt; Doctor and physician services</li> <li>&gt; Ambulance services</li> <li>&gt; Durable medical equipment</li> <li>&gt; Outpatient services</li> <li>&gt; Preventive benefits               <ul style="list-style-type: none"> <li>• Annual wellness visit</li> <li>• Mammograms</li> <li>• Bone mass testing</li> <li>• Screenings for cancer, cardiovascular disease and diabetes, among others</li> </ul> </li> </ul>

## What's NOT covered by Original Medicare

Original Medicare does not cover all health care services. These are the most notable exclusions, and there may be others. Unfortunately, most Medigap plans don't cover these services, either.

- > Most dental care
- > Most vision care
- > Routine hearing care, including hearing aids
- > Most foot care
- > Most long-term care
- > Most alternative medicine
- > Most care received outside the U.S.
- > Most nonemergency transportation



## Medicare costs

Part A is premium-free for most Americans, but there may be a premium if you (or your spouse) do not have a 10-year history of paying Medicare taxes. Even when there is no Part A premium, there are required co-payments and deductibles.

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**Neither Part A nor Part B has a maximum for out-of-pocket expenses, but Medigap supplemental insurance would cover many of them.**

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## OUT-OF-POCKET EXPENSES (2024 FIGURES)

### Part A (per benefit period<sup>1</sup>):

- > Hospital deductible: \$1,632
- > Daily hospital co-payments:
  - \$0 for the first 60 days of inpatient care
  - \$408 per day for days 61-90
  - \$816 per lifetime reserve day after day 90 (beneficiaries have 60 nonrenewable lifetime reserve days)
- > Daily skilled nursing facility co-payments:
  - \$0 for the first 20 days of inpatient care
  - \$204 per day for days 21-100

### Part B

- > Monthly premium of \$174.70
- > Annual deductible: \$240
- > Co-insurance: 20% of Medicare-approved cost for covered services
- > There may be a surcharge on your Part B premium if your modified adjusted gross income (MAGI) is above certain thresholds:
  - Over \$103,000 for single
  - Over \$206,000 for married filing jointly
- > The surcharge can range from \$69.90 to \$419.30 per month, depending on MAGI

## Private insurance add-ons

Part D and Medigap plans are run by private insurance companies that must follow federal and state laws. That means there are multiple Part D and Medigap plans to choose from. One less expensive add-on option is called Plan K, which helps cover gaps and some extra costs. Any Medigap provider's Plan K, for example, must offer the same coverage as another provider's Plan K, but pricing may vary according to your age, location and other factors.

### Part D coverage

- Prescription drugs:
- > Lists of approved drugs vary by plan
- Premiums vary:
- > Subject to surcharges and late-enrollment penalties
- Covered drugs may change:
- > Should review every year
- Switching plans is possible:
- > During open enrollment (October 15 - December 7)

### Medigap coverage

- Helps cover out-of-pocket costs:
- > Includes most of the deductibles, co-payments and co-insurance required under Parts A and B
- Typically pays only for services approved by Medicare:
- > Hearing, vision and other services not covered by Parts A and B would usually not be paid by Medigap
- Guaranteed coverage in the first 6 months after enrollment in Original Medicare, or within 12 months of trying out a Medicare Advantage plan:
- > Later applications or attempts to switch plans may be rejected
  - > Those with health issues may want to choose the most robust plan they can afford at initial enrollment

<sup>1</sup> The benefit period starts the day a beneficiary begins getting inpatient care and ends when they have not received inpatient care for 60 days in a row.

## Medicare Advantage (Part C) plans

An alternative to Original Medicare Parts A and B (plus D and Medigap, if you choose them) is a Medicare Advantage plan (also called Part C). There are many Medicare Advantage plans in the marketplace, and they are required to cover everything that Original Medicare Parts A and B cover. Most also offer coverage for prescription drugs. Some plans cover additional services, such as

hearing, vision, dental and more. Co-payments vary by service, and in many cases, these co-pays may be lower than the 20% co-insurance of Original Medicare. The premiums may be lower, too.

The Medicare Advantage option does put a lot of coverage into one plan, but there are lifestyle issues to consider — particularly travel plans in retirement. If you have a Medicare Advantage plan, you may be limited to in-network

medical providers (except for urgent or emergency care), and that network could have a limited geographical footprint or not include a specialist you want to see.

If cost is not an issue, Original Medicare plus Medigap offers the *most flexibility*. But for those who don't intend to travel much or do want extra services, Medicare Advantage may be a *better value*.

### What Original Medicare and Medicare Advantage plans have in common:

Both options cover the same core services:

- > Hospitalization
- > Doctor visits
- > Preventive services

Both options have costs:

- > Monthly premiums
- > Deductibles
- > Co-payments
- > Co-insurance

### Medicare Advantage plans may cover “extras” such as hearing, vision and dental care.



## HOW ORIGINAL MEDICARE AND MEDICARE ADVANTAGE PLANS DIFFER

Original Medicare	Medicare Advantage
National program — can see any doctor who accepts Medicare patients	Both regional and national networks: HMO plans will require an in-network doctor; PPOs may allow an out-of-network doctor for an additional cost
More flexible, especially for those who plan to travel a lot or move	Less flexible, but may cost less
After the Part B deductible is met, co-insurance is 20% of the Medicare-approved price of service	Co-pays are specific dollar amounts and may be less than Original Medicare's 20% co-insurance
Does not cover certain services, including vision, dental and hearing	May cover “extras,” such as vision, dental and hearing
No maximum on out-of-pocket costs (but Medigap pays those costs on approved services)	There is a maximum on out-of-pocket costs
Guaranteed access to Medigap during the Initial Enrollment Period, but may be denied later due to pre-existing conditions	Switching to or among Medicare Advantage plans is guaranteed (during open enrollment)

Note that if you choose a Medicare Advantage plan, you must first enroll in Original Medicare to obtain a Medicare number. Then you can initiate a switch.



As this document shows, there are a lot of factors to consider when making Medicare decisions. To help you examine all your options, Nationwide and the National Council on Aging (NCOA) have teamed up. The collaboration intends to provide unbiased, trusted information to guide older adults in making decisions that will improve their financial well-being today and into the future.



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



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