



Medicare Explained: Answers to Client Questions

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Key takeaways

- Clients want and need help with Medicare; by expanding your Medicare knowledge, you can deepen client loyalty and set yourself apart from competitors
- Key client questions center around eligibility, timing, coverage options and (especially) costs
- Help clients understand complex Medicare details by using plain language, visual aids and personalized examples

Medicare will likely be one of your clients' biggest expenses for the longest period. Unfortunately, it can also be one of the most confusing. In fact, nearly three-quarters (72%) of people wish they had a better understanding of Medicare coverage, according to a Nationwide Retirement Institute® study.¹

As a financial professional, you can help your clients make sense of it all. One way to do that is to encourage clients to think of Medicare as a kaleidoscope. Each part (A, B, C and D) is a different set of colored glass. Just as a kaleidoscope can be turned to create unique patterns, you can help your clients learn how Medicare's options can be adjusted and combined over time to meet their changing health care and financial needs.

Clients expect help with Medicare

If you think clients don't want your help with Medicare planning, think again. The Nationwide Retirement Institute study confirmed that 72% of respondents said if a financial professional couldn't help them navigate their Medicare choices, they'd probably switch to one who could.

Despite the clear demand for this guidance, more than half (52%) of survey respondents said their current financial professional hasn't provided advice on how or when to file for Medicare benefits. It's likely that Medicare's complexity intimidates many financial professionals — keeping them from offering this highly valued guidance. That's why building your own knowledge of Medicare can help you provide a sought-after service and set yourself apart from competitors. This guide can serve as your go-to Medicare resource — with information on the basics of Medicare eligibility, enrollment through the parts of Medicare to how Social Security impacts Medicare and more.

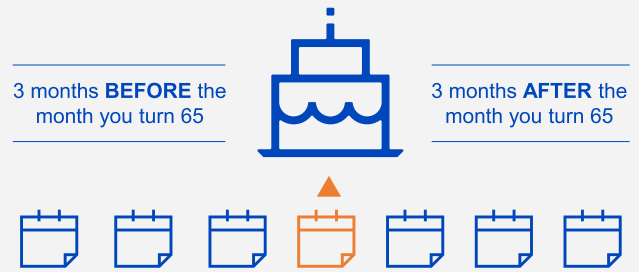
¹ "The Nationwide Retirement Institute Health Care Cost in Retirement Consumer Survey," conducted by The Harris Poll on behalf of Nationwide Retirement Institute (October 2023).

Who is eligible for Medicare?

In general, Medicare is available to individuals who are 65 or older. People with a disability, **end-stage renal disease (ESRD) or amyotrophic lateral sclerosis (ALS)** may be able to get Medicare sooner than age 65. People receiving retirement benefits from Social Security (or the Railroad Retirement Board) are also eligible for Medicare.

For most people, their first opportunity to enroll in Medicare is during the **Initial Enrollment Period (IEP)**. This lasts for 7 months — beginning 3 months before their birthday month and ending 3 months after their birthday month.

7-month initial enrollment period



When to enroll in Medicare

Those who miss their Initial Enrollment Period still have options. They can sign up during the **General Enrollment Period (GEP)**, which runs from January 1 to March 31 each year (with coverage starting on July 1). However, enrolling during the GEP may result in late penalties. For those who had group health coverage through employment past age 65, a **Special Enrollment Period (SEP)** allows them to enroll anytime while still employed — or up to 8 months after their employment or coverage ends, without penalty.

The ABCs & Ds of Medicare

There are multiple “parts” to Medicare, each with its own benefits. People can purchase either “Original Medicare,” which includes Parts A, B, D and Medigap (supplemental coverage, or they may choose to purchase a Medicare Advantage plan, which includes Part C (a combination of everything in Original Medicare).

- **Medicare Part A** helps to cover inpatient care in hospitals, skilled nursing facilities, hospices and at home. There is no cost for Medicare Part A if an individual or their spouse worked for 40 calendar quarters (10 years) or more in the U.S.
- **Medicare Part B** helps to cover services from doctors and other health care providers, clinical research, ambulance services, medical equipment, mental health services and limited outpatient prescription medications.
- **Medicare Part C** is also known as **Medicare Advantage**. It’s a Medicare-approved plan from a private company that offers an alternative to Original Medicare (Parts A and B) for health and drug coverage. These “bundled” plans include Part A, Part B and usually Part D.
- **Medicare Part D** helps to cover prescription drugs. It’s purchased from private insurance companies (either as a stand-alone coverage or as part of a bundled Medicare Advantage plan), and the cost varies by plan.²

2 options for Medicare coverage

Original Medicare

A blend of coverage from the government (Part A and Part B) and private health insurers (Part D and Medigap)



Medicare Advantage

Offered through private insurance approved by Medicare (Medicare Part C)



Medicare Advantage (hospitalization, medical and prescription drugs)

■ Government-provided insurance ■ Private insurance

² “Parts of Medicare,” U.S. Centers for Medicare and Medicaid Services, [medicare.gov/basics/get-started-with-medicare/medicare-basics/parts-of-medicare](https://www.medicare.gov/basics/get-started-with-medicare/medicare-basics/parts-of-medicare) (accessed July 15, 2024).

How are Medicare costs determined?

Many people don't realize that Medicare isn't free. In reality, there are a variety of potential costs involved. That's why estimating the cost of Medicare (and related health care expenses) is a key part of planning ahead for retirement.

In addition to the potential costs of Medigap or Medicare Advantage plans, your higher-income clients may have to kick in premium add-ons for their Medicare Part B or Part D plans. This added premium is called an **income-related monthly adjustment amount (IRMAA)**, and it's based on each person's **modified adjusted gross income (MAGI)** and tax filing status.

Medicare monthly premium calculations, 2024³ based on 2022 income

Single MAGI	Couple MAGI	Part B	Part D Surcharges
< \$103,000	< \$206,000	\$174.70	Premium (varies)
\$103,000 to \$129,000	\$206,000 to \$258,000	\$244.60	Premium +\$12.90
\$129,000 to \$161,000	\$258,000 to \$322,000	\$349.40	Premium +\$33.30
\$161,000 to \$193,000	\$322,000 to \$386,000	\$454.20	Premium +\$53.80
\$193,000 to \$500,000	\$386,000 to \$750,000	\$559.00	Premium +\$74.20
> \$500,000	> \$750,000	\$594.00	Premium +\$81.00



How to pay for Medicare

Medicare recipients pay their premiums monthly. Those who also collect Social Security benefits enjoy an extra convenience: Their Part B premiums are deducted from their Social Security benefit checks.

Those not collecting Social Security benefits must self-pay the premium. The easiest way to do that is by setting up automatic payments via credit/debit card or bank account. Recipients can also pay by mail with a monthly payment coupon.

What does Medicare cover?

Medicare covers many, but certainly not all, health care expenses. Part A covers hospital stays, hospice care, skilled nursing facility care for up to 100 days following a 3-night (or longer) admittance to a hospital, and home care. Part B is for doctor visits, ambulance services, durable medical equipment, outpatient services and preventive benefits such as mammograms and medical screenings. Part D covers prescription drug costs.

³ "Medicare 2024 IRMAA Brackets: Amounts and How to Forecast for Retirement," Dan McGrath, irmaacertifiedplanner.com/2024-irmaa-brackets/ (June 14, 2024).

What doesn't Medicare cover?

Medicare doesn't cover most dental and vision care, routine hearing care (including hearing aids), most foot care, long-term care, alternative medicine and nonemergency transportation, among other services. For these and other out-of-pocket costs, most people choose to supplement with private (Medigap) insurance.

How does Medicare work with other insurance?

Medicare typically coordinates with other types of insurance to maximize coverage and minimize out-of-pocket costs for enrollees. When a beneficiary has both Medicare and private insurance — such as employer-sponsored coverage or a retiree health plan — Medicare typically operates as either the primary or secondary payer. (A primary payer covers what it owes first and then sends the remaining amount to the secondary payer.)

If, for example, an individual is still employed and covered under an employer's group health plan, that plan might pay first — with Medicare covering some or most of the leftover expenses.

Medigap insurance specifically helps fill Medicare coverage gaps by paying for certain costs that Medicare doesn't cover. Medigap plans don't provide stand-alone benefits; instead, they coordinate with Medicare benefits to reduce an individual's share of health care costs.



*HSAs are not taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states, but not all, recognize HSA funds as tax-free. A tax advisor should be consulted for state specific rules.

⁴“Projected Savings Medicare Beneficiaries Need for Health Expenses Remained High in 2022,” [ebri.org/content/projected-savings-medicare-beneficiaries-need-for-health-expenses-remained-high-in-2022](https://www.ebri.org/content/projected-savings-medicare-beneficiaries-need-for-health-expenses-remained-high-in-2022) (Feb. 9, 2023)

How Medicare works with Social Security

If someone receives Social Security benefits and is close to (or over) age 65, enrolling in Medicare is generally a good idea. And in most cases, it's automatic. Anyone who receives Social Security benefits is automatically enrolled in Medicare Parts A and B upon reaching eligibility age (although they can opt out).

As a reminder, even if someone has paid into Social Security, they're still typically required to pay premiums for Medicare Part B. The amount of Social Security taxes they've paid ensures their eligibility for Medicare, particularly for premium-free Medicare Part A. But Medicare Part B still requires a monthly premium.

Strategies to cover out-of-pocket costs

Even those covered by Medicare, Medigap and other plans still have to pay premiums, co-pays, coinsurance and potentially other out-of-pocket costs. Those costs add up over time.

The Employee Benefit Research Institute (EBRI) estimates that to have a 90% chance of meeting their health care spending needs in retirement, a 65-year-old woman would need \$197,000, and a 65-year-old man, \$166,000. EBRI projects a couple with high prescription drug costs would need \$383,000 to meet that 90% target.⁴

You can offer valuable guidance to your clients by helping them create tax-efficient strategies to plan for these costs. Options can include:

- **Leveraging health savings accounts (HSAs):** HSAs can provide a triple tax benefit. Contributions are tax deductible, growth is tax free and withdrawals for qualified medical expenses are tax free.* Medicare enrollees can no longer contribute to an HSA, but they can use previously saved HSA funds. After age 65, HSA funds can be withdrawn for any reason without penalty, although income tax applies to nonmedical withdrawals. Importantly, HSA withdrawals used for qualified medical expenses do not count toward modified adjusted gross income (“MAGI”), which is used to determine Medicare premium amounts for higher-income retirees.
- **Permanent life insurance:** In addition to providing a death benefit, these policies accumulate a cash value that can be borrowed or withdrawn and used for any purpose. These withdrawals typically don't count toward taxable income as long as they're under certain limits.

Regulating withdrawals from taxable accounts: Carefully balancing withdrawals from taxable and tax-deferred accounts, such as traditional IRAs and 401(k)s, can help clients manage MAGI.

- **Roth conversions:** A Roth IRA conversion allows your clients to move money from a traditional IRA into a Roth IRA. The conversion itself is a taxable event, so the conversion would need to take place more than 2 years prior to the year in which IRMAA is calculated. This is because the IRMAA calculation is based on a Medicare beneficiary's MAGI from 2 years prior. Future withdrawals from the Roth IRA in retirement are tax free and do not contribute to MAGI. Other investments that can lower MAGI include life insurance, nonqualified annuities, HSAs and longevity insurance.
- **Planning charitable contributions:** Qualified charitable distributions from an IRA can satisfy required minimum distributions while excluding the distribution from income — potentially reducing MAGI.

Tips for educating clients on Medicare

When advising clients on Medicare, the goal is to simplify the complex. For a topic as in-depth and wide-ranging as Medicare, that's no easy task. Consider these tactics to ensure that your communication is clear, accurate and useful.

- **Keep it simple.** Use plain language to explain Medicare options and benefits. Avoid jargon and technical terms that can confuse clients. For example, instead of saying, "Part B covers medically necessary services and preventive services," you might say, "Medicare Part B helps pay for doctor visits and preventive care, such as flu shots."
- **Use short paragraphs and sentences.** Breaking down information into small, digestible parts can help clients grasp the essentials without feeling overwhelmed.
- **Share information from trusted resources.** Don't waste time trying to reinvent the wheel when you can use existing materials. Just make sure any information you share is from reliable sources, such as the [Nationwide Retirement Institute](#), the official [Medicare website](#) and the official [U.S. Centers for Medicare & Medicaid Services website](#).
- **Encourage them to complete a health care cost assessment.** Talk with your clients about expected health care expenses, and ask them to complete a [Health Care/Long-Term Care Cost Assessment](#).
- Use the results from your client's assessment report as

a planning opportunity. Discuss reducing MAGI as they get closer to retirement.

- **Use visual aids.** Graphs, charts and infographics can transform complex data into understandable visuals. That can be especially helpful when explaining how different parts of Medicare work together, for instance, or the impact of specific choices on coverage and costs.
- **Offer personalized examples.** When possible, use scenarios or examples that relate directly to your client's situation. You could, for example, create a few hypothetical situations to show how various coverage choices might play out financially. Personalized examples help clients see the practical application of the information, making it easier for them to make informed decisions.
- **Follow up.** Medicare information can be a lot to take in at once. Following up consistently can help ensure that clients understand the information and give them a chance to ask questions. Regular updates can also keep clients informed about policy changes and potential impacts to their coverage.



Solidify clients' loyalty and respect

The overwhelming majority (85%) of adults surveyed agree that managing health care costs should be a part of a personal financial plan.¹ But considering that Medicare can be as complex and multifaceted as a kaleidoscope, making decisions about the program can be intimidating for clients. By helping them understand the details and view their options from different perspectives, you'll earn their appreciation, loyalty and respect.

Nationwide is here to support you as you create financial plans for your clients' retirement expenses and health care costs. Access more Medicare resources at [Nationwide.com/SimplifyMedicare](https://www.nationwide.com/SimplifyMedicare).

For additional consultation, contact the Nationwide Retirement Institute Planning Team at 1-877-245-0763.



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The research was conducted online in the United States by The Harris Poll on behalf of Nationwide among 1,260 adults age 18+ residing in the U.S. (“national sample”), including 301 Gen Z (18-26), 310 Millennials (27-42), 307 Gen X (43-58), and 342 Boomers+ (59+), with additional oversamples for a total of 549 Black adults and 512 Hispanic adults. The survey was conducted August 28 - September 11, 2023.

This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

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