

The Many Parts of Medicare -- and Which Ones You Might Need

Medicare isn't just one insurance plan -- there are actually several different parts, each of which provides different types of coverage.

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Medicare is a lot more complicated than you may realize. Many Americans know that it has two parts -- Part A and Part B -- that cover most garden-variety health services and major operations. However, there are also other parts that cover a plethora of additional services. Understanding each part of Medicare can help you make smart healthcare decisions during retirement.

Let's go over the various parts of Medicare and the benefits they provide.

Medicare Part A

Part A of Medicare provides hospital and hospice coverage. It will also cover some (but not many) types of long-term care. For example, Part A will cover the first 100 days in a semiprivate room in a nursing home, but only if you spent at least three days in the hospital first and were sent to the nursing home based on a doctor's recommendation.

Everyone who enrolls in Medicare is signed up for Part A by default. If you or your spouse earned enough in taxable wages during your working years to qualify for Social Security benefits, then there's no charge for this part of Medicare. Otherwise, you'll have to pay a monthly premium.



IMAGE SOURCE: GETTY IMAGES.

Medicare Part B

Part B of Medicare provides non-hospital-related coverage. It breaks its coverage down into "medically necessary services," such as a visit to the doctor when you're feeling ill, and "preventative services" like your annual physical. In addition to paying various doctor-visit-related expenses, Part B also covers things like ambulances and lab tests.

As with Part A, everyone who signs up for Medicare gets Part B by default. Unlike Part A, Part B always comes with a premium, which is based partly on your income -- enrollees with a higher income may pay a higher premium. In 2017, the base premium is \$134 per month. The maximum is \$428.60 per month for enrollees making more than \$214,000 per year (for individuals) or \$428,000 per year (for married couples filing jointly). Most enrollees pay their Part B premiums out of their Social Security benefits.

Medicare Part C

Part C, also known as Medicare Advantage, is an optional part of Medicare, provided for enrollees who want more than minimal health insurance. Part C plans are provided by private insurance companies. They take the place of Part A and Part B, and they're required to cover the healthcare expenses that are included in these two parts plus additional services, which vary from plan to plan. For example, you may opt for a Medicare Part C plan if you'd like dental and vision coverage, which is not included in Part A or Part B.

Because Part C plans vary so widely, their costs also cover quite a range. You can look up the plans available in your area on the Medicare website. Premiums and other cost-related information, such as deductibles, are listed in the plan descriptions. If you enroll in Part C, you'll still need to pay the Part B premium, as well as any Part C premium.

Medicare Part D

Part D covers just one type of medical expense: prescription drugs. Many Part C plans already provide drug coverage, so if you have one of these plans, you won't need Part D. Given how expensive many drugs are today, most other enrollees will want to get a Part D plan.

Like Part C plans, Part D plans vary in both their coverage levels and their expenses. You can expect to pay a premium for any Part D plan, plus a deductible, a co-pay, and possibly other costs as well.

Medigap

If you choose not to sign up for Part C, you may want to get a Medigap plan to cover healthcare expenses that aren't included under original Medicare. Medigap policies are standardized and must follow one of 10 templates, each of which provides a different level of coverage.

Naturally, the Medigap templates that provide more coverage also tend to have higher premiums. But since Medigap policies are offered by private companies, the premiums can vary quite a bit, even between policies using the same plan template. Since policies

under the same plan must have exactly the same coverage, it just makes sense to pick the one that's cheaper.

What's missing from Medicare

Nearly all healthcare-related expenses are covered by one or more parts of Medicare, with the notable exception being long-term care. Medicare does not consider long-term care to be a "medical expense," so aside from certain nursing-home and home-care services with a clear medical component, it doesn't provide any coverage. Therefore it's a good idea to supplement your Medicare policies with a long-term care insurance policy. Given the likelihood that you'll need long-term care at some point, such an insurance policy can save you from some pretty dire financial straits.

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