By Kim D. Garcia, CPA/PFS, Principal & Director of Client Experience

Kim serves as a relationship manager and has primary responsibility for the management and oversight of client relationships. She also serves on the Board of Directors for the firm. She has over 30 years of experience advising families in the areas of investments, trusts and estates, financial planning and family dynamics.

Deciphering the Alphabet Soup of Medicare

Medicare's purpose is to provide health insurance for all Americans age 65 and older regardless of their net worth. All Americans are eligible to begin receiving Medicare benefits upon reaching age 65. However, other than a few exceptions, benefits do not begin automatically and enrollment is required. Medicare does not cover everything related to health care so it is important to understand the coverage limitations and the variety of supplemental coverage options that are available. This paper will provide an overview of the eligibility rules and coverage options of Medicare.

ELIGIBILITY

Some individuals are eligible and begin receiving Medicare automatically:

- **Already receiving Social Security or Railroad Retirement** – Medicare Part A and Part B coverage begins automatically on the first day of the month of 65th birthday (if birthday is on the first of the month, coverage begins on the first day of the prior month)
- **Under age 65 and disabled** – Medicare Part A and Part B coverage begins automatically after receiving Social Security disability benefits for 24 months (Medicare begins on the first day of the 25th month)
- **Individuals with ALS (Lou Gehrig's disease)** – Medicare Part A and Part B begins automatically when Social Security disability benefits begin

All other individuals must proactively enroll with Medicare to begin receiving benefits. The timing of enrollment depends upon whether an individual is covered by a group health plan upon reaching age 65.

HOW TO ENROLL

The simplest way to enroll in Medicare is to go online to **www.ssa.gov/medicare/** and follow the instructions below:

Scroll to the bottom of the page and click on the **'Apply for Medicare Only**' button.

- **Gather the information needed to complete the application by using this checklist.**
- **Click on and complete all of the relevant fields and submit the application. A submission receipt may be printed and the status of the application may be checked online at any time.**
- **Once the application has been submitted, Medicare will process it and mail a decision letter.**

Enrollment may also be completed by phone at 1-800-772-1213 or by making an in person appointment at a local Social Security office.

TIMING OF ENROLLMENT

The enrollment process may begin 3 months before turning 65 and ends 3 months after turning age 65. Enrollment in Part A may be done at any time during or after this initial enrollment period. Enrollment in Part B must be done during this initial enrollment period to avoid the payment of an annual late enrollment penalty of 10% for each full 12 month period of missed Part B coverage.

EXCEPTION: For individuals who are still working upon reaching age 65 and who are covered under a group health plan with their employer and the employer has 20 or more employees, a special enrollment period applies. These individuals may apply for Part A or Part B at any time while covered by the employer health plan or at any time during the 8 month period after the first to end of employment or group coverage. The late enrollment penalty does not apply during this special enrollment period.

If the special enrollment period does not apply and enrollment was not completed during the initial enrollment period, general enrollment occurs each year between January 1 and March 31 with coverage beginning on July 1 subject to the higher premium for late enrollment.

GROUP HEALTH COVERAGE ENROLLMENT ISSUES

Individuals who reach age 65 while still maintaining group coverage due to employment are eligible for the special enrollment period discussed above if their employer has 20 or more employees. They also must decide whether to enroll in Part A immediately or wait until they enroll in Part B. Once they enroll in Part A, they are no longer eligible to contribute to a Health Savings Account but may continue to receive distributions for qualified medical expenses.

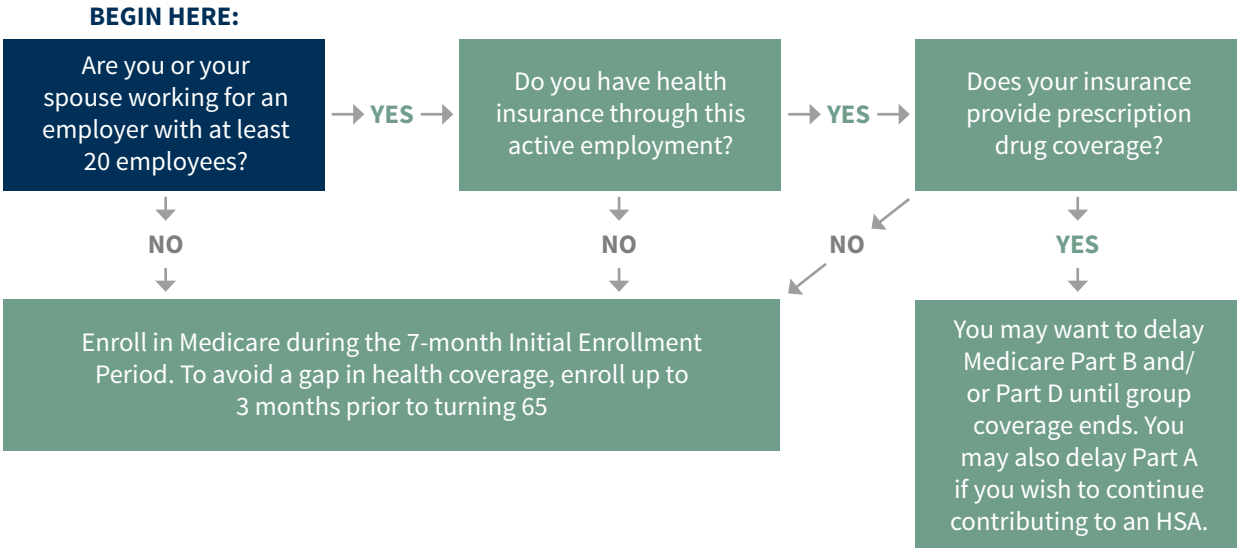
The table below shows the timing of enrollment and coverage priority for individuals with group health coverage:

	EMPLOYERS WITH 20 OR MORE EMPLOYEES	EMPLOYERS WITH LESS THAN 20 EMPLOYEES
Timing of Part A and B Enrollment	Enroll at any time within 8 months of earlier of group coverage termination or end of employment	Enroll when first eligible at age 65 or subject to late enrollment penalty
Priority of Coverage	Group coverage is primary	Medicare coverage is primary

For individuals whose group health insurance is primary, Medicare will pay uncovered costs of the primary insurance subject to Medicare limits.

COBRA and retiree health coverage are not considered group health coverage because they are not based on current employment. Those with COBRA or retiree coverage should enroll during the Initial Enrollment Period.

MEDICARE ENROLLMENT DECISION TREE



COVERAGE - ORIGINAL MEDICARE - PARTS A AND B

Medicare Part A (known as Hospital Insurance) covers:

- **Inpatient care in a hospital**
  - Semi-private rooms
  - Meals
  - General nursing
  - Drugs as part of inpatient treatment
  - Inpatient care as part of a qualifying clinical research study
  - Mental health care
  - Hospital services and supplies other than personal care items
- **Inpatient care in a skilled nursing facility after a 3-day minimum, medically necessary, inpatient hospital stay**
  - Semi-private rooms
  - Meals
  - Skilled nursing and rehabilitative services
  - Medically necessary services and supplies

- **Hospice care if certified that life expectancy is 6 months or less**
  - All items and services needed for pain relief and symptom management
  - Medical, nursing and social services
  - Drugs
  - Certain durable medical equipment
  - Aide and homemaker services
  - Spiritual and grief counseling
- **Home health care ordered by a doctor and provided by a Medicare-certified home health agency**
  - Part-time or intermittent skilled nursing care
  - Physical therapy
  - Speech-language pathology services
  - Occupational therapy
  - Durable medical equipment
  - Medical supplies

Medicare Part B (known as Medical Insurance) covers:

- **Services from doctors and other health care providers**
- **Outpatient care**
- **Home health care**
- **Durable medical equipment**
- **Other medical services**

Medicare does not cover everything related to health care so it is important to understand the coverage limitations and the variety of supplemental coverage options that are available.

COST OF COVERAGE

There is no charge for Part A premiums for anyone who has worked at least 40 quarters and paid Medicare employment taxes during their lifetime. Part B premiums are revised annually. The standard monthly premium for for 2025 is $185. However, higher income taxpayers must pay a higher premium which depends upon their level of income. The table below details the Part B monthly premium amounts for 2025 which are based on 2023 adjusted gross income amounts:

SINGLE TAXPAYERS	JOINT FILERS	2025 PART B PREMIUM
$106,000 or less	$212,000 or less	$185.00
$106,001 to $133,000	$212,001 to $266,000	$259.00
$133,001 to $167,000	$266,001 to $334,000	$370.00
$167,001 to $200,000	$334,001 to $400,000	$480.90
$200,001 to $499,999	$400,001 to $749,999	$591.90
$500,000 and above	$750,000 and above	$628.90

Part B premiums will automatically be deducted from Social Security benefit payments. If not in payment status, the premiums will be billed. In addition to Part B premiums, there are deductibles and coinsurance amounts for Parts A and B services. The 2025 amounts are shown below:

SERVICE	2025 AMOUNT
Part A Inpatient Hospital Deductible	$1,676.00
Part A Daily Coinsurance for Days 61-90 of Inpatient Hospital Stay	$419.00
Part A Daily Coinsurance for Lifetime Reserve Days (up to 60 days over lifetime)	$838.00
Part A Skilled Nursing Facility Coinsurance for Days 21-100	$209.50
Part B Deductible (Coinsurance is generally 20% of covered services)	$257.00

Based on the previous chart, an individual with Part A coverage who has an inpatient hospital stay of 90 days will pay hospital costs of $14,246 including the deductible. Part A services received in excess of the amounts on the chart are paid 100% by the individual.

Medicare pays 100% of the first 20 days in a skilled nursing facility after a 3 day medically necessary hospital stay. Medicare does not cover any costs related to long term care. Medicare does not generally cover any medical expenses outside of the United States. Medicare does cover an annual "Wellness" visit.

MEDICARE ADVANTAGE PLANS – PART C

For most individuals, Parts A and B do not provide sufficient coverage to offer peace of mind that their medical expenses will be manageable. There are numerous insurance options for obtaining supplemental coverage for services not covered by original Medicare.

One of the options is a Medicare Advantage Plan, also known as Part C. These plans are offered by private insurance companies that are Medicare-approved and that must follow rules set by Medicare. If an individual enrolls in a Medicare Advantage Plan, all of their Medicare coverage will be provided through the Medicare Advantage Plan so that one insurance card will be used for all of the medical services.

While Medicare Advantage Plans are approved by Medicare and must follow Medicare's rules, they can charge different out-of-pocket costs and have different rules about whether referrals are required for specialist visits and which medical providers are covered as part of the plan. The plan can change the network providers at any time during the year.

Medicare Advantage Plans have a yearly limit on out-of-pocket costs for medical services. Once the limit is reached, the plan will pay all remaining expenses incurred during the year.

Medicare Advantage Plans may also offer extra coverage such as vision, hearing and dental. Most also include Medicare Prescription Drug coverage known as Part D.

Enrollment for Medicare Advantage Plans

Individuals may enroll in a Medicare Advantage Plan during their Initial Enrollment Period for Part A and Part B. If enrollment in Part B is delayed, enrollment in a Medicare Advantage Plan may coincide with Part B enrollment. The annual enrollment period begins on October 15 and ends on December 7. During this time, individuals may join, switch or drop Medicare Advantage coverage. Coverage begins on January 1 of the following year.

Medicare Supplements (Medigap)

An alternative to Medicare Advantage Plans are Medicare Supplements, also known as Medigap Plans. These policies are sold by private insurances companies and cover items not covered by Original Medicare including medical care during foreign travel. Medigap Plans do not cover long-term care, vision, dental, hearing aids, eyeglasses or private-duty nursing. Medigap Plans can no longer be sold with prescription drug coverage so individuals must obtain a separate Medicare Prescription Drug Plan.

Open Enrollment

Medigap Plans must be purchased during specified open enrollment periods. The initial period begins on the first day of the month of an individual's 65th birthday who is enrolled in Part B. If enrollment in Part B is delayed due to having group health coverage based on current employment, Medigap Open Enrollment begins when enrollment in Part B has been completed.

Annual open enrollment occurs between October 15 and December 7 for coverage beginning on January 1 of the following year.

Medigap Plans are for single individuals only so a married couple must have a separate plan for each spouse. It is vital that each spouse consider coverage specific to their individual needs.

Every Medigap Plan must adhere to federal and state regulations and must be labeled as Medicare Supplement Insurance. All Medigap Plans are standardized and identified by letters. All policies identified by a particular letter provide the same benefits. Costs vary by plan and state.

Plan type A provides the least amount of coverage with Plans F and G providing the greatest level of coverage. Plans F and G also have a high-deductible option in certain states that requires an individual to pay a deductible of $2,870 in 2025 before coverage begins. Plan K has an annual out-of-pocket limit of $7,220 in 2025. Plan L's limit is $3,610 in 2025.

Plans C and F are only available to those individuals who were Medicare eligible prior to January 1, 2020. Individuals who were eligible for Medicare prior to 2020 may maintain Plan C or F and may also apply for them at a later date but will be subject to medical underwriting.

Below is a chart which highlights the coverage provided by the various plan types including C and F which are only available to individuals who reached age 65 prior to January 1, 2020.

MEDICARE SUPPLEMENT COVERAGE	A	B	C	D	F[1]	G[1]	K[2]	L[2]	M	N[3]
Medicare Part A Coinsurance for hospitalization for up to 365 days after Medicare benefits end	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔
Medicare Part A Deductible ($1,676 in 2025)		✔	✔	✔	✔	✔	50%	75%	50%	✔
Skilled Nursing Facility Care Coinsurance for days 21-100 (Medicare pays all amounts for first 20 days)			✔	✔	✔	✔	50%	75%	✔	✔
Medicare Part A Hospice Care Coinsurance or Copayments	✔	✔	✔	✔	✔	✔	50%	75%	✔	✔
Medicare Part B Deductible ($257 in 2025)			✔		✔					
Medicare Part B Coinsurance	✔	✔	✔	✔	✔	✔	50%	75%	✔	✔
Medicare Part B Excess Charges (amounts in excess of Medicare-approved amounts)					✔	✔				
Up to 3 pints of blood per year	✔	✔	✔	✔	✔	✔	50%	75%	✔	✔
Foreign Travel Emergency Services (up to plan limits)			80%	80%	80%	80%			80%	80%

Notes:
1 Plans F and G are also offered as high-deductible plans by some insurance companies.
2 For Plans K and L, after you meet your out of pocket annual limit and Part B deductible, the plan pays 100% of covered services for the rest of the year.
3 Plan N pays 100% of the Part B coinsurance except for a copayment of up to $20 for some office visits and up to a $50 copayment for emergency room visits that don't result in an inpatient admission.

PRESCRIPTION DRUG COVERAGE – PART D

Prescription Drug coverage can be obtained through either a Medicare Advantage Plan or a separate Medicare Prescription Drug Plan. An individual is not permitted to have a separate Medicare Prescription Drug Plan if their Medicare Advantage Plan includes prescription drug coverage. Like Part B of Original Medicare, an individual must enroll within certain periods or be subject to a late enrollment penalty for as long as their coverage continues. The initial enrollment period is the same as Part B. Open enrollment for changing plans is between October 15 and December 7 of each year with coverage beginning on January 1 of the following year.

Premiums for prescription drug coverage vary by plan. Premiums may be deducted from Social Security benefits by notifying the drug plan. Part D premium amounts are dependent upon income levels as Part B premiums are. This extra premium amount is payable to Medicare and not the drug plan. If receiving Social Security benefits, the amount will be automatically deducted.

Each Part D plan may also have an annual deductible as well as copayments and coinsurance amounts which vary by plan.

The maximum deductible for 2025 is $590 and the maximum out of pocket spending will be $2,000.

Covered Drugs

The most critical information needed to determine the best drug plan for an individual is the list of their prescribed medications. Each plan has its own list of covered drugs as well as a tier system for these drugs. Each drug is assigned to a tier which determines the cost of the drug. Drugs in higher tiers cost more so it is important for individuals to know how their drugs are classified by the plans they are considering.

MEDICARE ADVANTAGE V. MEDIGAP + MEDICARE PRESCRIPTION DRUG PLAN

There is no easy answer as to which type of policy is best. Each individual must examine their current health and financial situation to determine what option works best for them. It is also possible that spouses will choose different policies. The chart below highlights some of the differences between the two options:

	MEDICARE ADVANTAGE (WITH PRESCRIPTION DRUG COVERAGE)	MEDICARE SUPPLEMENT (MEDIGAP) + MEDICARE PRESCRIPTION DRUG PLAN
Copayments/Coinsurance/ Deductibles	Varies by plan	Varies by plan
Health Care Provider	Varies by plan; typically pay less if using an in-network provider	Coverage for any Medicare provider
Financial Considerations	Less expensive than Medigap Plans	Good option if frequent medical care needed or prefer certain providers
Medical Underwriting	Not required	May be required
Foreign Travel	Minimal or no coverage	Coverage varies by plan

In general, Medigap Plans are preferred over Medicare Advantage Plans due to the greater coverage options and the flexibility allowed in selecting providers.

RESOURCES

The enrollment deadlines and variety of coverage options are confusing and can be difficult to navigate. There are Medicare consultants but many of them are affiliated with the insurance companies that offer Medicare Advantage and Medigap Plans. Some large employers may provide advice through their human resources departments. The following is a list of resources that can provide guidance through these critical decisions:

General Medicare Information
www.medicare.gov

Medicare Plan Finder
https://www.medicare.gov/find-a-plan/questions/home.aspx

Medicare Provider Locator
www.medicare.gov/care-compare

Medicare Drug Coverage
www.medicare.gov/drug-coverage-part-d

Medicare Publications Search
https://www.medicare.gov/Publications

Please contact us if you have questions or would like assistance with assessing the various options available to you and your spouse. This paper is intended to be educational in nature and does not replace the need for analysis of individual circumstances.

ATLANTA
877.955.8266

CHARLESTON
866.619.1003

GREENSBORO
855.821.4999

MEMPHIS
800.264.7498

NASHVILLE
877.386.7332

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