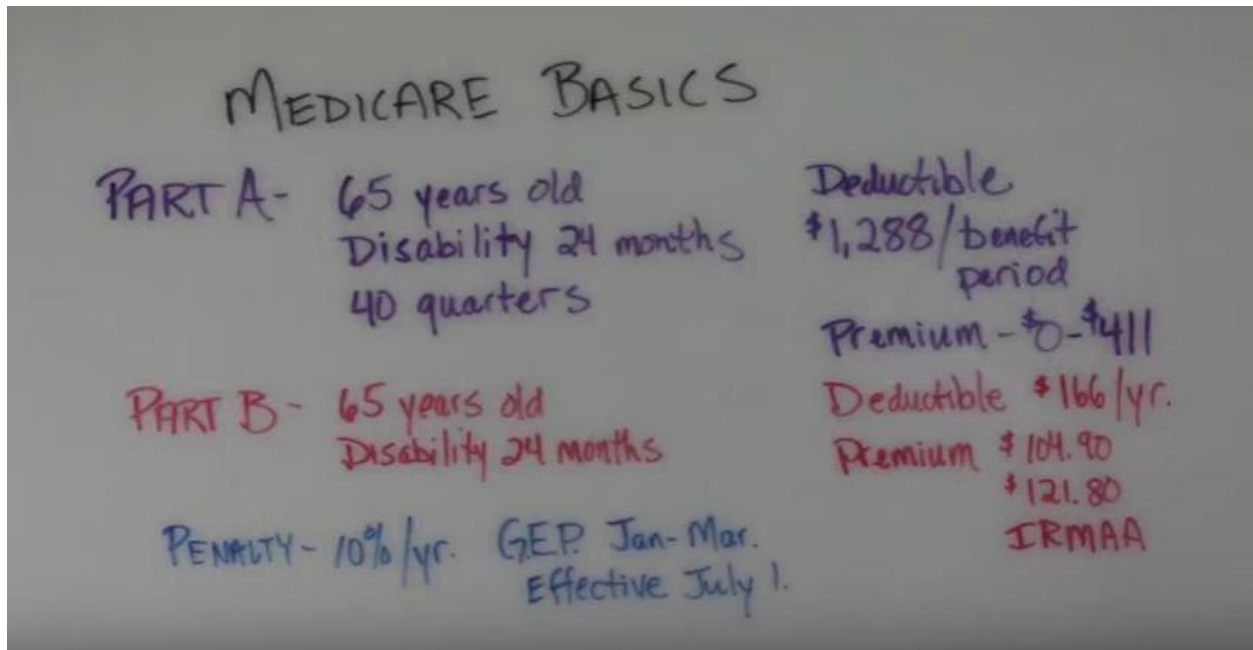


MEDICARE BASICS – A & B



We are going to cover **only part A and part B**. Medicare which is also known as CMS which is the Centers for Medicare and Medicaid Services is one of the largest insurers of folks in the whole United States. We are going to cover the most important things that you need to know about Medicare.

Part A is the first part of Medicare. It was originally created back in the 1960's along with Part B to be the Senior Health Insurance Program and it was also designed to help folks who are on disability. Let's talk about what it takes to become eligible for Part A.

#1 - You have to be 65 years old or have been on disability for 24 months. In other words, your first 2 years of being eligible for disability and receiving payments, Medicare is not going to cover your health insurance. You are going to have to figure something else out if you are on disability for those first 2 years. But, during month 25, you become eligible for Part A.

The other thing that is important to know about Part A is either you or your spouse have to have worked and contributed to Social Security for at least 40 quarters, so 10 years. Many people are coming to this country as foreign nationals, they are retiring in their other country and coming here to live and want to get on Part A, they can, but there is a caveat which will discuss next as we talk about the premiums.

There is also a deductible that goes along with Part A. The deductible is \$1,288 per benefit period for this year. It is important to note that Medicare has their own definition of what a benefit period is. Medicare defines the benefit period as any hospital stay that is separated by 60 days. When that happens, a new deductible or a new benefit period begins. It's quite common for folks to go into the hospital in January, get out, they are out for 2-3 months, they have to go back to the hospital again, then they have a new deductible.

The other thing that goes with Part A is the premium. You are going to see there is a range for those folks who have contributed 40 quarters, there is no premium. The money has been taken out from all of their checks for many years, put into a general fund and now they use that to fund Part A. However, if you have not contributed for 40 quarters, your premium can be \$411 a month for Part A.

Part B

Part B which is also known as the "doctor or medical insurance" and Part A is known as, the "hospital insurance". To be eligible for Part B, you need to be 65 years old or you need to have been on disability for 24 months also. And that is how you become eligible for Part B.

The deductible for Part B this year is \$166 and it's not per benefit period. It's actually per year, so they do it a little bit differently for the deductibles.

A premium for Part B is \$104.90. That's if you were on Medicare before January 1st and receiving your social security. However, if you just became eligible for Medicare during this year. Your premium is actually \$121.80.

You might actually sit with a husband and wife who are different ages who became eligible for Medicare at different times and they will have different premiums for their Part B. You see there is a clause in the Social Security law that says that you can't ever have a pay reduction. And since Social Security did not give anyone a raise this year, they cannot increase your Part B premium because you would get a lower check and that is against the law.

You will also see that I wrote down here something called IRMA. IRMA stands for the Income Related Monthly Adjusted Amount. For your high earning clients, what the government is going to do, is there is a chart that shows that if you make too much money, then they are going to charge you more premium for Part B and you'll get the same benefits. They have it broken out by whether you are filing individually or you are filing joint and there is different levels to it, so you need to refer to the chart for how the IRMA charges work.

Also note, Part B is the penalty. Medicare has a penalty for those folks who don't enroll in Part B when they are supposed to. What is meant by "supposed to" is that the premium for Part B is the same for 65 year old's as for it is for 75 year old's, as it is for 105's year old's.

How can you charge one premium for health insurance for people of all different ages? The only way that works is by using the concept called “Forced Participation”. In other words, everyone needs to contribute when they become eligible.

If you ever sit with anyone who says, you know I just retired, I’m very healthy, I really don’t feel like paying that premium every month, I’m just going to wait a couple of years and then I’ll join the program. Well, they can do that. However, they are going to be facing a penalty. The penalty is going to be 10% more of whatever the that Part B premium is at that time and they’ll have to pay that penalty for the rest of their life.

The other challenge of course is they never know when they’re going to get sick and they may need this coverage. If you run across somebody who intentionally or maybe even unintentionally didn’t get on Part B after they turned 65 and of course they had no other coverage and now they realize it, and they decided wow I need to get on Part B now! They also have to know that there are certain rules and guidelines. There is something called the General Election Period. This is the period from January 1st to March 31st and this is the only time that folks who didn’t have Part B, but were supposed to be on it, can actually enroll into it. It’s an election period not much different than annual actual election period that the government has set as time frames and that is the only time that you can enroll into Part B if you didn’t get it when you were supposed to. On top of that, you need to know that just because you enrolled during this time frame, doesn’t mean it becomes effectively immediately. The effective date for those folks in the General Election Period is going to be July 1. And that would be when they will get their red, white and blue card with the July 1st effective date on it and then they would have to pay that penalty.

These are the most important things to know about Medicare Part A, Hospital Insurance and Medicare Part B, the Medical Coverage.