

# Aging comes naturally. Deciphering Medicare doesn't.

## A guide to Medicare

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This material is being provided to help explain Medicare in an easy-to-read format. It's for educational purposes only and is not intended to be used to promote the purchase of Transamerica's Medicare Supplement Insurance (Medigap) or Medicare Part D coverage.

# Make the most of your Medicare benefits while managing healthcare costs.

## Make Medicare work for you.

For years, you and your spouse have probably been contributing to Medicare. Now, the time is approaching when you can finally reap the rewards.

Medicare doesn't cover everything, but it does help lighten the load of healthcare costs for older Americans. This guide will provide an overview of how it works.

Our Guide to Medicare is simply designed to arm you with the knowledge you need to make informed decisions. No one should be using this to try to sell you any specific insurance product.





# Getting started

**This guide is meant to give you a basic understanding of Medicare.**

For the most complete and comprehensive information on Medicare, visit the federal government's official site, **Medicare.gov**. Check there for the free *Medicare & You* handbook, which is updated annually.

The nonprofit Medicare Rights Center also provides easy-to-understand information at **medicareinteractive.org**. The nonprofit *Transamerica Center for Health Studies* website also provides clear information at **transamericainstitute.org > Resources > Health Care Guides > Health Insurance > Medicare**.

## **This guide explains:**

- What each part of Medicare covers
- When to enroll to avoid penalties
- What Medicare doesn't cover
- Budgeting for your premiums
- How Medicare works with health savings accounts

# Glossary at a glance

These are some terms you may have heard.

## **Original Medicare**

Coverage managed by the federal government. You can choose this option, or you can buy a plan from a private insurer instead.

## **Medicare Advantage**

Coverage that you buy from a private insurer instead of going with Original Medicare from the government.

## **Medigap**

If you go with Original Medicare, you might buy a Medigap policy (known as Medicare Supplement Insurance) from a private company to help cover co-payments, co-insurance, or deductibles that aren't covered by Original Medicare. You don't have to buy this if you don't want it.

## **Deductible**

The amount of costs you pay out of pocket before coverage kicks in.

## **Co-pay/co-insurance**

Your share of costs on an individual medical bill.

## **Premium**

A periodic payment you make to Medicare, an insurance company, or a healthcare plan for health or prescription drug coverage.



**Medicare won't cover all your health expenses, but it will help you with some of the costs.**

## What's covered under Original Medicare Parts A, B, D, and Medicare Advantage?



# Part A

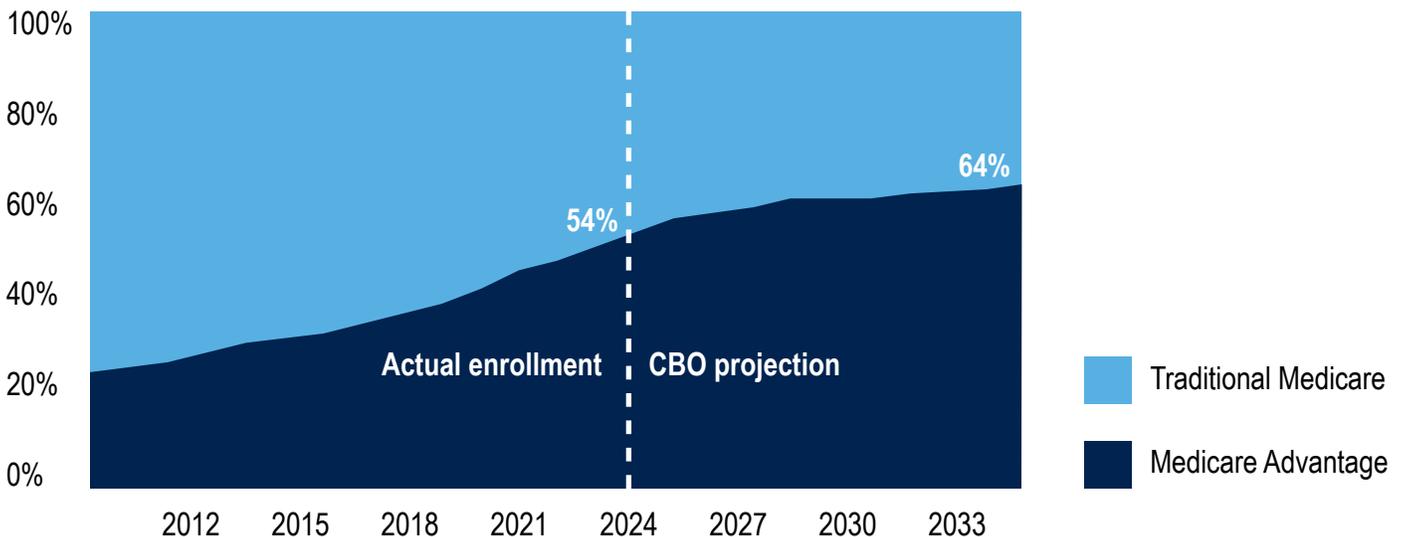
## Hospitals (and other medical facilities)

- Inpatient hospital care
- Skilled nursing facility care
- Hospice
- Home health services
- Nursing home care (though it generally won't cover custodial care, which is care that helps with the basics of daily living)

Most people don't pay a monthly premium for Part A because they've already paid Medicare taxes on their paychecks or their spouse's paychecks for at least 10 years. Otherwise, monthly premiums can be up to \$518 per month in 2025, depending on whether you've ever paid any Medicare taxes. There's generally a deductible amount to pay before Medicare steps in and covers your bill for inpatient stays in a facility. In 2025, the deductible is \$1,676 for each benefit period. (A "benefit period" starts when you're admitted as an inpatient at a hospital or skilled nursing facility and ends after you've been out of the hospital and haven't received skilled care in any other facility for 60 days in a row.) You'll pay co-insurance for longer stays.

"2025 Medicare Parts A & B Premiums and Deductibles," CMS.gov, November 2024

## Medicare Advantage and Traditional Medicare Enrollment, Past and Projected



"Medicare Advantage in 2024: Enrollment Update and Key Trends," KFF.org, August 2024

# Part B

## Doctor services, outpatient care, medical supplies, preventive care

- Medically necessary services, including services to diagnose or treat a condition
- Preventive services such as flu shots or tests that can detect illness early on
- Ambulance service (only when other transportation could endanger your health and to the nearest appropriate facility that can give you the care you need)
- Medically necessary durable medical equipment including crutches, wheelchairs, etc.
- Mental healthcare, in some instances
- A second opinion on surgeries deemed medically necessary

Part B premiums vary by income. Your monthly premium is typically deducted from the monthly Social Security benefits payments you receive. For 2025, monthly Part B premiums for people who enroll in Medicare for the first time range from \$185.00 to \$628.90, though the Part B deductible is \$257 in 2025, and you typically pay 20% of costs after that.

“2025 Medicare Parts A & B Premiums and Deductibles,” CMS.gov, November 2024

# Part C

Part C lets you choose coverage through private health plans – known as Medicare Advantage Plans – instead of getting Original Medicare. Medicare Advantage Plans may or may not include prescription drug coverage.



# Part D

## Prescription drugs

One option for getting prescription drug coverage is through Part D, offered through private companies. You don't need it right away if you have drug coverage from other sources such as an employer or union, but be sure to sign up if that coverage is ending soon. (If you don't sign up for Part D coverage once you're eligible or once your other prescription drug coverage has ended, you may be subject to a late enrollment penalty once you do sign up.)

You must cover all prescription drug costs until you meet the maximum deductible of \$590 in 2025 (some plans have no deductible).<sup>1</sup> Once the deductible has been met, you'll have a co-insurance requirement of 25% and the plan will cover 75% until total out-of-pocket costs reach \$2,000, at which point you'll automatically get "catastrophic coverage." Once you enter the "catastrophic coverage" phase, you won't have to pay out-of-pocket for covered Part D drugs for the rest of the calendar year.<sup>2</sup>

This \$2,000 out-of-pocket maximum for covered Part D drugs went into effect January 1, 2025 as part of the Inflation Reduction Act.

Cost estimates for 2025	
Average monthly premium	\$46.50 <sup>3</sup>
Max annual deductible (varies by plan):	\$590

<sup>1</sup> "Yearly Deductible for Drug Plans," Medicare.gov, accessed November 2024

<sup>2</sup> "Catastrophic Coverage," Medicare.gov, accessed November 2024

<sup>3</sup> "Medicare Advantage and Medicare Prescription Drug Programs to Remain Stable as CMS Implements Improvements to the Programs in 2025," CMS.gov, September 2024

When choosing Medicare coverage, **making decisions on time** will allow you to avoid penalties.



# When to enroll

## Part A

**There's a seven-month period in which you can sign up for Medicare.**

It spans three months before and three months after your 65<sup>th</sup> birthday month. If you're working (or your spouse is) and you're covered by a group health plan, avoid penalties by enrolling within eight months beginning the month after that work ends or that group coverage ends, whichever comes first. Note that COBRA (which is continued health coverage under a group plan after a job loss, for example) doesn't count as employer coverage.

## Part B

**Same as Part A, but since you'll pay premiums, you might want to wait until your employer coverage ends.**

You can reject your automatic enrollment in Part B by following the instructions that are mailed to you with your Medicare enrollment. Then, beginning the month after your job or your coverage through your employer or spouse's employer ends (whichever comes first), you'll have eight months to enroll in Part B to avoid facing penalties.

More information can be found at [Medicare.gov](https://www.Medicare.gov). From the home page, click on "Get Started with Medicare." You'll find basic information and specific next steps for your situation.

## Part D

**Avoid penalties by making sure you don't go 63 days or more in a row without drug coverage, whether it's from a Medicare Advantage Plan, employer, union, or other provider like TRICARE.**

If you don't already have drug coverage, you can enroll when you're first eligible for Medicare. The penalty for late enrollment in Part D is generally a permanent extra monthly fee. Learn more at [Medicare.gov](https://www.Medicare.gov).

## Key enrollment periods – Another chance to enroll (or switch coverage)

### Part A and Part B:

January 1–March 31 for coverage starting the first of the month following your enrollment month, or within eight months beginning the month after the end of employment or coverage from your employer, whichever occurs first.

### Part C (Medicare Advantage) and Part D:

October 15–December 7

### Make a switch:

You can switch from a Medicare Advantage Plan to Original Medicare from January 1–March 31. If you take this route, you have until March 31 to also join a Medicare drug plan.



## What you'll cover on your own

Examples of what original Medicare doesn't cover:



Long term care  
(basic custodial care)



Most dental care



Routine eye exams



Hearing aids

# Your Medigap options

**If you opt for Original Medicare and choose to add a Medicare Supplement Insurance (Medigap) policy, there are 10 standardized types.**

Find out what's covered by each type of Medigap policy on the [Medicare.gov](https://www.medicare.gov) Medigap Policies page.

Scroll to the bottom of the home page. Under "Take Action," click on "Find a Medicare Supplement Insurance (Medigap) policy." There, you can compare the benefits of each plan.

## Budgeting for premiums

Talk to your financial professional about your gross income.

What you'll pay is determined by your Modified Adjusted Gross Income (MAGI) from your federal tax return.



The higher your income, the more you can expect to pay in premiums for Part B and Part D. The extra amount will be deducted from your monthly Social Security payment or billed to you.<sup>1</sup>



Premiums for Part B and Part D are based off your federal tax return provided by the IRS from two tax years prior. If you must pay higher premiums, a sliding scale is used to make adjustments, based on your Modified Adjusted Gross Income (MAGI). MAGI is the sum of your Adjusted Gross Income (AGI), tax exempt interest, untaxed foreign income, Social Security benefits not included in gross income, and certain deductions for AGI.<sup>2</sup>

<sup>1</sup> "Premiums: Rules For Higher-Income Beneficiaries," Social Security Administration, accessed January 2025

<sup>2</sup> "Modified Adjusted Gross Income (MAGI)," HealthCare.gov, accessed January 2025

## Be aware that Medicare has different thresholds for MAGI than the IRS.

The IRS considers high-income earners to be people with net investment income (they have more capital gains than capital losses in a given year) and modified adjusted gross income of \$200,000 or more as an individual; \$250,000 or more as a married couple filing taxes jointly; or at least \$125,000 for married couples filing tax returns separately. (If this describes you, you owe an extra 0.9% Medicare tax that's probably already coming out of your paycheck.)<sup>1</sup>



### Part B<sup>2</sup>

### Part D

If your MAGI for 2023 was			You pay monthly in 2025	You pay monthly in 2025
File individual tax return	File joint tax return	File married & separate return		Premiums vary by plan, but the average monthly premium for a basic Medicare prescription drug plan is projected to be \$46.50 <sup>2</sup>
\$106,000 or less	\$212,000 or less	\$106,000 or less	\$185.00	Your Part D premium
Above \$106,000 up to \$133,000	Above \$212,000 up to \$266,000	Not applicable	\$259.00	\$13.70 <sup>3</sup> + Part D premium
Above \$133,000 up to \$167,000	Above \$266,000 up to \$334,000	Not applicable	\$370.00	\$35.30 <sup>3</sup> + Part D premium
Above \$167,000 up to \$200,000	Above \$334,000 up to \$400,000	Not applicable	\$480.90	\$57.00 <sup>3</sup> + Part D premium
Above \$200,000 and less than \$500,000	Above \$400,000 and less than \$750,000	Above \$106,000 and less than \$394,000	\$591.90	\$78.60 <sup>3</sup> + Part D premium
\$500,000 or above	\$750,000 or above	\$394,000 or above	\$628.90	\$85.80 <sup>3</sup> + Part D premium

<sup>1</sup> "Topic No. 560: Additional Medicare Tax," IRS.gov, July 2024

<sup>2</sup> "Medicare Advantage and Medicare Prescription Drug Programs to Remain Stable as CMS Implements Improvements to the Programs in 2025," CMS.org, September 2024

<sup>3</sup> "2025 Medicare Parts A & B Premiums and Deductibles," CMS.org, November 2024

## Did you know?



**You and your financial professional can evaluate options for limiting your gross income. Note that some options may save you money on Medicare but divert you from your overall financial goals.**

### **Questions you might consider:**

- If you have a second home you plan to sell, should you sell before age 63 so it doesn't boost your gross income?
- Can you maximize contributions to a retirement account, Roth IRA, or health savings account?
- Should you consider making a charitable gift?
- Do you have any options for offsetting your capital gains?
- Do you have any tax-free income sources?

We don't give tax advice, so consult your financial professional for answers on any of these topics.



# Medicare & your Health Savings Account (HSA)

	Monthly	Employer-sponsored coverage
<b>Standard monthly premium</b>	\$0 for Part A, \$185 for Part B in 2025 <sup>1</sup>	Varies; your employer may pay some or all of your monthly premium
<b>Deductible</b>	\$1,676 per benefit period for Part A in 2025, \$257 for Part B in 2025 <sup>1</sup>	Varies, but there is typically only one annual deductible
<b>Outpatient visits</b>	80% of allowable charges <sup>2</sup>	Varies; you may pay a flat co-payment or a co-insurance amount
<b>Inpatient care</b>	100% of allowable charges for the first 60 days after you meet your deductible <sup>1</sup>	Varies; you may pay a flat co-payment or a co-insurance percentage
<b>Prescription drugs</b>	Minimal coverage unless you sign up for prescription drug coverage under Medicare Part D <sup>3</sup>	Typically covers prescription drugs with a co-payment or co-insurance amount
<b>Skilled nursing home care</b>	Up to 100 days for qualified stays, you pay \$0 for first 20 days and up to \$209.50 per day for days 21–100 in 2025; all costs for days 101 and beyond <sup>1</sup>	Varies; some plans may cover skilled nursing home care. You may pay a co-payment or co-insurance amount

Starting in 2025, all Medicare plans will include a \$2,000 cap on what you pay out-of-pocket for prescription drugs covered by your plan.<sup>4</sup>

## Did you know?



### If you have a health savings account (HSA), keep in mind that:

- Contributions to your HSA must stop once you enroll in Medicare. Premium-free Part A coverage can begin six months back from the date you apply, so Medicare.gov suggests stopping contributions to an HSA at least six months before applying for Medicare to avoid tax penalties.
- You still can use money from your HSA to pay for qualified healthcare expenses in retirement.

**Learn more online at Medicare.gov**

<sup>1</sup> "2025 Medicare Parts A & B Premiums and Deductibles, CMS.org, November 2024

<sup>2</sup> "Outpatient Hospital Services," Medicare.gov, accessed November 2024

<sup>3</sup> "How to Get Prescription Drug Coverage," Medicare.gov, accessed November 2024

<sup>4</sup> "Catastrophic Coverage, Medicare.gov, accessed November 2024

# 67.7 million people are enrolled in Medicare coverage

"Medicare Monthly Enrollment," CMS.gov, October 2024

For more helpful tools on preparing for a healthy and successful life, contact your financial professional for other titles in our Guide series.



## Make the most of Medicare

To learn more about Transamerica's Guide to Medicare series and to get support materials:

 Contact your financial professional

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