

Medicare 2013

What is Medicare?

Medicare is a Health Insurance Program for:

- * People age 65 or older
- * People under age 65 with certain disabilities
- * People of all ages with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a transplant).

Medicare has Two Parts:

- Part A (Hospital Insurance) - Most people do not have to pay for Part A.
- Part B (Medical Insurance) - Most people pay a monthly premium for Part B.

When you first receive Medicare, you are in Original Medicare. You may want to consider a Medicare (Part D) Prescription Plan. Or, you may want to consider a Medicare Advantage Plan (an HMO or PPO) that provides Part A, Part B, and often Part D coverage. Each year you may review your health and prescription needs and switch to a different plan in the fall.

Part A (Hospital Insurance)

Helps Pay For: Care in hospitals as an inpatient, critical access hospitals (small facilities that give limited outpatient and inpatient services to people in rural areas), skilled nursing facilities (not custodial or long-term care), hospice care, and some home health care.

Cost: Most people receive Part A automatically when they turn age 65. They do not have to pay a monthly payment if they or their spouse paid Medicare taxes while they were working.

If you do not automatically receive premium-free Part A, you may be able to buy it if:

- * You (or your spouse) are not entitled to Social Security because you did not work or did not pay enough Medicare taxes while you worked and you are age 65 or older, or
- * You are disabled but no longer receive premium-free Part A because you returned to work.

If you have limited income and resources, your state may help you pay for Part A and/or Part B. For more information, visit www.socialsecurity.gov on the web or call Social Security at 1-800-772-1213. TTY user should call 1-800-325-0778. If you get benefits from the Railroad Retirement Board, call your local RRB office or 1-877-772-5772.

Part B (Medical Insurance)

Helps Pay for: Doctors' services, outpatient hospital care, and some other medical services that Part A does not cover, such as the services of physical and occupational therapist, and some home health care. Part B helps pay for these covered services and supplies when they are medically necessary.

Cost: Most Medicare beneficiaries will pay \$104.90 for Part B.

If your income is over \$85,000 (single) or \$170,000 (married couple), then your Medicare Part B premium may be higher than \$104.90 per month.

In some cases this amount may be higher if you did not choose Part B when you first became eligible at age 65. The cost of Part B may go up 10% for each 12-month period that you could have had Part B but did not sign up for it, except in special cases. You will have to pay this extra 10% as long as you have Medicare Part B.

Enrolling in Part B is your choice. You can sign up for Part B anytime during a 7 month period that begins 3 months before you turn 65. Please call Social Security at 1-800-772-1213.

Medicare Premiums and Coinsurance Rates for 2013

Medicare Premiums for 2012:

Part A: Most people **do not** pay a Part A (Hospital Insurance) premium because they or their spouse paid Medicare taxes while working. Starting January 1, 2013, if you have to pay for Part A, your amount each month is below:

- \$441.00 if you do not have at least 30 work credits
- \$485.10 if you enrolled late
- \$243.00 if you have 30-39 work credits
- \$267.30 if you have 30-39 work credits, but enrolled late

Medicare Deductible and Coinsurance Amounts for 2013:

Part A: (pays for inpatient hospital, skilled nursing facility, and some home health care). For each benefit period Medicare pays all covered costs except the Medicare Part A deductible (2013 = \$1,184) during the first 60 days and coinsurance amounts for hospital stays that last beyond 60 days and no more than 150 days.

For each benefit period you pay:

- * A total of \$1,184 for a hospital stay of 1-60 days.
- * \$296 per day for days 61-90 or a hospital stay.
- * \$592 per day for days 91-150 of a hospital stay (Lifetime Reserve Days).
- * All costs for each day beyond 150 days.

Skilled Nursing Facility Coinsurance

* \$148.00 per day for days 21 through 100 each benefit period.

Part B: (covers Medicare eligible physician services, outpatient hospital services, certain home health services, durable medical equipment)

(Note: you pay 20% of the Medicare-approved amount for services after you meet the \$147.00 deductible).

2013 Part B Premium Amounts for Persons with Higher Income Levels

Most Medicare beneficiaries will pay \$104.90 for Part B in 2013. Beneficiaries who currently have the Social Security Administration (SSA) withhold their Part B premium and have incomes of \$85,000 or less (\$170,000 or less for joint filers).

If your income is above \$85,000 (single) or \$170,000 (married couple), then your Medicare Part B premium may be higher than \$104.90 per month.

Social Security will use the income reported two years ago on your IRS income tax return to determine your premium (if unavailable, SSA will use income from three years ago). For example, the income reported on your 2011 tax return will be used to determine your monthly Part B premium in 2013. If your income has decreased since 2011, you can ask that the income from a more recent tax year be used to determine your premium, but you must meet certain criteria.

The charts which follow shows the Part B monthly premium amounts based on income. These amounts change each year. There may be a late enrollment penalty.

If your Yearly Income in 2011 was:

You Pay

File Individual Tax Return	File Joint Tax Return	
\$85,000 or below	\$170,000 or below	\$104.90
\$85,001-\$107,000	\$170,001-\$214,000	\$146.90
\$107,001-\$160,000	\$214,001-\$320,000	\$209.80
\$160,001-\$214,000	\$320,001-\$428,000	\$272.70
Above \$214,000	above \$428,000	\$335.70

If you have questions about your Part B premium, call Social Security at 1-800-772-1213. TTY users should call 1-800-325-0778.

Note: If you do not get Social Security, RRB, or Civil Service benefit payments and choose to sign up for Part B, you will get a bill. If you choose to buy Part A, you will always get a bill for your premium. You can mail your premium payments to the Medicare Premium Collection Center, P. O. Box 790355, St. Louis, MO 63179-0355. If you get a bill from the RRB, mail your premium payments to RRB, Medicare Premium Payments, P. O. Box 9024, St. Louis, MO 63197-9024.

If You Have Other Information About Your Income

The law allows use of other information about your *Modified Adjusted Gross Income (MAGI)* under certain circumstances. If any of the situations in the list below apply or if they occur later this year, you should contact Social Security and explain that you have new information about your Medicare income-related monthly adjustment amount. You can call Medicare at 1-800-772-1213 (TTY 1-800-325-0778 for the hearing-impaired) or visit any Social Security office to discuss the following situations:

Your *MAGI* goes down at least one range in the table above and:

- You marry, divorce, or become widowed or your marriage is annulled,
- You or your spouse stopped working or reduced work hours,
- You or your spouse lost income-producing property due to a disaster or other event beyond you or your spouse's control.

- You or your spouse experienced a scheduled cessation, termination, or reorganization of an employer's pension plan, or

- You or your spouse received a settlement from an employer or former employer because of the employer's closure, bankruptcy, or reorganization.

You have an amended tax return for 2011, and your *MAGI* from your amended tax return is lower than the *MAGI* information we received from IRS.

Medicare Prescription Drug Coverage (Part D) Medicare offers prescription drug coverage to everyone with Medicare. Even if you do not take a lot of prescriptions now, you should still consider joining a Medicare drug plan. To get Medicare prescription drug coverage, you must

join a plan run by an insurance company or other private company approved by Medicare. Each plan can vary in cost and drugs covered. If you decide not to join a Medicare drug plan when you are first eligible, and you do not have other creditable prescription drug coverage, you will likely pay a late enrollment penalty.

Who Can Get Medicare Drug Coverage? To join a Medicare Prescription Drug Plan, you must have Medicare Part A **or** Part B. To join a Medicare Advantage Plan, you must have Part A **and** Part B. You must also live in the service area of the Medicare drug plan you want to join.

What You Pay Your actual drug plan costs will vary depending on the prescriptions you use, the plan you choose, whether you go to a pharmacy in your plan's network, whether your drugs are on your plan's formulary (drug list), and whether you get Extra Help paying your Part D costs.

Monthly premium Most drug plans charge a monthly fee that varies by plan. You pay this in addition to the Part B premium. If you belong to a Medicare Advantage Plan (like an HMO or PPO), the monthly premium you pay to your plan may include an amount for prescription drug coverage.

NEW – Starting January 1, 2011, your Part D monthly premium could be higher based on your income. This includes Part D coverage you get from a Medicare Prescription Drug Plan. If your modified adjustment gross income as reported on your IRS tax return from 2 years ago (the most recent tax return information provided to Social Security by the IRS) is above a certain amount, you will pay a higher premium.

Yearly Deductible The amount you must pay before your drug plan begins to pay its share of your covered drugs. Some drug plans do not have a deductible.

Copayments or coinsurance Amounts you pay at the pharmacy for your covered prescriptions after the deductible (if the plan has one). You pay your share, and your drug plan pays its share for covered drugs.

Coverage Gap Most Medicare drug plans have a coverage gap (also called the “donut hole”). This means that after you and your drug plan have spent a certain amount of money for covered drugs, you have to pay all costs out-of-pocket for your prescriptions up to a yearly limit. Not everyone will reach the coverage gap. Your yearly deductible, your coinsurance or copayments, and what you pay in the coverage gap all count toward this out-of-pocket limit. The limit does not include the drug plan premium you pay or what you pay for drugs that are not covered.

If you reach the coverage gap in 2013, you will get a 50% discount on covered brand-name prescription drugs at the time you buy them. There will be additional savings for you in the coverage gap each year through 2020 when you will have 75% coverage in the gap.

Catastrophic Coverage Once you reach your plan's out-of-pocket limit, you automatically get “catastrophic coverage”. Catastrophic coverage assures that once you have spent up to your

plan’s out-of-pocket limit for covered drugs, you only pay a small coinsurance amount or copayment or the drug for the rest of the year.

Example below shows costs for covered drugs in 2013 for a plan that has a coverage gap. Ms Smith joins the XYZ Prescription Drug Plan. Her coverage begins on January 1, 2013. She does not get Extra Help and uses her Medicare drug plan membership card when she buys prescriptions.

Monthly Premium – Ms Smith pays a monthly premium throughout the year.

<i>Yearly Deductible</i>	<i>Copayment or Coinsurance (what you pay at the pharmacy)</i>	<i>Coverage Gap</i>	<i>Catastrophic Coverage</i>
<i>Ms Smith pays the first \$325 of her drug costs before her plan starts to pay its share.</i>	<i>Ms Smith pays a copayment, and her plan pays its share for each covered drug until their combined amount (plus the deductible) reaches \$2,970.</i>	<i>Once Mrs. Smith and her plan have spent \$2,970 for covered drugs, she is in the coverage gap. In 2011, she gets a 50% discount on covered brand-name prescription drugs that counts as out-of-pocket spending, and helps her get out of the coverage gap.</i>	<i>Once Ms. Smith has spent \$4,750 out-of-pocket for the year, her coverage gap ends. Now she only pays a small copayment for each drug until the end of the year.</i>

What is the Part D Late Enrollment Penalty?

The late enrollment penalty is an amount that is added to your Part D premium. You may owe a late enrollment penalty if one of the following is true:

- You did not join a Medicare drug plan when you were first eligible for Medicare, and you did not have other creditable prescription drug coverage.
- You did not have Medicare prescription drug coverage or other creditable prescription drug coverage for 63 days or more in a row.

How Much More Will You Pay?

The cost of the late enrollment penalty depends on how long you did not have creditable prescription drug coverage. Currently, the late enrollment penalty is calculated by multiplying 1% of the “national base beneficiary premium” (\$31.17 in 2013) times the number of full, uncovered months that you were eligible but did not join a Medicare drug plan and went without other creditable prescription drug coverage. The final amount is rounded to the nearest \$.10 and added to your monthly premium. Since the “national base beneficiary premium” may increase each year, the penalty amount may also increase every year. You may have to pay this penalty for as long as you have a Medicare drug plan.

Medicare Advantage Plans (Part C) and Medicare Prescription Drug Plans (Part D)

Premiums The chart below shows your estimated prescription drug plan monthly premium amount based on your income. If your income is above a certain limit, you will pay an income-related monthly adjustment amount in addition to our premium. The amounts shown are estimates. What you pay may be higher or lower.

Part D Monthly Premium		You Pay
File Individual Tax Return	File Joint Tax Return	
\$85,000 or below	\$170,000 or below	Your Plan Premium
\$85,001-\$107,000	\$170,001-\$214,000	\$11.60 + Your Plan Premium
\$107,001-\$160,000	\$214,001-\$320,000	\$29.90 + Your Plan Premium
\$160,001-\$214,000	\$320,001-\$428,000	\$48.30 + Your Plan Premium
Above \$214,000	Above \$428,000	\$66.60 + Your Plan Premium

The income-related monthly adjustment amount will be deducted from your monthly Social Security check, no matter how you usually pay your plan premium. If that amount is more than the amount of your check, you will get a bill from Medicare.

The figure below is used to estimate the Part D late enrollment penalty. The national based beneficiary premium amount can change each year.

2013 Part D National Base Beneficiary Premium \$31.17

If you are having trouble paying your premiums, you should call your State Medical Assistance (Medicaid) office to see if you qualify for some help. Some states refer to the Medicaid office as the Public Aid Office, the Public Assistance office, or the State Medical Assistance office.

INCOME RELATED MONTHLY ADJUSTMENT AMOUNT (IRMAA)

The Internal Revenue Service supplies your tax filing status, your adjusted gross income, and your tax-exempt interest income to the Social Security Administration to determine if you have an income related monthly adjustment (IRMAA). The Social Security Administration will add your adjusted gross income together with your tax-exempt interest income to get an amount called the modified adjusted gross income (MAGI).

The income-related monthly adjustment amount is effective from January 1 through December 31 each calendar year. The Social Security Administration will refigure your Medicare Part B premium amount again next year when the Internal Revenue Service updates the information.