

ORIGINAL MEDICARE

IS IT THE RIGHT CHOICE FOR ME?

Knowing the Answers to These 5 Crucial Questions Can Help You Decide

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MEDICARE HEALTH INSURANCE

Your Money

This year marks the 55th birthday of Medicare. For 38 of those years, older Americans had only one type of coverage to choose from, what today we call original Medicare parts A and B. But the past two decades have seen major changes and variations in the program. Can original Medicare still provide the coverage you need? Here's what you need to know to make the right decision for you. BY DENA BUNIS

1. WHAT DOES IT COVER?

THE ORIGINAL OFFERINGS

Part A: This covers most costs of hospitalizations. Medicare Part A also pays all or most of the costs for up to 100 days of extended care in a nursing home or rehabilitation facility after a hospital stay. For most enrollees, no monthly premium needs to be paid, but generally you must cover the first \$1,408 of every hospital visit.

Part B: This covers doctor visits, medical tests and other outpatient services. This coverage was fully optional when Medicare started, as at the time most private health insurance also didn't cover doctor visits. Today, almost all enrollees get it, and the financial penalties of waiting to enroll until after you're first eligible are steep. Most enrollees today pay a \$144.60 monthly premium for this coverage.



ADDED OFFERINGS

Part D: Launched in 2006, this covers most prescription drug costs. Unlike parts A and B, this benefit is purchased from private insurers, so enrollees need to shop carefully to see which plan best suits their needs, health situation and budget.

Preventive Care: With the passage of the Affordable Care Act, Medicare now provides enrollees with free preventive care, including mammograms and prostate screenings.

2. WHAT DOESN'T IT COVER?

There are some major coverage gaps in original Medicare, including:

- ▶ Residential nursing home care
- ▶ Dental care
- ▶ Vision care, such as eye exams and eyeglasses
- ▶ Hearing services, including hearing aids
- ▶ Cosmetic and other elective surgeries
- ▶ Care outside the United States
- ▶ 20 percent (or more) of your health care costs*



*Original Medicare generally covers just 80 percent of medical bills, plus there are other premiums, copays, deductibles and cost-sharing charges. In 2016—the last year for which data has been analyzed—original Medicare beneficiaries spent an average of nearly \$5,500 out of pocket on medical and long-term care services that the program doesn't cover.

3. ARE THERE OTHER COSTS?

Often, yes. Roughly 80 percent of original Medicare enrollees buy supplemental (or Medigap) insurance policies to protect themselves from oversize out-of-pocket costs if big health issues emerge. Those who don't typically are the very poor (Medicaid will cover most of their incremental costs) or the very rich (who can afford to pay any incremental medical costs).

The Medigap insurance world has evolved a lot over the years. When Medicare started, "there wasn't a sense people would need catastrophic coverage," says Gail Wilensky, an economist who ran Medicare from 1990 to 1992. Gradually, as enrollee out-of-pocket costs rose, insurers stepped in to sell supplemental coverage. But, says Wilensky, these policies got expensive and some duplicated Medicare coverage. So in 1990, Congress passed a law establishing 10 standard Medigap insurance policies—plans A through J. In 2016, Congress approved a small adjustment to the mix, and the changes took effect this year.



DID YOU KNOW?

President Harry Truman and his wife, Bess, were the first two Americans to get Medicare cards, in 1966. (Both were in their early 80s.) Truman had been calling for a national health insurance program for all Americans since 1945, when he became president.

Lyndon Johnson signs the Medicare bill, with his wife, Lady Bird, and Harry and Bess Truman looking on.



SOURCES: Centers for Medicare & Medicaid Services; Tricia Neuman, senior vice president at the Kaiser Family Foundation; Gail Wilensky, senior fellow at Project Hope and head of Medicare and Medicaid from 1990 to 1992

4. HOW DOES IT COMPARE WITH ADVANTAGE?

In 1997, Congress approved a competitor to original Medicare. Known first as Medicare+Choice (M+C), then renamed Medicare Advantage in 2003, Part C plans allowed health maintenance organizations (HMOs) and preferred provider organizations (PPOs) into the system. Suddenly, Medicare enrollees had to make a distinct choice for their coverage: original Medicare, managed directly by the federal government, or Medicare Advantage, through a private-sector provider. Here are some of the key factors in choosing either.



ENROLLMENT

Original: About 39 million enrollees as of 2019, equal to 63 percent of enrollees

Medicare Advantage (MA): Roughly 22 million, or 37 percent of enrollees

JOINING PROCESS

Original: Beneficiaries sign up for parts A and B (hospital and doctor coverage) directly with Medicare; a prescription drug plan (and, if desired, a Medigap policy) is bought directly from private insurers.

MA: First, you sign up for Medicare parts A and B with the government in order to receive your Medicare card. You then fill out an enrollment form with the plan you wish to join; you'll need to provide your Medicare number and other personal information.

FLEXIBILITY

Original: You may choose any doctor or hospital that accepts Medicare.

MA: These private insurance plans have networks of specific doctors and hospitals you must use to be covered.

COSTS

Original: The government annually adjusts premiums, deductibles and copays that apply to all enrollees nationwide. Generally, you (or your Medigap insurer) are responsible for 20 percent of health bills.

MA: Private plans also adjust their premiums, fees and coverages annually; be sure to review each autumn, when they are announced. But generally these plans tend to have lower copays and out-of-pocket costs than original Medicare.

COVERAGE

Original: Medicare pays for most basic medical needs but has some gaps (see question 2: What Doesn't It Cover?).

MA: Covers everything original Medicare does; some plans also cover dental, vision and hearing, as well as prescription drug costs. Some also provide services such as transportation, home-delivered meals and health-related home improvements.

5. WHO PREFERS ORIGINAL MEDICARE?

Generally, original Medicare is popular among people who:

- ▶ **TRAVEL OFTEN** or have more than one residence
- ▶ **WANT FLEXIBILITY** in choosing doctors and providers
- ▶ **PREFER TO MANAGE** their own health care
- ▶ **LIVE IN AREAS** that have limited or no Medicare Advantage providers
- ▶ **DON'T MIND** managing multiple insurance policies

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