

# MEDICARE:

## What You Need To Know Before Enrolling

When approaching retirement, many individuals are unsure of their Medicare options, eligibility and how to enroll. Following are some tips to help you navigate the Medicare system.

### Who Qualifies For Medicare?

To qualify for Medicare, one must either be age 65 or older, be disabled or have end stage renal disease. Most individuals qualify for Medicare on their 65th birthday, and those are the individuals we focus on here. Upon reaching age 65, an individual should consider the timeframe for enrollment, the various parts of Medicare and the potential need for supplemental insurance policies to cover gaps in Medicare coverage.

### Enrolling In Medicare

There are three Medicare enrollment periods to be aware of:

#### 1. The initial enrollment period (IEP)

This period is for those already receiving Social Security Income or Social Security Disability Income. The Social Security Administration will automatically enroll these individuals in Medicare. If one is not receiving Social Security Income, he or she is still able to enroll in Medicare, but will need to complete the enrollment on an individual basis. However, when individuals qualify for Medicare at age 65, they are not obligated to enroll for Medicare immediately as long as they have “adequate coverage,” meaning their coverage that is as good as, if not better, than coverage provided by Medicare. So, individuals working past age 65 and who are either covered by their employer’s insurance or their spouse’s employer’s insurance are



not required to enroll in Medicare at age 65. Individuals adequately covered after their 65th birthday can wait until the special enrollment period to enroll in Medicare.

#### 2. The special enrollment period (SEP)

The special enrollment period is open up to eight months after insurance terminates, but one can start the enrollment process three months prior to the termination of the policy. It is recommended to utilize the three-month period to begin enrolling in Medicare in order to avoid any coverage gaps, as enrollment typically takes a month to process. Following the eight months of the special enrollment period, individuals who have not enrolled in Medicare will start to incur penalties.

### 3. The open enrollment period (OEP)

After the special enrollment period has ended, there is a once-per-year open enrollment period, which allows individuals incurring penalties to enroll in Medicare, therefore preventing further accrual of penalties.

Any penalties are payable on monthly Medicare premiums for as long as the individual pays those premiums, so it is recommended to enroll for Medicare during the first two enrollment periods. Overall, it is important to understand when one's insurance coverage terminates in order to enroll in a timely fashion thereafter.

## Parts of Medicare

There are four different parts that fall under Medicare coverage, Parts A, B, and D comprise the original Medicare plan, and part C makes up the advantage Medicare plan. Of those enrolled in Medicare, about 75 percent are enrolled in the original plan, while the remaining 25 percent are enrolled in the advantage plan.



Individuals do not have to enroll in every part of Medicare; they are free to choose the parts that will benefit them depending on the coverage they need. Details regarding each part are as follows:

#### 1. Medicare Part A

Of the original plan, Part A covers inpatient care. Typically, as long as one has paid Medicare taxes for 10 years, this part requires no additional monthly payment. When individuals are automatically enrolled in Medicare in the initial enrollment period, they are only enrolled in Part A; enrollment in the other parts of Medicare requires additional enrollment.

#### 2. Medicare Part B

Medicare Part B covers outpatient care, such as doctor visits and durable medical equipment. This part of Medicare requires a monthly premium.

#### 3. Medicare Part D

Medicare Part D covers prescription drugs. Application for, as well as monthly premiums, on Part D coverage vary greatly based on area, number of drugs prescribed and type of drugs prescribed.

#### 4. Medicare Part C

Medicare Advantage, which is comprised of Part C, works in a similar manner to a Health Maintenance Organization policy or a Preferred Provider Organization policy. Medicare Part C usually covers vision, hearing, dental and sometimes prescription drugs, in addition to inpatient and outpatient care. The limits to coverage within Part C policies may differ from original Medicare plans, but they are best for individuals who have a preferred medical professional who does not accept Medicare because these policies are managed through private insurance companies. Because the coverage of Part C plans varies greatly, the monthly premiums also vary to a great degree.



## Covering Gaps In Medicare

In general, Medicare and the annual deductible associated with Parts A and B usually covers approximately 80 percent of medical costs, while the remaining 20 percent is left to the individual. Medigap, or supplemental insurance plans, are designed to cover the additional 20 percent of medical costs that would be the individual's responsibility. Supplemental insurance plans are provided by private insurance companies and are available in various levels of coverage, depending on each individual's needs.

For additional assistance with Medicare planning, please contact your wealth advisor.

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