

Navigating Medicare & Medigap Insurance



One Of Your Largest Retirement Expenses Could Be Your Healthcare Costs.

An average 65-year-old retiring today will need an estimated \$165,000 to cover their healthcare costs, according to one study.¹ Unfortunately, the Medicare system can be quite complex. This leads too many retirees to overspend on healthcare expenses and receive suboptimal coverage over the span of their retirement. Don't pay more than you should for the health services and coverage you deserve!

Read this guide to learn about:

01 Major Medicare Updates in 2025

02 The Basics Of Medicare

03 Examining The Parts Of Medicare

04 Demystifying Medicare Enrollment Periods

05 The Role Of Supplemental Coverage Or "Medigap Insurance"



Structural Improvements and Changes to Medicare for 2025 and Beyond²

The Medicare Association released new rules around how Medicare works starting in 2025. These changes include more than just cost adjustments; they change the structure of how the Medicare system works. Many of these changes are tests for only one year, but some are permanent changes, and the test changes may stick. To understand what changes apply to you and which ones you may need to adjust for, talk to a retirement financial professional with knowledge on these Medicare changes before making decisions.

- \$2,000 annual cap on out-of-pocket Part D drug costs:
 - Replaces previous complex phases, including the "donut hole," which is a term for a coverage gap that may occur for people whose plans spend a certain amount on medications.
 - After reaching \$2,000, beneficiaries pay nothing for covered drugs for the rest of the year.
 - It's estimated to save Part D enrollees about \$1,300 on average.
- New Part D payment structure:
 - Deductible phase: 100% payment up to \$590.
 - Initial coverage: 25% coinsurance until \$2,000 out-of-pocket limit.
 - Catastrophic coverage: \$0 cost after reaching \$2,000 limit.
- Potential changes to Medicare Advantage plans:
 - May increase premiums, adjust formularies, or reduce benefits.
 - Possible removal of costly drugs from formularies.
 - Some plans might reduce dental coverage.
- Optional payment plan for drug costs:
 - Aims to ease budgeting for expensive medications.
 - Allows spreading out medication costs over time.
 - Monthly payments capped at \$166.67 (\$2,000 divided by 12).
- Part B and standalone Part D premium adjustments:
 - Part B premium likely to increase (amount not yet announced).
 - Standalone Part D plans limited to \$35 year-over-year premium increase for 2025.
- Introduction of a Mid-year notification of unused Medicare Advantage benefits:
 - A Letter is to be sent between June 30st and July 31st, 2025, listing unused supplemental benefits in the first six months.
 - Includes information on accessing benefits and customer service contacts.
- Increased access to lower-cost bio similar drugs (off-brand options):
 - Allows midyear biosimilar drug substitutions.
 - Aims to provide immediate access to lower-cost alternatives.
- Expanded mental health coverage:
 - More mental health providers can enroll as Medicare providers.
 - Includes addiction counselors, licensed mental health counselors, and marriage and family therapists.
- New "Impact Evaluation" for the Prior Authorization processes required for higher-cost, niche healthcare services:
 - Due to delays and care denials from an inundation of prior authorization requests, Medicare Advantage plans must assess if the process alone of determining prior authorization of care would delay or cause denial of the care requested.
 - Results to be publicly displayed on plan websites.
 - Aims to address rising coverage denials and care delays.
- Additional upcoming changes:
 - Introduction of Guiding an Improved Dementia Experience (GUIDE) program in 2025.
 - Continued Medicare drug price negotiations with additional drug products (prices effective 2027).
 - Shortened prior authorization response time to 7 calendar days starting January 2026.

01

The Basics Of Medicare

Medicare coverage is made up of four parts:

A

Part A helps cover hospital stays as well as some qualifying home healthcare, skilled nursing, and hospice services.

B

Part B helps cover doctor's visits, outpatient procedures, and some preventative care.

C

Part C is supplemental insurance and can put a limit on your out-of-pocket costs and cover costs Parts A and B don't cover.

D

Part D helps cover prescription drug costs.³

Medicare Parts A and B are called "Original Medicare." While these two parts cover some vital pieces of healthcare, it's important to know what they won't cover.

Medicare Parts A and B don't cover:

- Prescription Drugs
- Deductibles and Co-pays
- Most Dental Care
- Routine Vision Care
- Hearing Aids
- Medical Care Outside of the U.S.
- Long-Term Care Cost³



02

Examining The Parts Of Medicare

Original Medicare - Part A And B:

Medicare Part A, otherwise known as hospital insurance, forms part of the Original Medicare program (Parts A and B). It covers inpatient hospital care, as well as some qualified skilled nursing facility care, hospice care, and home health care.

Medicare Part B, the other half of Original Medicare, covers medical insurance, outpatient preventative care, and diagnostic and treatment services related to your health conditions. Part B can also be received through Medicare Advantage Plans (Part C), which are offered by private insurance companies that are approved by Medicare. In these plans, you'll typically need to use doctors who are in the plan's network.³

Coverage for Original Medicare is based on federal and state laws, national coverage decisions made by Medicare, and local coverage decisions made by the companies that process claims for Medicare.⁴ Part A may be free but could come with a premium based on your income levels and history. Part B includes deductibles and premiums also based on income.³ So, to ensure whether Medicare covers the services and supplies you need, think about consulting with your doctor or healthcare provider for guidance.

Navigating Medicare & Medigap Insurance

Medicare Advantage – Part C:

Medicare Advantage Plans are also called Medicare Part C plans and offer additional coverage to Original Medicare. Medicare Advantage Plans are offered by private companies and are usually bundled to include Medicare Parts A, B, and usually D, which covers prescription drug coverage. Note that you will still pay your Original Medicare premiums.

Medicare Advantage Plans can cover things like vision, hearing, dental, gym membership discounts, and over-the-counter drugs. Some plans can also be tailored to offer benefits to individuals with chronic conditions. These plans have unique specifications and are important to review thoroughly to make sure your health needs are appropriately met with your choice of plan.³ These plans charge different monthly premiums and out-of-pocket costs, so it's important to consider your options before deciding on a plan.⁵

Prescription Drug Coverage – Part D:

Medicare Part D is Medicare prescription drug coverage offered by private insurance companies contracted with the federal Medicare program. It can be added onto Original Medicare and helps cover some of your prescription drug costs. Note that you will pay a separate deductible and premium for this plan.

Medicare prescription drug plans have a “formulary,” or list of drugs that are approved and covered. The list has to contain at least two drugs for each of the commonly prescribed drug categories, in addition to a few key categories.³

Note:

You can't have both Part C and D together, so strategize your coverage options accordingly.⁶



03

Demystifying Medicare Enrollment Periods⁷



When you start exploring how Medicare will work for you, one of the first things you’ll come across is the Medicare Enrollment Periods. There are various types of Medicare insurance products and adjacent insurance options, and they all have different windows of time in which you can enroll and make changes to your coverage. So, let’s dive into the details of Medicare Enrollment Periods to help you best prepare your timeline.

	Initial Enrollment Period	Special Enrollment Period	Annual Enrollment Period	General Enrollment Period + Part C Open Enrollment Period
WHEN	3 months before and after your birth month, including your birth month	Year-Round	October 15 - December 7	January 1 - March 31
WHAT CAN BE DONE	Enroll in Original Medicare and choose a Medicare health plan	Compare coverage options and enroll in a new or different plan	If already enrolled in Medicare, you can Enroll in Part C and switch or add Part D	If Initial Enrollment was missed, enroll in Parts A and B If already enrolled in Part C, you can switch to another Part C plan or return to just Part B and/or A
WHO IS ELIGIBLE	People turning 65	People who have experienced qualifying life-changing events that require changes to their healthcare situation	People eligible for, or already covered by, Medicare	People currently covered by Part D and/or C

Details On Initial Enrollment

The Initial Enrollment Period (IEP) for Medicare is a pivotal time for many individuals to sign up for Original Medicare. For people under 65 who are recipients of Social Security, automatic enrollment in Original Medicare may be available. Nevertheless, such individuals will still experience an IEP, during which they can make decisions about their Medicare coverage.

The IEP starts three months prior to a person's 65th birthday, spans their birth month, and concludes three months after their birth month—7 months total. During this period, individuals can register for Original Medicare (Parts A and B), postpone enrollment in Part B if they already have credible coverage, sign up for a Medicare Advantage (Part C) plan, or enroll in a Medicare Part D prescription drug plan.

If an individual fails to sign up for Medicare when first eligible, they may be subjected to penalties for late enrollment.



Part D Enrollment Period

If you missed your chance to enroll in Part D during your IEP and only have Original Medicare coverage, you'll have another chance to enroll from April 1st through June 30th.³



Details On General Enrollment

Should you miss your chance to enroll for Original Medicare during your Initial Enrollment Period (IEP) or if automatic enrollment did not occur, the Medicare General Enrollment Period, which runs from January 1st to March 31st, provides an opportunity to register for Medicare Part A and Part B.



Medicare Advantage Open Enrollment

It is important to note that eligibility for Original Medicare also signifies eligibility for Medicare Advantage (Part C). As such, the General Enrollment and Medicare Advantage Open Enrollment Periods coincide.

The IEP for Medicare Advantage is noted above as "Part C Open Enrollment" but is sometimes referred to technically as the Initial Coverage Election Period (ICEP).

For the General Enrollment period, coverage starts on July 1st. Late enrollment fees may apply.



Details On Annual Enrollment

The Annual Enrollment Period goes by many names, even in official documentation, which makes deciphering these deadlines confusing. Original Medicare, Medicare Advantage, and Prescription Drug Coverage may be mentioned in an “annual election period,” which is the same thing as the Annual Enrollment Period.

Why have an Annual Enrollment Period? Medicare plans change each year, whether due to costs, network specifics, or coverage changes, meaning you may want to—or must—switch or adjust your plans. So, this is another important window given to people who may need to make changes over the course of the year.

From October 15th through December 7th, you can switch between Original Medicare and Medicare Advantage plans, join or change a Medicare Part D prescription drug plan, or switch between different Medicare Advantage plans with or without drug coverage.

For the Annual Enrollment Period, coverage begins on January 1st if your request is received by December 7th.

Details On The Special Enrollment Period

A Special Enrollment Period (SEP) presents an opportunity to alter your Medicare coverage beyond the confines of the Open Enrollment Period, especially in response to certain life changes. Such changes might include losing your existing healthcare coverage, relocating, changes in your Medicare plan, acquiring access to alternative healthcare coverage, or alterations in your eligibility status.

The duration of your SEP can fluctuate based on the nature of the qualifying event. Typically, your SEP will span 2 to 3 months, contingent upon when the qualifying incident occurs. However, if you are aiming to sign up for Medicare Part B, your SEP extends to 8 months following the termination of your employer’s health coverage.

The SEP allows for various alterations in your Medicare coverage. For instance, if you previously postponed coverage due to employment, you could use this period to register for Medicare Part A and/or Part B. Furthermore, you can also make modifications to your existing Medicare coverage, which includes options like Medicare Advantage and prescription drug coverage under Medicare.

Understanding Medicare Costs^{8, 9}

Medicare costs typically consist of premiums, deductibles, copayments, and coinsurance.

Premiums are monthly payments made to keep your Medicare coverage. The amount depends on the type of Medicare you have (Part A, B, C, or D). Part A is often free if you or your spouse paid a qualifying level of Medicare taxes while working. For Part B, the standard premium in 2025 is **\$185.00**.

Remember, Medicare Advantage (Part C) and Prescription Drug Plan (Part D) premiums vary by plan.

Deductibles are the amount you pay for healthcare services before Medicare starts to pay. In 2025, the Part B deductible is **\$257**.

Copayments are a fixed amount you pay for a covered service, like a doctor's visit or prescription.

Coinsurance is a percentage of the cost of a service that you pay after meeting your deductible.

Out-of-pocket maximums limit the amount you have to spend on healthcare in a year. After you reach this limit, Medicare pays all your covered costs.

Remember, costs can vary based on the healthcare services used, the plan chosen, and if you have supplemental coverage like Medigap.



04

The Role Of Supplemental Coverage Or “Medigap Insurance”¹⁰



Medigap:

A term used for Medicare Supplemental Coverage and refers to the same set of insurance options.

A Medigap Plan can help cover healthcare costs not covered by Original Medicare (Parts A and B). Medigap policies are sold by private insurance companies and can help pay costs like copays, coinsurance, and deductibles in exchange for monthly premiums. Basically, Medigap covers costs not covered and paid for by Original Medicare and is a substitute for Medicare Advantage (Part C), not a supplement. Most Medigap plans don't cover long-term care, dental, hearing aids, eyeglasses, or private-duty nursing.

Note these aspects of Medigap policies:

1

In order to get a Medigap policy, you must have Medicare Parts A and B.

2

You must choose between Medicare Advantage (Part C) and Medigap.

3

Medigap policies only cover one person, so spouses must buy separate policies.

4

Medigap doesn't cover prescription drug policies. For prescription drug coverage, you can join a Medicare Part D prescription drug plan.

How Is A Medigap Plan Different From A Medicare Advantage Plan? ^{11, 12}

Although Medigap policies and Medicare Advantage policies are similar, there are key differences to note:

Medicare Advantage (Part C)	Medigap
• You can only change or drop your policy during an enrollment period. • You are typically only covered by doctors and hospitals in the plan's network. • You may need referrals and may need to use network specialists. • There may be network restrictions, with emergency care covered for travel within the U.S. and sometimes abroad. • Monthly premiums are typically low or \$0 in addition to Part B premiums, but you pay co-pays, coinsurance, and deductibles. • Many plans include prescription drug coverage. • Medicare plans can change each year in many ways and can sometimes drop. Key Benefits: Medicare Advantage may be beneficial for someone who is getting the coverage they need under their current or potential new network. If you're expected to have low out-of-pocket expenses on health needs, Medicare Advantage may be the right option for you too.	• You can change your policy at any time during the year after you turn 65 and join Medicare Part B. • You can select doctors and hospitals if they accept Medicare patients, even if they're out-of-network. • You do not need a referral to see a specialist. • Coverage goes with you across the U.S. with no network restrictions. • Costs include a monthly premium in addition to the Part B premium, but out-of-pocket costs are often more limited than Medicare Advantage. • Prescription drug coverage is not included. • Plans are guaranteed renewable, meaning if you pay premiums, you have coverage. Key Benefits: Medigap may be beneficial for someone with consistently costly out-of-pocket expenditures who may need special treatment for their health needs that are unavailable through their Medicare Advantage network options.



Have Questions? We Have Answers

If you find Medicare complicated and confusing, you're not alone. There are many moving parts and factors to consider when choosing how best to utilize Medicare. But don't let the complexity of Medicare deter you from considering your options and pursuing what could potentially be cost-saving changes. We're here to guide you through the Medicare process and help you understand how healthcare costs fit into your overall retirement plan. Sign up for a complimentary Medicare and financial review to find out more! Contact the professionals at VestGen Wealth Partners at **GetRetiredStayRetired.com** and **(847) 907-9600** to get started!



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