

Select Portfolio Management, Inc

26800 Aliso Viejo Parkway

Suite 150

Aliso Viejo, CA 92656

949-975-7900

800-445-9822

info@selectportfolio.com

www.selectportfolio.com



Medicare Basics



Medicare

Medicare is a federal program that provides health insurance to retired individuals, regardless of their medical condition, and certain younger people with disabilities or end-stage renal disease. Here are some basic facts about Medicare that you should know.

What does Medicare cover?

Medicare coverage consists of two main parts: Medicare Part A (hospital insurance) and Medicare Part B (medical insurance). These parts together are known as Original Medicare. A third part, Medicare Part C (Medicare Advantage), covers all Part A and Part B services, and may provide additional services. A fourth part, Medicare Part D, offers prescription drug coverage that can help you handle the rising costs of prescriptions.

Medicare Part A (hospital insurance)

Generally known as hospital insurance, Part A covers services associated with inpatient hospital care. These are the costs associated with an overnight stay in a hospital, skilled nursing facility, or psychiatric hospital, including charges for the hospital room, meals, and nursing services. Part A also covers hospice care and home health care.

Medicare Part B (medical insurance)

Generally known as medical insurance, Part B covers other medical care. Physician care--whether you received it as an inpatient at a hospital, as an outpatient at a hospital or other health-care facility, or at a doctor's office--is covered under Part B. Laboratory tests, physical therapy or rehabilitation services, and ambulance service are also covered. Medicare Part B also covers 100 percent of the cost of many preventative services and an annual wellness visit.

Medicare Part C (Medicare Advantage)

A Medicare Advantage plan is a private health-care plan that contracts with Medicare to provide Part A and Part B benefits. A Medicare Advantage plan covers all of the services that Original Medicare covers except hospice care. Some plans offer extra coverage for expenses not covered by Original Medicare such as vision, hearing, dental, and other health expenses. Most also offer prescription drug (Part D) coverage. Several types of Medicare Advantage plans may be available, including health maintenance organization (HMO) plans, preferred provider organization (PPO) plans, private fee-for-service (PFFS) plans, and special needs plans (SNPs). You can choose to enroll in either Original Medicare or a Medicare Advantage plan. If you enroll in a Medicare Advantage plan, you'll generally pay a monthly premium for it, in addition to your Part B premium.

Medicare Part D (prescription drug coverage)

All Medicare beneficiaries are eligible to join a Medicare prescription drug plan offered by private companies or insurers that have been approved by Medicare. Although these plans vary in price and benefits, they all cover a broad number of brand name and generic drugs available at local pharmacies or through the mail. Medicare prescription drug coverage is voluntary, but if you decide to join a plan, keep in mind that some plans cover more drugs or offer a wider selection of pharmacies (for a higher premium) than others. You can get information and help with comparing plans on the Medicare website, www.medicare.gov, or by calling a Medicare counselor at 1-800-Medicare.

What is not covered by Medicare Parts A and B?

Some medical expenses are not covered by either Part A or B. These expenses include:

- Your Part B premium
- Deductibles, coinsurance, or co-payments that apply
- Most prescription drugs
- Dental care
- Hearing aids

- Eye care
- Custodial care at home or in a nursing home

Medicare Part C may cover some of these expenses, or if you're enrolled in Original Medicare you can purchase a supplemental Medigap insurance policy that will help cover what Medicare does not.

Are you eligible for Medicare?

Most people age 65 or older who are citizens or permanent residents of the United States are eligible for Medicare Part A (hospital insurance) without paying a monthly premium. You are eligible at age 65 if:

- You receive or are eligible to receive Social Security or Railroad Retirement Board benefits based on your own work record or on someone else's work record (as a spouse, divorced spouse, widow, widower, divorced widow, divorced widower, or parent), or
- You or your spouse worked long enough in a government job where Medicare taxes were paid

In addition, if you are under age 65, you can get Part A without paying a monthly premium if you have received Social Security or Railroad Retirement Board disability benefits for 24 months, or if you are on kidney dialysis or are a kidney transplant patient.

Even if you're not eligible for free Part A coverage, you may still be able to purchase it by paying a premium. Call the Social Security Administration (SSA) at (800) 772-1213 for more information.

Although Medicare Part B (medical insurance) is optional, most people sign up for it. If you want to join a Medicare managed care plan or a Medicare private fee-for-service plan, you'll need to enroll in both Parts A and B. And Medicare Part B is never free--you'll pay a monthly premium for it, even if you are eligible for premium-free Medicare Part A.

How much does Medicare cost?

Medicare deductible amounts and premiums change annually. Here's what you'll pay in 2016 if you're enrolled in Original Medicare:

| | Premium | Deductible | Coinsurance |
|-------------------|--|----------------------------|---|
| Part A (hospital) | None for most people, but noneligible individuals pay up to \$411 per month (if they have 39 or fewer quarters of Medicare-covered employment) | \$1,288 per benefit period | \$322 a day for the 61st to 90th day each benefit period; \$644 a day for the 91st to 150th day for each lifetime reserve day (total of 60 lifetime reserve days); \$161 a day for the 21st to 100th day each benefit period for skilled nursing facility care |
| Part B (medical) | \$104.90 (Certain beneficiaries will pay more--see note below) | \$166 per year | After satisfying a deductible if one applies, you normally pay 20 percent of the approved amount for medical expenses (20 to 40 percent for outpatient mental health services, 20 percent for hospital charges for outpatient hospital services, nothing for laboratory services) |

Note: Most individuals (about 70% of Medicare beneficiaries) will continue to pay \$104.90 per month for Medicare Part B (Medical Insurance) in 2016, the same standard premium they paid in 2013, 2014, and 2015. If you fall into this category, your premium will remain the same because you won't be receiving a Social Security cost-of-living allowance (COLA) increase in your benefit for 2016. Due to a provision in the Social Security Act, you are "held harmless" from Part B premium increases when no Social Security COLA is payable.

Unfortunately, this is not the case for the approximately 30% of Medicare beneficiaries who are not subject to this "hold harmless"

provision. You fall into this group and will pay more for Medicare Part B in 2016 if:

- You enroll in Part B for the first time in 2016.
- You don't get Social Security benefits.
- You have Medicare and Medicaid, and Medicaid pays your premiums.
- Your modified adjusted gross income as reported on your federal income tax return from two years ago is above a certain amount.

The table below shows what you'll pay if you're in this group.

| Beneficiaries who file an individual income tax return with income that is: | Beneficiaries who file a joint income tax return with income that is: | Beneficiaries who file an income tax return as married filing separately with income that is: | Monthly premium in 2016: |
|---|---|---|--------------------------|
| \$85,000 or less | \$170,000 or less | \$85,000 or less | \$121.80 |
| Above \$85,000 up to \$107,000 | Above \$170,000 up to \$214,000 | N/A | \$170.50 |
| Above \$107,000 up to \$160,000 | Above \$214,000 up to \$320,000 | N/A | \$243.60 |
| Above \$160,000 up to \$214,000 | Above \$320,000 up to \$428,000 | Above \$85,000 up to \$129,000 | \$316.70 |
| Above \$214,000 | Above \$428,000 | Above \$129,000 | \$389.80 |

Since Original Medicare doesn't cover every type of medical care, and you'll have to pay deductibles and coinsurance, you may want to buy a Medicare supplemental insurance (Medigap) policy.

If you're enrolled in a Medicare Advantage plan, you'll generally pay one monthly premium for that plan in addition to your Medicare Part B premium. Each Medicare Advantage plan has different premiums and costs for services, and coverage varies, so what you'll pay depends on the plan you have.

Who administers the Medicare program?

The Centers for Medicare & Medicaid Services (CMS) has overall responsibility for administering the Medicare program and sets standards and policies. The CMS also manages the official government website for Medicare, www.medicare.gov. But it's the SSA that processes Medicare applications and answers Medicare eligibility questions.

How do you sign up for Medicare?

You'll be automatically enrolled in Medicare when you turn 65 if you're already receiving Social Security benefits, or when you apply for Social Security benefits at age 65. In either case, the SSA will notify you that you're being enrolled.

Although there's no cost to enroll in Medicare Part A, you'll pay a premium to enroll in Medicare Part B. If you've been automatically enrolled in Part B, you'll be notified that you have a certain amount of time after your enrollment date to decline coverage. Even if you decide not to enroll in Medicare Part B during the initial enrollment period, you can enroll later during the annual general enrollment period that runs from January 1 to March 31 each year. However, you may pay a slightly higher premium as a result.

If you decide to postpone applying for Social Security past your 65th birthday, you can still enroll in Medicare when you turn 65. The SSA suggests that you call (800) 772-1213 three months before you turn 65 to discuss your options. The easiest way to apply for Medicare is online at www.socialsecurity.gov.

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