

By RWM Wealth Advisor Sandy Carlson CFP®, CPA, CDFA™

## Demystifying Medicare

Timing matters when it comes to Medicare. As most individuals approach age 65, they prepare for the transition from private medical insurance to Medicare. However, some of the enrollment windows close quickly, leaving fewer options to choose from at a higher cost. Understanding the options available well in advance of your eligibility date is essential to accurately navigate these critical decisions regarding the future of your healthcare.

There are two main Medicare coverage options: Original Medicare or a Medicare Advantage (“MA”) Plan. Original Medicare coverage includes Part A (Hospital Insurance) and Part B (Medical Insurance). Part A covers basic hospital care, while Part B covers medically necessary and preventative services. Part A is automatic and provided at no additional cost, while Part B is elective and requires a monthly premium payment of \$104.90 for most beneficiaries (if your modified adjusted gross income as reported on your Federal tax return is above \$85,000 for an individual and \$170,000 for couples, you may also pay an Income Related Monthly Adjustment Amount).

A MA Plan includes Part A and Part B but is run by private insurance companies approved by Medicare. In addition to paying the \$104.90 premium for Part B, you usually pay a monthly premium that corresponds to the level of medical expenses covered above the Original Medicare plan. Since private insurance companies have more flexibility designing these plans, differences among the alternatives exist and careful consideration should be given when comparing options.

Choosing the best plan depends on an individual’s unique situation and anticipated health care costs. If you choose the Original Medicare option and not the aforementioned MA plan, we recommend a Medicare Supplemental Insurance (Medigap plan) be purchased to help pay a portion of the additional health care costs not covered by Parts A and B. A Medigap policy is not warranted with a MA plan as this additional coverage is already bundled into the MA plan design. Each Medigap plan has different deductibles, copays and coinsurance requiring analysis. Additionally, we recommend individuals electing Original Medicare purchase prescription drug coverage through Part D or through their Medigap policy.



Otherwise, prescription drug coverage can be bundled with their MA Plan. Complicating matters further, each prescription drug plan has a list of covered drugs placed into varying “tiers” with varying costs. Therefore, as with a Medigap Plan, choosing the best plan will depend on a person’s unique situation and prescription drug usage. It is important to note that you cannot have a Medigap policy with prescription drug coverage and a Medicare Part D drug plan, you must choose one or the other. The enrollment period to sign up for the multiple components of Medicare varies depending on whether you are newly eligible, currently eligible or disabled. The maze of options is endless which is why we assist our clients with a review of all of their options to ensure they select and maintain the best plan for their individual needs.

*Sandy Carlson has over eighteen years of wealth management experience including income taxation, retirement planning, insurance, banking, trust administration and estate planning. She is a Certified Divorce Financial Analyst™ (CDFA). She values getting to know her clients and providing creative, integrated solutions for accumulating, preserving and transferring wealth.*

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521 East Morehead Street / Suite 580  
Charlotte, NC 28202 / 704-374-0646  
[RinehartWealthManagement.com](http://RinehartWealthManagement.com)