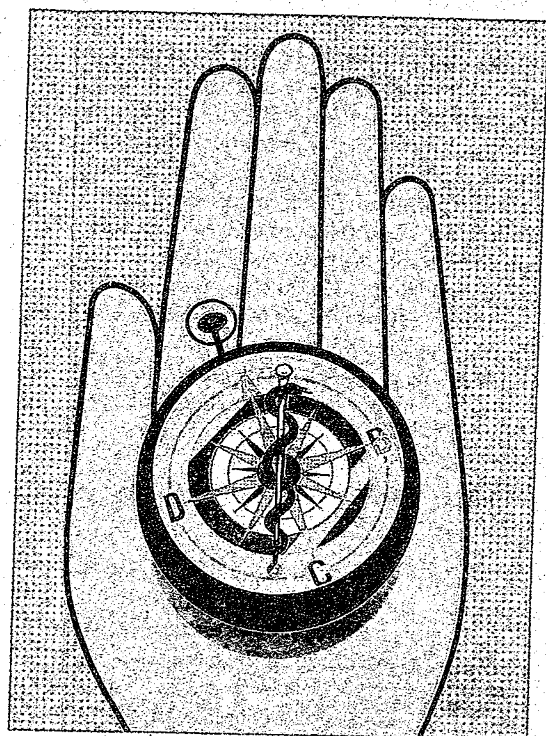
Navigating Medicare's Maze

How to unravel the program's ABCs **By Jane Bryant Quinn**



When you think about retiring, where will you get health insurance? "Simple," you might reply, "I'll go on Medicare."

Ha! Welcome to an intricate decision, especially if you (or your spouse) keep working past the usual retirement age.

Medicare is for people 65 and up and comes in four parts. Part A, for hospital bills, is "free" and supported by the payroll tax, but also has copays and deductibles. Part B, which covers doctor bills, and Part D, which covers prescription drugs, charge monthly premiums. You might also buy private medigap insurance to pick up some costs that Medicare doesn't cover. Medicare Advantage plans (known as Part C) cover all these health services in their benefit packages. Which should you choose?

■ To save money, browse your local Part C plans on medicare.gov. They often cost less because you're generally required to use only the doctors and hospitals in the plan's network. For more choice of providers, select Parts A, B and D.

■ If you (or your spouse) are still working at 65 or beyond and are covered by an employer health plan, consider signing up for free Medicare Part A. It can cover the portions of the hospital bills that your employer plan doesn't pay once you've met the Medicare deductibles.

■ If you reach your full Social Security retirement age, say 66, and are still working, you have another option. You can augment your salary by filing for your full Social Security retirement benefit (at that age, payments are not reduced for people with earnings). When you file, you'll be signed up, automatically, for Medicare Parts A and B. Keep the free Part A. But if you're still covered by an employer plan, call Social Security and decline Part B. There's no point paying extra premiums.

■ You have two choices if you're under 65, you're on your spouse's health plan, and your spouse retires and goes on Medicare. Those close to 65 might go for the company's COBRA plan that can extend employee coverage for up to 36 months. Alternatively, buy coverage on the health-plan exchanges or from an insurance agent.

■ There's a catch-22 if your employer health plan comes with a health savings account. HSAs let you save money, tax free, to use to pay out-of-pocket medical expenses. You (and your employer) can make contributions. But you can't have Medicare and make HSA contributions, too. If you claim Social Security, which comes with Medicare Part A, you can still pay bills with the HSA savings that you already have, but tax-free contributions stop. Here's advice on how to play your HSA, from Stephen Neeleman, M.D., founder of HealthEquity, which manages these plans for employers.

1. Consider deferring Social Security until age 70 if your employer makes the maximum HSA contribution ($3,350 for singles, $6,750 for a family).

2. If you have a family plan and your spouse goes on Medicare, you or your employer can still make the maximum family contribution.

3. You can't contribute to an HSA if your working spouse covers you under a traditional employee plan. So decide which plan is best.

4. Stop making HSA contributions in the few months before you retire. Medicare Part A can be backdated for up to six months. Any HSA contributions you made during those months will count as taxable income.

Health insurance—not so easy after all. □

Jane Bryant Quinn is a personal finance expert and author of *How to Make Your Money Last*. She writes regularly for the *Bulletin*.

Ask Jane

Q **I'm 63 and want to delay my application for Social Security benefits until I'm 66 or older. But I can start Medicare at 65. How do I apply for it, separate from Social Security? And how do I pay?**

A It's easy. You can apply for Medicare online (ssa.gov/medicare), by phone (800-772-1213) or in person at a local Social Security office. You pay no premiums for Part A (hospitalization). The premiums charged for Part B (medical) will be deducted from your Social Security retirement benefits automatically, when you eventually sign up. Until then, Medicare will send you monthly bills that you can pay by credit card, debit card, check or money order. Be sure to pay on time. If you're late, you'll get a second notice and then a delinquent notice. Delinquents who don't pay lose their Part B coverage. When they reapply, they may find that their premium has gone up. To avoid this risk, I strongly recommend making your payments automatic. A free service called Medicare Easy Pay authorizes Medicare to deduct premiums from your bank account every month. Alternatively, you could set up automatic payments yourself online through your bank account.