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Turning 65: What to Do About Medicare

You become eligible for Medicare at the beginning of the month when you turn 65. Delaying your enrollment can result in penalties. There is no family plan -- your spouse must have their own enrollment and coverage. You may want to go into hiding until this goes away, but, really, you can't "duck it!" So how do you handle the decisions and the process? This Bulletin provides some guidance.

First, What is Medicare?

Medicare is federal health insurance for those 65 and over. It has three parts:

Name	Coverage	Cost/month	Deductible	Late Sign-up Penalty	Extra cost for higher income (IRMMA)
Part A	Hospital stay charges, plus Skilled Nursing stay, some home health care and hospice	0 if you paid Medicare tax for 40 quarters	\$1632 per "benefit period", i.e. case.		
Part B	Provider (doctor) fees plus some home health care; durable medical equipment; preventive services	\$174.70 in 2024	\$240/year	10% boost to premium for every year not enrolled	\$70 to \$280/month, rising as income rises
Part D	Drug costs	\$34.70 in 2024 but see below*	\$545/year	1% of the premium x number of months late	\$13 to \$54/month, rising as income rises

* Medicare Advantage Plans include drug coverage in their package, so if you want MA, you would not sign up for Part D, i.e., you would not get a Drug Plan. If you don't get an MA Plan, you should sign up for a Drug Plan. Medicare calls this Part D even though the Drug Plan (policy) is provided by an insurance company, not the government. The average monthly price depends on the plan you select. Plans vary in how much they cover for certain drugs, and their prices vary accordingly.

Medicare itself has little or no coverage for dental, hearing, and vision care, but many Medicare Advantage Plans cover some of these costs. See below for more on MA Plans.

A late sign-up penalty would NOT apply if you were covered by employer's insurance for part of the last 12 months, even if you were over 65 then, as long as that coverage was similar to what Medicare covers. But the employer would have to be the primary insurer (not secondary to Medicare), and have more than 20 employees.

AT&T does not cover employee healthcare costs after the age of 65 (except with CarePlus for special treatments) unless you sign up for their private Medicare Advantage Plan. More on that below.

Cost of Coverage

Aside from a few special cases, almost everyone signs up for Part A and Part B when they turn 65. If you do the same, you will pay Part B premiums of \$174.70 every month, about \$2100/year. When your spouse turns 65, there will be ANOTHER bill for at least this amount applying to him or her.

In addition, you will want to sign up for either Medigap Supplement insurance and a Drug Plan, or a Medicare Advantage Plan, to cover expenses that Medicare does not cover. These insurance plans have their own premiums.

Costs are detailed at [medicare.gov](https://www.medicare.gov), or you can click [here](#). Note that the above table does not include co-pays and co-insurance. The latter is "usually 20% of the cost for each Medicare-covered service or item after you've paid your deductible," according to that website.



If your 2022 income tax return shows an adjusted gross income over \$103,000 filing single or \$206,000 filing jointly, you will pay an extra monthly amount for Part B and Part D in 2024, even if you have an MA Plan. The higher amount mentioned in the table above applies to income up to \$193,000 filing single or \$384,000 filing jointly. Incomes beyond that point incur even higher IRMMAs.

Here's a recap: costs include the Part B premium, supplemental insurance and drug premiums (or Medicare Advantage premiums instead), co-pays, co-insurance if you do not use MA, and IRMMAs for Part B and Part D if your income is high enough to trigger them.

Once on Medicare, a person collecting Social Security will see the Part B premium and the Part B and D IRMMAs deducted from their monthly SS check.

Those on Medicare who are not yet collecting Social Security will get a bill for these amounts, monthly for Part D IRMMA and every three months for Part B. They can have Medicare automatically deduct the amount from their bank balance, or make the payment themselves via their bank's online bill payment service, or pay by check or money order or credit/debit card.

When and How to Sign Up

Those already collecting Social Security will get a letter two to three months before their 65th birthday. It tells them they have automatically enrolled in Parts A and B. Coverage begins on the first day of the month they turn 65.

If you are not yet collecting Social Security, you must take the initiative to enroll in Medicare. Do it three months before your 65th birthday. You can do it online at [socialsecurity.gov](https://www.socialsecurity.gov), or by calling 800-772-1213.

Once enrolled, you will receive a red, white, and blue Medicare Card showing whether you have Part A, Part B, or both. Keep it in a safe place.



Medigap Supplement vs. Medicare Advantage Plans

Medicare was designed to pay no more than 80% of your costs for the covered services, not 100%! As a result, insurance companies stepped in to cover the remainder with Medigap Supplement policies and Part D Supplements (i.e., Drug Plans), for a fee. Typical Medigap premiums are \$2500/year in the Chicago area. Typical drug plans cost \$300 to \$500/year.

Your other alternative for more complete coverage is to choose a Medicare Advantage Plan. MA Plans are insurance policies that replace Medicare and provide at least as much coverage as Medicare. They usually cover Part B and Part D deductibles as well, but not the Part B premium.

Unlike Medigap, many MA Plans have no premium, cover some dental/hearing/vision costs, and have an annual Maximum Out-of-Pocket (MOOP) ceiling on your costs. Medigap insurance is accepted by any doctor who accepts Medicare, but MA Plans have their own provider networks, their own co-pay rates, and their own decision-makers. They must cover everything Medicare covers, but they may dispute whether a treatment is “medically-necessary.”

Whether you choose to be on Original Medicare (i.e., use a Medigap Supplement Plan) or a Medicare Advantage Plan, you must keep paying your Part B premium to stay on your Plan.

You can use Medicare.gov to find and compare the plans serving your zip code, or click [here](#). Note that AT&T’s plan is not shown on the Medicare site because it is private, limited to company retirees and their spouses. The table below shows some key AT&T coverages for 2024, and provides space where you can enter the same details for other MA Plans to compare.

AT&T also offers an MA Plus plan which provides dental, hearing, and vision benefits for a monthly premium of \$50 for the retiree and \$100 for the spouse or dependent. The maximum benefits per person per year are \$1000 dental, \$4000 hearing every 3 years, and \$180 for vision.

Element	AT&T MA Plan	Altern MA 1	Altern MA 2	Altern MA 3
Premium	0			
Spouse Premium	\$600/yr			
MOOP Medical	\$900/yr			
MOOP Drugs	\$6500/yr			
Hospital In-Patient Co-Pay	\$100			
Outpatient Co-Pay	\$200			
Specialist Co-Pay	\$30			

The amounts in the table are “per person.” For example, if the spouse is covered, each of you have a \$6500 maximum spending cap for drugs each year.

Medicare Advantage Plans do not exclude anyone for pre-existing medical conditions, and you can change to a different MA Plan once per year. You and your spouse can join AT&T’s MA Plan in the future if you don’t wish to do so in your first year on Medicare.

Medigap Supplement Plans allow you to sign up at age 65 regardless of your pre-existing medical conditions, but if you want to change Medigap Plans after that initial enrollment, your eligibility will be subject to their rules about pre-existing conditions. You might be rejected, or accepted with higher premiums.

Slightly more than 50% of retirees use MA Plans rather than Medigap Supplements, and the MA percentage has been growing.

Conclusion

Three months before you turn 65, accept or initiate enrollment in Medicare Parts A and B, and then choose a Medicare Advantage Plan that covers drugs, or choose both a Drug Plan and a Medigap Supplement Plan for Parts A/B.

The latter course will cost more than an MA Plan but has wider acceptance from providers, while the MA Plan has lower premiums and some dental/hearing/vision coverage. Both approaches use co-pays, but only MA Plans have a ceiling on your out-of-pocket costs.

If you have questions, you can find answers on the internet, especially at medicare.gov and socialsecurity.gov. You can also get advice from [SHIP](#).