



The Cost of Medicare During Retirement

There are two primary influences on the cost of Medicare for an individual. The first of these is when the retiree applies for coverage. Eligible Medicare participants can apply for coverage during any of their specific enrollment periods. Enrollment periods are available at different times and are based on a person's age, health and employment (for either the person or the person's spouse). There are 4 different enrollment periods:

- Initial Enrollment Period
- General Enrollment Period
- Fall Open Enrollment Period
- Special Enrollment Period

The primary influence on the cost of Medicare is a variety of demographic information. This information includes their work history, current income level, age, health status, the specific Medicare plan(s) selected and the year in which an individual applies for Medicare. When looking at the total cost of Medicare, there are three main components of expense:

- Premiums
- Deductibles
- Co-Insurance Charges

In addition to the core costs, a person may also incur a late enrollment penalty that will increase the costs of Medicare for either a limited period or for the person's lifetime, depending on which Medicare Part the late enrollment occurs within. Late enrollment penalties occur when a person fails to enroll in Medicare during his/her initial enrollment period and does not qualify for a Special Enrollment Period, or he/she fails to enroll during the Special Enrollment Period, if eligible.

Below is a summary of the three core costs, the late enrollment penalties and the four enrollment periods for traditional Medicare, Part A and Part B and Prescription Drug Coverage, known as Part D. It should be noted that the costs, enrollment periods and late enrollment penalties for Medicare Advantage plans, an alternative to traditional Medicare, and Supplemental Insurance plans, known as Medigap, are not discussed below. Medicare Advantage Plans and Supplemental Insurance plans should be evaluated to determine if they are more cost efficient ways to cover the costs of medical expenses during retirement.



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2013 Monthly Medicare Premium (Part A, B and D) per Person							
2011 AGI + Tax Exempt Income			Quarters of Medicare Covered Employment	Part A Premium	Part B Premium	Part D Premium	Total Monthly Premium
Single	Married Filing Jointly	Married Filing Separately					
≤ \$85,000	≤ \$170,000	≤ \$85,000	< 30	\$441.00	\$104.90	\$31.17 *	\$577.07
			≥ 30 < 40	\$243.00			\$379.07
			≥ 40	\$0.00			\$136.07
\$85,001 \$107,000	\$170,001 \$214,000		< 30	\$441.00	\$144.90	\$42.77	\$628.67
			≥ 30 < 40	\$243.00			\$430.67
			≥ 40	\$0.00			\$187.67
\$107,001 \$160,000	\$214,001 \$320,000		< 30	\$441.00	\$209.80	\$61.07	\$711.87
			≥ 30 < 40	\$243.00			\$513.87
			≥ 40	\$0.00			\$270.87
\$160,001 \$214,000	\$320,001 \$428,000	\$85,000 \$128,000	< 30	\$441.00	\$272.70	\$79.27	\$792.97
			≥ 30 < 40	\$243.00			\$594.97
			≥ 40	\$0.00			\$351.97
> \$214,000	> \$428,000	> \$128,000	< 30	\$441.00	\$335.70	\$97.57	\$874.27
			≥ 30 < 40	\$243.00			\$676.27
			≥ 40	\$0.00			\$433.27

* \$31.17 represents the Part D base beneficiary premium. The actual Part D premiums paid by individual beneficiaries equal the base beneficiary premium adjusted by a number of factors. In practice, premiums vary significantly from one Part D plan to another and seldom equal the base beneficiary premium.

2013 Annual Medicare Deductibles (Part A, B and D) per Person			
Part A Deductible	Part B Deductible	Part D Deductible	Total Annual Deductible
\$1,184 *	\$147	\$325	\$1,656 **

* The Part A Deductible applies to every Hospital stay after 60 days of being out of the hospital

** The total annual deductible assumes only one Part A Deductible is incurred for the year

** The maximum annual deductible is \$7,576 which would require six Part A Deductibles to be paid throughout the year



The Costs of Medicare During Retirement, *continued.*

2013 Co-Insurance Charges (Part A, B and D) per Person							
Part A Hospital Co-Insurance		Part A Skilled Nursing Co-Insurance		Part B Co-Insurance		Part D Co-Insurance	
Days	Paid by Insured	Days	Paid by Insured	Assigned*	Unassigned**	Paid by Insured	Dollar Amount
1-60	\$0	1-20	\$0	20% of Medicare Approved Rate	20% of Medicare Approved Rate plus the balance of actual charge, additional maximum of 15%	25% for all drugs	On the first \$2,645 of drug expenses (not out of pocket costs) after the deductible
61-90	\$296	21-100	\$148	* Assignment is an agreement between Medicare and health care providers, and suppliers of health care equipment. Health Care Providers and Suppliers who agree to accept assignment accept the Medicare-approved amount as payment in full for Part B services and supplies.		50% of Brand Name Drugs 86% of Generic Drugs	Until out of pocket costs reach \$4,750 (including deductible)
91-150	\$592	101+	100%	** If assignment is not accepted, charges are often higher. This means you may pay more. In addition, you may have to pay the entire charge at the time of service. Medicare will then send you its share of the charge. The highest amount of money you can be charged for a covered service by doctors and other health care providers who don't accept assignment is called the limiting charge. The limit is 15% over Medicare's approved amount. The limiting charge only applies to certain services and does not apply to supplies or equipment.		Greater of 5% of the drug costs or \$6.50 co-pay for Brand Name drugs and \$2.60 co-pay for Generic drugs	On all out of pocket costs in excess of \$4,750
151+	100%						

2013 Premium Penalties (Part A, Part B and Part D)				
Medicare	Percentage	Period	Calculated On	Penalty Length
Part A*	10%	Per Year **	Base Premium Amount	Two times the # of years between Medicare Part A eligible and Part A enrollment ***
Part B	10%	Per Year **	Base Premium Amount (pre-income test)	Lifetime
Part D	1%	Per Month	Base Premium Amount (pre-income test)	Lifetime

* Only applies to individuals that are not eligible for premium free Part A
 ** The Penalty applies for every full year. Months in excess of a full 12 month period are not counted. For example, if a person enrolls in Part A or Part B after 32 months. The Period will be two years because there are 2 full 12 month cycles. The remaining 6 months falls off and is not penalized because it does not equate to 12 full months. If the late enrollment occurs within one year of eligibility then there is no penalty.
 *** For example, if a person enrolls in Part A after 2 years of eligibility then the premium penalty will last for 4 years

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2013 Initial Enrollment Period (Part A, Part B and Part D)	
Enrollment Month	Coverage Start Date * ** ***
3 Months Prior to 65 th Birthday Month	The Month of 65 th Birthday
2 Months Prior to 65 th Birthday Month	The Month of 65 th Birthday
1 Month Prior to 65 th Birthday Month	The Month of 65 th Birthday
Month of 65 th Birthday	1 Month After 65 th Birthday Month
1 Month After 65 th Birthday Month	2 Months After 65 th Birthday Month
2 Months After 65 th Birthday Month	3 Months After 65 th Birthday Month
3 Months After 65 th Birthday Month	4 Months After 65 th Birthday Month

* Coverage starts on the first of the month

** Special rule: If a person's birthday is on 1st of the month, then the Initial Enrollment Period is moved up one month and the Coverage Start Date is 1st day of previous month

*** Exemption: Current workers and Spouses of Current Workers who are covered by a comprehensive employer group health plan with credible drug coverage that covers 20 or more employees may not need to enroll in Medicare during the Initial Enrollment Period and maybe eligible for a Special Enrollment Period

2013 General Enrollment Period (Part A and Part B)	
Enrollment Months	Coverage Start Date * **
January 1 st – March 31 st	July 1 st

* Enrollment during the General Enrollment Period may lead to late enrollment penalties, resulting in higher premium payments. The late enrollment penalties vary by Medicare Part.

** These rules may not apply if you are switching from Medicare Advantage or to Medicare Advantage.

2013 Fall Open Enrollment Period (Part D)	
Enrollment Date	Coverage Start Date * **
October 15 th – December 7 th	January 1 st

* Enrollment during the Fall Open Enrollment Period may lead to late enrollment penalties, resulting in higher premium payments. The late enrollment penalties vary by Medicare Part.

** These rules may not apply if you are switching from a Medicare Advantage Drug Plan or to Medicare Advantage Drug Plan.



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2013 Special Enrollment Period (Part A, Part B and Part D)						
Eligible Applicants			Enrollment		Coverage Start	
Part A	Part B	Part D	Begins	Ends		Date
				Part A & B	Part D	
Current workers and Spouses of Current Workers who are covered by a comprehensive employer group health plan with "credible" coverage that covers 20 or more employees		Current workers and Spouses of Current Workers who are covered by a comprehensive employer group health plan with "credible" drug coverage that covers 20 or more employees	The month the coverage ends	8 months after the month in which coverage ends	2 months after the month in which coverage ends	1 Month after enrollment
		A person chooses to Enroll in an Employer or Union sponsored Medicare Drug Plan.	The same period of time when the employer allows the employee to make changes to the employee's group health care coverage			

* The table above is reflective of the most common reasons for a Special Enrollment Period

** This list is not a complete list. There are 16 reasons that establish a SEP. For a complete list and breakdown of the Special Enrollment Period (SEP) please go to http://www.medicareinteractive.org/uploadedDocuments/mi_extra/SEP-Chart.pdf

*** The length of the Special Enrollment Period (SEP) and the coverage start date depend on the reason for the SEP