



# **MANAGING YOUR MEDICARE: An Insider's Guide to Maximizing Benefits and Lowering Costs**

**George Jacobs**

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# INTRODUCTION

As people age, many begin to prepare for their future health. As a result, entitlement to Medicare is not an issue for many when they retire. However, others do not realize how important it is to plan for retirement health concerns, even if they are in the midst of their retirement already or if they do not have any plans to retire.

This book is intended to provide you with the strategic basics you need to know to make wise choices with regard to your health plan. By the time you finish reading this book, you will know how to lower your costs while maximizing your Medicare benefits. This book also addresses other kinds of health insurance you may have, or may wish to get, in retirement.

People tend to think of the Medicare program as one for the elderly, but those on disability make up a considerable number of its beneficiaries. The Medicare program also serves people of all ages with end-stage renal disease.

Medicare also covers Social Security beneficiaries, but the list doesn't end there. Medicare covers those who are part of the Railroad

Retirement System, a system which predates Social Security. Furthermore, those federal, state, and local government workers who are not covered by Social Security also pay into and receive Medicare. In this book, references to Social Security beneficiaries will include qualified government employees (working or retired) and those covered by the Railroad Retirement System.

People party neither to a pension system nor to Social Security coverage can also receive Medicare, but at a price.

If you are entitled to Medicare, you should think of it as your program — you are rightfully entitled to Medicare and its benefits by virtue of federal law and statute. You supported the system for all your working years, after all.

This book will let you know what your benefits are under the program and will inform you on how to use those benefits to your advantage. Your health is among your most valuable assets — this book will help you understand how to protect it to the best of your ability with Medicare.

Like many programs in America, Medicare is multigenerational. You were responsible during your working years for putting money into the system through wage deductions and self-employment taxes. Medicare used and continues to use that money to pay for its cost of operation. Now younger generations will have to do

the same for you. Your children or kin will not, as individuals, have to be financially responsible for your health care, as they would have been before Medicare. This should give you an extra incentive to use the program wisely and to take responsibility for its proper use.



# 1

## UNDERSTANDING THE BASICS OF ENROLLMENT IN AND ENTITLEMENT TO MEDICARE'S PROGRAMS

### 1. What is Medicare?

Essentially, Medicare is a social insurance system received by those aged 65 or over. It is designed to provide financial assistance for those at risk for requiring a moderate to high level of medical care. Medicare also covers disabled persons under the age of 65 and people of any age with end-stage renal disease. See Section 3. for details on eligibility.

There are many different programs within Medicare, within which there are subprograms to fit your precise needs. For now, let's introduce each of the main Medicare programs.

### 2. Medicare's Fundamental Programs

Let's begin by taking a quick look at Medicare's fundamental programs:

- Part A: Hospital insurance
- Part B: Medical insurance

- Part C: Medicare Advantage managed care and health plans
- Part D: Prescription drug insurance

These topics will be more detailed in the following chapters, but for now, let's begin with some of the basics.

Part A is also known as hospital insurance. It covers four kinds of care: hospital inpatient care, Skilled Nursing Facility inpatient care, home health care, and hospice care.

You can receive Part A if you are covered under Social Security, the Railroad Retirement System, or you are a qualified government employee, and if you are 65 or older, disabled, or have end-stage renal disease. Part A is free to receive provided that you have worked a minimum of 40 quarters (see section 4. for more on your options if not covered). If you begin to receive it when you are 65 or older, you'll have it for the rest of your life. Note that you usually have to receive Part A in order to be eligible for

any of the other programs offered by Medicare. Section 4. discusses how those ineligible for receipt of Part A free of charge can buy their way into the program.

Part B is also known as medical insurance and/or supplementary medical insurance. Part B covers all sorts of physician, practitioner, and outpatient services.

Generally, you can receive Part B if you receive Part A and pay a monthly premium, which was \$96.40 a month in 2009. If you are 65 years or older, you can continue to receive Part B for life, as long as you pay the premium. Because it is not free, some Medicare beneficiaries choose not to receive Part B; this will be discussed in depth in later chapters, as this is a critical decision. Note that it is possible for some people to receive Part B even if they don't qualify for Part A. However, not all recipients of Part A will visually be signed up for Part B automatically unless specified by the recipient otherwise.

Part A is known as Original Medicare, while Part B is called fee-for-service Medicare. Parts C and D are considered to be separate from Parts A and B; however, coverage for Parts C and D are contingent upon your coverage for Parts A and B, as we will see below.

Part C, known as Medicare Advantage, is slightly different than the other parts of Medicare because it is somewhat customizable. With Part C, you choose to receive your benefits through a separate health plan or managed care setting instead of through Original (or fee-for-service) Medicare. The benefit of this option is that when diverted through a separate health plan, your coverage could include such benefits as an annual cap on expenses which are not available under Original Medicare. Generally, you have to be entitled to both Part A and Part B to receive Part C. If you wish to receive your Medicare benefits in a Medicare Advantage health plan or managed care organization, you

have to sign up yourself up with such a plan. You will usually have to pay a monthly premium to your plan, which is in addition to your Part B premium. Part C should not be taken lightly; the premium is worth paying to offset what you would normally spend on the services that Parts A and B do not cover.

Part D is also known as the prescription drug insurance, or the drug benefit. You are eligible to receive Part D if you have one or both of Part A or Part B, but you must sign up for it. You will typically pay a monthly premium, the amount of which varies widely.

While not all Medicare beneficiaries take advantage of Part D, it is an excellent insurance program which is helpful to those who require prescriptions for chronic conditions. You can receive Part D for life, as long as you continue to receive one or both of Part A or Part B and you pay the premiums. However, your particular plan may change from year to year. Furthermore, the particular drug plans you might join differ from one another depending on the state you live in.

Many Part C plans also have Part D coverage. If your Part C plan doesn't have drug coverage, you can sign up for an independent Part D drug plan.

When you become entitled to Medicare, you are enrolled automatically in Original Medicare, that is, Part A. With Original Medicare, you may go to any doctor or institution that provides Medicare-funded care; that is, you are able to direct your own care, choose your health-care providers, and decide when to get care.

If you don't have any health insurance apart from Medicare, you can buy a Medigap Policy, also known as Medicare Supplement Policy, if you cannot afford the substantial deductibles and coinsurance that Medicare requires you to pay. For more on Medigap, see Chapter 10.

This chapter discusses who is entitled to Part A and Part B. Note that you need to be receiving both Parts A and B in order to be eligible to take advantage of Part C, and you have to have at least one of Part A or Part B to be eligible for Part D. Chapters 2 through 9 will discuss these parts in more detail.

## 3. Entitlement

### 3.1 Entitlement based on a retirement account

Within three or four months of your 65th birthday, if you are signed up to receive your Social Security or Railroad Retirement benefits, you will automatically be enrolled in Part A and Part B. You will receive your red, white, and blue Medicare card.

If you are not signed up for monthly benefits through Social Security or the Railroad Retirement program, you need to apply for Medicare. This is true even if you won't actually be receiving a monthly benefit because you still work. This is because the Social Security Administration is the keeper of the records for all Medicare recipients (except for those in the Railroad Retirement System). If you are a federal, state, or local government worker and you have paid into Medicare but have not necessarily paid into Social Security, you may get a government pension instead of Social Security benefits, and will have to sign up for Medicare manually.

Many people may want to apply for Medicare manually when they reach 65 because they are still working and want to take advantage of the Social Security provision that boosts their monthly benefit amount if they wait until past age 65 to retire. (These are called delayed retirement credits.) If this is what you want to do, you will have to call the Social Security Administration to file your application for delayed retirement credits. You should call four

months prior to your 65th birthday, as you may need to schedule an appointment at one of the local Social Security offices, which may entail a wait of several months depending on your area. Typically, you will have to prove your age and marital status to the Social Security Administration during this application process, although in most cases you can submit these documents by mail. These documents may include a birth certificate, marriage certificate, divorce decree, immigration papers, etc.

Note that you receive Medicare benefits by the calendar month, so if your 65th birthday is on July 27, you begin receiving Medicare on July 1.

There is a quirk in law for those few of you who were born on the first of a month. Medicare applies your birthday as though it fell on the day before it actually does, so you are considered 65 on the last day of the previous month. This means that you get Medicare for that whole month! For example, if your 65th birthday is on May 1, you will begin receiving Medicare on April 1.

Social Security uses the birthdate you wrote on your application for a social security number. If Social Security doesn't know your right age and birthdate, you will have to be proactive in making sure you get signed up. For example, if you deliberately used the wrong date trying to get a job or into the military when you were underage or you have subsequently learned your correct date of birth (this happens to immigrants born under a different calendar system), you will need to apply for Social Security and Medicare as you approach your correct age of 65.

On occasion, Social Security may have mixed up your earnings and coverage record with someone else's. In this case, it will review your records and straighten them out, but this takes some time. This is why it is important to apply

a few months before you reach age 65. Social Security sends an annual letter to beneficiaries as they accumulate credits. This letter indicates what the projections are for each person's benefits. Hopefully, you have been verifying your information to be correct all along. If you haven't been receiving this information, you are probably not enrolled in the system; you'll need to contact Social Security and apply for benefits at least three months before your 65th birthday.

Other situations exist in which a family member of yours may want to apply for Medicare on your record before you become 65. For example, suppose your spouse is older than you and will reach age 65 before you do, but she is not covered by her own Social Security because she was a stay-at-home mom for her whole lifetime. She can apply and receive Medicare in this situation as soon as you are age 62, which is the earliest you can be entitled to retirement benefits, and she is 65, which is the earliest she can receive Medicare. If this is the case, she needs to apply for Medicare at least three months before she becomes 65. She will become entitled to Medicare as your spouse, but under her own Social Security number, even if you are still working. Social Security does this to encourage her to get Medicare as soon as she can without forcing you to file for your own monthly benefits, which would be established at a reduced rate as a result, even though you are working and would not yet receive payments. Your spouse won't be getting any cash benefits, at least until you file for Social Security. There is no loss or reduction to your cash benefits if your spouse applies for Medicare.

You should also be aware that there are other, rarer situations in which your dependents can file for Medicare on your Social Security earnings record without you being required to file your own Social Security benefits. Check with your local Social Security office if you are ever unsure about the coverage of dependents.

Children can also be entitled on their parents' accounts. If you have a disabled child, he or she might be eligible for Medicare on your retirement account. To be entitled, the child must qualify as a Social Security *disabled adult child*. (Sometimes the term *disabled child beneficiary* is used.) For the child to be eligible, five basic requirements must be met:

- The child must be at least 18 years of age.
- He or she has to be your child. This classification includes adopted children and, in some cases, stepchildren, grandchildren, or even step-grandchildren.
- The child has to be disabled according to the Social Security Administration's strict definition of disability.
- The disability (or accident) had to have manifested before he or she turned 22.
- The child cannot currently be married.

If you do have a disabled adult child, you need to keep this in mind: The child has to have been classified as a disabled adult child for 24 months before he or she becomes entitled to Medicare. Medicare entitlement must be applied for as early as possible (i.e., as you approach age 62 even if you won't actually retire and get payments) so he or she can serve his or her 24-month qualifying period in order to become entitled as soon as possible. Typically, the very earliest a disabled adult child can get Medicare is at age 20 (the minimum of age 18 plus the 24-month qualifying period).

This 24-month rule is waived if he or she has Lou Gehrig's disease, in which case his or her Medicare will begin as soon as he or she qualifies as a disabled adult child.

In summary, those applying through Medicare for their own coverage through the account of another person should —

- apply for Medicare as you, the official beneficiary approach 65 and your spouse is 62 or almost there; or
- as you, the parent, approach age 62 and your child is at least 18 or approaching that age.

Your entitlement to Medicare has nothing to do with whether or not you or your spouse are actually getting any Social Security retirement payments, but only whether you are 65 and could be entitled to Social Security on a spouse's account, which can be as early as the official beneficiary's age is 62. Just a reminder; this also applies to those under the Railroad Retirement System and qualified government employees.

In some cases, a divorced spouse can get benefits on his or her ex-spouse's account. In those instances where one spouse is approaching 65 and the official beneficiary is 62 (or nearing 62), the first spouse, if he or she is not entitled to Medicare on his or her own account, should apply for Medicare as a divorced spouse. This application won't affect the ex at all; however, it is a fair and effective way to receive Medicare as well as possible monthly benefits.

Sometimes you can get Social Security cash benefits based on coverage you earned when you worked under the retirement system of another country. However, these will not be counted to see if you qualify for Medicare. If you do become entitled to Social Security retirement benefits based in part on another nation's retirement systems earnings, it is possible for you to get Social Security benefits, but not Medicare, even if you are 65.

### **3.2 Entitlement based on a survivor's account**

Typically, survivor's benefits are for widows or widowers who qualify for benefits on a deceased spouse's Social Security account. They usually

apply for these benefits as soon as they qualify (as early as age 60, if they are not working). When they turn 65, they are automatically entitled to Medicare.

In the case of disabled adult children, they can receive survivor's benefits on behalf of deceased parents after a 24-month qualifying period. These children must also meet the requirements discussed in section 3.1.

In rare cases, parents can be entitled to benefits on their deceased child's account. In order to do so, however, they have to meet a special dependency test. For example, suppose a hard-working immigrant brought his widowed (and penniless) mother to the United States to protect her from the political mayhem in their home country. As she is totally dependent on him for her support, if he were to die, she (who is older than 65) can become a Medicare beneficiary on his Social Security account. She may also be eligible for Social Security payments. As a non-citizen, however, she has to meet the necessary requirement of being lawfully present in this country for at least five years.

Besides disabled adult children, there is one special survivor category that can get Medicare before age 65: widows and widowers who are disabled but don't qualify for disability on their own accounts for whatever reason (for example, a stay-at-home parent who never worked). These people must meet the test for Social Security disability and be at least 50 years of age to become entitled to these special widow or widower disability benefits. Similar to disability beneficiaries (see section 3.3), they must be disabled for five full months before they become eligible for their disability entitlement. Similar to disabled adult children, they have a qualifying period of 24 months after they first become eligible to receive benefits. If you are in this category, it's important

for you to apply for this benefit as early as possible, not only to get your monthly payments, but also to get your Medicare (you can get Medicare as early as age 52, or even age 50 if you have Lou Gehrig's disease). If you are eligible for Supplemental Security Income (SSI) or Supplemental State Payments based on a disability, you may count the months you were eligible for either of these toward both the 5-month waiting period and the 24-month qualifying period.

It's important to know that you don't necessarily have to be a disabled widow or widower beneficiary to get Medicare as such. Even if you become entitled as a widow or widower (which can happen as early as age 60), or if you are a "parent with children in your care" beneficiary at least 50 years of age, or even if you file for retirement on your own account as early as age 62, and you meet all the other requirements as a disabled widow or widower, you will be eligible for Medicare as soon as you meet the qualifying and waiting period requirements.

### **3.3 Entitlement based on a disability account**

You should be aware that it takes a while for disability beneficiaries to get their Medicare. If you become disabled, your eligibility for payments does not begin until you have been disabled for five full calendar months. For example, if you were disabled in an accident on April 20, 2009, your eligibility for disability coverage doesn't begin until October 1, 2009. However, your Medicare coverage still doesn't begin until 24 months after you are eligible for payments. This means your Medicare won't be effective until October 1, 2011.

The five-month rule also applies to individuals getting disability on their own account and to disabled widows and widowers. Disabled adult children don't have to serve the 5-month waiting period, but they do have to wait the 24-month qualifying period for Medicare.

The one exception is if your disability is caused by Amyotrophic Lateral Sclerosis (ALS), often referred to as Lou Gehrig's disease. Your Medicare will begin as soon as your disability entitlement begins, which means you don't have to serve the 24-month qualifying period to get Medicare. This exception also applies to adult disabled children and disabled widows and widowers.

If you become a disability beneficiary on your own account, it may be possible for a spouse or former spouse to become entitled on your account when he or she reaches 65. Likewise, if a disabled adult child becomes entitled, he or she can get Medicare when he or she has served the 24-month qualifying period. Remember, in these situations, these people may be able to receive Medicare before you do.

Your entitlement to Medicare based on disability will end in two circumstances:

1. If your condition improves and Social Security ends your entitlement to disability payments, your Medicare ends the same month.
2. If you continue to be disabled yet engage in work to the extent that Social Security ends your benefit payments (called Qualified Disabled Working Individuals), your Medicare entitlement will continue for eight years and six months after you begin working. After that, you will have the option to buy Part A and Part B (and, if you purchase at least one of those parts, you can also apply for Part D) as long as Social Security continues to consider you disabled. For more information, read section 8.3 on Medicare Savings Programs — your state may help pay your premiums.

Sometimes it happens that even though you go off disability payments, you may become entitled to them again. If Social Security decides

that your disability reoccurred within 60 months of your previous entitlement, you don't have to serve the five-month waiting period again; you become entitled to benefits right away. You don't have to serve the 24-month qualifying period for Medicare again, either — whatever months of previous entitlement you had can count toward that time. Also, regardless of the time span since your previous disability, if you become entitled due to the same condition for which you were previously entitled, you can count previous months toward this 24-month qualifying period, but, confusingly, these do not count toward the 5-month waiting period.

Remember that adult disabled children never have to serve the five-month waiting period. Note that disabled children and disabled widows and widowers have an 84-month span since their last entitlement (seven years), not just 60 months, to count previous months toward the 5-month requirement (this applies only to the widowed) and the 24-month qualifying period for Medicare.

If you are a disability beneficiary, you will be automatically switched to an aged beneficiary at age 65. The only difference the switch will make is that if you did not have Part B as part of your disability coverage, you will now be automatically enrolled in it. (You can refuse it, if you want to.) If you did have Part B, but for some reason you were paying a penalty on your Part B premium, that will be wiped out under aged beneficiary coverage and you will begin paying the standard premium amount. As long as you decide to keep your Part B enrollment, you also become eligible to buy a Medigap Policy of any type from any company that sells these in your area. (See Chapter 10 for more information about Medigap.)

If you become entitled to disability coverage on or after your 63rd birthday, you will automatically be enrolled in Part A and Part B as an

aged beneficiary as of your 65th birthday. You don't have to wait the full 24 months. However, keep in mind that you will still have to consider whether to keep Part B, join Part C, or sign up for Part D.

### 3.4 Entitlement based on end-stage renal disease

Medicare is available to those who develop permanent kidney failure, usually called end-stage renal disease. This special provision was put in the law many years ago to enable affected people to undergo expensive kidney dialysis and transplant procedures without substantial financial hardship.

If you become eligible for Medicare this way, it helps pay for kidney treatment and for everything that Medicare covers; in other words, you get all the Medicare benefits. However, you can't join Part C of Medicare if you have end-stage renal disease. There are some exceptions to this rule; they are covered in Chapter 8.

If you are diagnosed with end-stage renal disease, you must file with Social Security or the Railroad Retirement Board and meet two specific requirements to get Medicare:

1. You have to be covered under Social Security, the Railroad Retirement Board, or as a qualified government employee. Keep in mind that you don't need as many quarters of coverage (or months, for Railroaders) to get this coverage requirement met as you do for retirement benefits. You can be the spouse or dependent child of someone who is covered. For example, if you are the spouse of one of the above-mentioned covered people, and you develop end-stage renal disease, you could become eligible for Medicare. Note that you do not have to be *dependent* on your covered spouse or

parent, and that the expansive definition of child (including adopted children and sometimes stepchildren, grandchildren, or step-grandchildren) is used here as with other entitlement approaches.

2. You have to get a kidney transplant or go on dialysis. The rules regarding your entitlement to Medicare are actually tied to which treatment you get. If you have never been a Medicare beneficiary because of end-stage renal disease and you go on dialysis, you become entitled to Medicare at the beginning of the fourth month of dialysis. In other words, if you begin dialysis on June 13, 2010, you become entitled to Medicare on September 1, 2010.

There is an exception to this: If when you go on dialysis you plan to go on self-dialysis, you participate in a Medicare approved self-dialysis training program, and you expect to complete this training, you will be covered by Medicare beginning with the first month in which you begin dialysis. This is done to encourage self-dialysis, which is less expensive for Medicare.

If you receive a kidney transplant, you are entitled to Medicare the month you receive the transplant, or the month you are admitted to a hospital to perform procedures leading to one, provided that the actual transplant takes place in the following two months. Note that Medicare approves only certain hospitals to do kidney transplants, and your hospital has to be one of the approved for your coverage to kick in.

However, if you have previously been a Medicare beneficiary because of end-stage renal disease and you begin

dialysis, you are entitled to Medicare beginning on the month you begin dialysis. You will have to file a new application with Social Security or the Railroad Retirement Board for this new entitlement.

This benefit is unique in Medicare because if a transplant is covered, it will pay the costs of the live kidney donor's medical expenses for donating the kidney (and costs for complications, if any, from the donation). The donor does not get Medicare, but his or her expenses related to the procedure are billed to and covered by Medicare.

Unlike entitlement to Medicare because of a retirement, as a survivor, or with a disability benefit, only the person with kidney disease gets Medicare. No one else in the family receives coverage, even if the person receives it on his or her spouse's or parent's account.

Similar to disability Medicare, it is possible that your Medicare coverage can end because of a positive change in your medical condition — in this case, because your kidney condition improves. If you no longer need dialysis, your entitlement to Medicare will end 12 months after the month you did not require dialysis. For example, you last had dialysis on April 21, 2010, your entitlement to Medicare will end April 1, 2011.

It is more likely your entitlement will end because of a successful transplant. In this case, Medicare will end with the 36th month after your kidney transplant. For instance, you had a transplant on September 12, 2010, your Medicare entitlement will end October 1, 2013.

There is some good news and bad news for those who already have Medicare and then get end-stage renal disease. When you are

diagnosed and begin treatment, if you do not have Part B, you will be given the opportunity to sign up for it. If you do have Part B and you are paying a penalty premium, the penalty will be dropped. However, as with those who are actually entitled to Medicare because of this disease, you cannot join a Medicare Advantage managed care or health plan.

### **3.5 Retroactive Part A entitlement**

You should be aware that it is possible to get entitled to Part A retroactively. The Social Security Administration has a whole set of rules about whether or not, when you file for benefits, your application can be effective for months before it is actually filed. The rules are complicated and depend on many factors.

In disability cases, retroactivity can sometimes be established for up to 12 months; in retirement and survivors' cases, sometimes for up to 6 months. Even within these rules, there are exceptions that allow certain applications to be retroactive solely for entitlement to Part A. For example, disabled widows filing for benefits may be allowed 12 months of retroactivity, which permits them to count these months toward their 24-month waiting period. Those filing for entitlement based on end-stage renal disease can always have their entitlement to Medicare established up to 12 months before their month of filing if they meet all other requirements in those months. The best advice is to contact Social Security and file as early as possible. If appropriate, you can always ask about retroactivity.

You should know that Part B and Part D cannot usually be made retroactive for months before you file. The exception to this is that those becoming entitled to Part A as an end-stage renal disease beneficiary can also elect Part B retroactively for up to 12 months. They would, however, be responsible for the Part B premiums for the months elected.

## **4. Buying into Medicare: Premium Part A**

This section applies to you only if you don't have free Part A (that is, if you haven't worked a minimum of 40 quarters) and you are a US citizen age 65 or older; an alien lawfully admitted and present in this county (i.e., you have your I-155 or "green card") for at least five years and are 65 or older; or a disability beneficiary going off Medicare after eight-and-a-half years of substantial gainful employment while still medically disabled.

You may purchase Medicare Part A by paying a premium for it. The premium is calculated depending on whether you have a minimum amount of Social Security or Railroad coverage from work or self-employment. If you have none or less than 30 quarters of coverage, you pay the standard premium; and if you have at least 30 quarters, you pay the reduced premium. In 2010 these amounts are the following:

- Standard Part A Monthly Premium: \$461
- Reduced Part A Monthly Premium: \$254

While these are steep prices, Part A is possibly the least expensive insurance you can get for what it covers. If you buy Part A, and only if you do, you may also purchase Part B and/or Part D. If you buy both Part A and Part B, you can join a Part C Medicare Advantage managed care or health plan. You should seriously consider Part A either as an ongoing option or for temporary entitlement until you can be covered by some other means. For example, it was discussed earlier where a wife is not covered by her own Social Security and she would apply for Medicare when her husband becomes or is approaching 62. What if the husband isn't yet 62 and his wife could not get Medicare even though she is 65? She may want to consider purchasing Part A until her husband reaches age 62.

A spouse, widower, or divorced spouse can, under most circumstances, use the quarters of coverage of his or her current spouse, deceased spouse, or former spouse to qualify for the reduced premium. The age of either person does not matter. This option will automatically be considered when you apply, and may actually make the purchase of Part A affordable for you.

You should consider the purchase option when you first become 65. The reason is because you can make the decision to purchase Part A only during an enrollment period. (For more information on enrollment periods, see section 5.) Basically the enrollment period is the month you become 65 and the three months before and after this (a period of seven months altogether) and the first three months of every calendar year. The insurance will not always go into effect immediately; for example, if you enroll during a calendar-year enrollment period, it will not begin until July 1 of that year. Purchasing Plan A will give you initial coverage while you wait for your paid coverage to kick in.

Another reason you should consider taking the purchase option is that the amount of the premium will go up by 10 percent if you could have had, but did not have, Part A for at least 12 months. For instance, suppose you became 65 on June 12, 2009, and you decided, in the next calendar-year enrollment period (starting in February of 2009), to purchase it. Your premium would be \$507.10 (or \$461 plus 10 percent) and your Medicare Part A won't kick in until July 1, 2010. The penalty for the reduced Part A premium is \$279.40 in 2009. Note that unlike Part B or Part D, in Part A you either get a flat-rate penalty or you don't — the amount does not go up if you delay even longer.

However, there is some good news. If you are paying a penalty premium for your Part A, it will eventually go back down to the standard rate. The rule here is that you will have to pay

your penalty premium for twice the amount of time that you could have had Part A but didn't, and then the premium will revert to the standard rate. For example, you will have to pay the penalty premium for July 2010 to June of 2012 (two years) because you were one year late in becoming entitled. The government will keep track of this and change your premium automatically.

You should keep another strategy in mind. You should consider going to work or becoming self-employed to build up your Social Security quarters of coverage so you can qualify for the reduced premium. Note that it is \$207 a month less than the standard in 2010. That's a lot of money each month. If you have 22 quarters, and you work two years to get 8 more, you'll have a total of 30 quarters, and you qualify for the reduced premium. If you continue to earn quarters and you accumulate a total of 40, as soon as you do, you may qualify for full Social Security entitlement, in which case you will get your Part A for free.

You will be terminated from Part A coverage if you don't pay your premium. (Asking to be terminated is probably not a good option, as you will have to pay back any Part A claims payments made on your behalf.) However, note that you can rejoin only during an enrollment period. If you allow your plan to expire, your premiums will almost certainly go up when you reapply. Remember, if you are younger than 65, you can't get Part B without having Part A, so if your Part A terminates, you will also be dropped from Part B if you have it. You can't have Part D without one of Part A or Part B, so you will also be dropped from Part D if you let Part A be terminated.

If you have limited income and resources, read section 8.3 about Medicare Savings Programs. If you meet the requirements as a Qualified Disabled Working Individual or a Qualified