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CHERRY TREE WEALTH INSIGHTS: Published by Keith Tufte, President of Cherry Tree Wealth Management, LLC, with insights on investing and wealth management.

SIGNING UP FOR MEDICARE AT AGE 65

Medicare is a valuable retirement healthcare benefit for U.S. citizens. It is important to sign up for Medicare on time, around your 65th birthday, or certain penalties and higher costs may apply. In general, healthcare coverage will likely be cheaper using Medicare compared to private health insurance.

WHEN SHOULD I SIGN UP?

You can apply for Medicare starting three months before your 65th birthday month. Coverage can begin as soon as the first day of your 65th birthday month. We recommend signing up several months before your 65th birthday. The initial enrollment period goes from three months before your 65th birthday month to three months after your birthday month. If you fail to sign up during this time period, you will likely be required to pay permanently higher premiums.

WHAT IF I AM STILL WORKING AND HAVE HEALTH INSURANCE AT MY COMPANY?

If you (or your spouse) are still employed at age 65 you can stay on your company's creditable group health insurance plan (as long as it has 20 or more employees) beyond age 65, and then move to Medicare when you retire. Be sure you do so within two months of retiring to avoid higher Medicare premiums. Many advisors recommend signing up for Medicare Part A (which is generally free) when you turn age 65 even if you are going to stay on your company health plan. For many people Medicare will be cheaper than their company's health insurance plan. You may want to stay on your company health plan anyway because you have a younger spouse or other dependents that are currently on your company health plan. If you have a high deductible health plan at work, you are supposed to stop contributing to your health savings account (HSA) plan six months before you sign up for Medicare.

HOW DO I SIGN UP FOR MEDICARE? THERE ARE THREE WAYS TO DO SO:

1. Online at www.ssa.gov/Medicare/. This takes most people about 15-30 minutes to apply. This is the recommended way to enroll for most people. The Medicare website www.Medicare.gov is very good.
2. Over the phone at 1-800-772-1213. Wait times can be long.
3. In person at your local social security office. An appointment is highly recommended.

STEP 1: SIGN UP FOR MEDICARE PART A AND PART B YOURSELF.

You must first sign up yourself for Part A (Hospital Coverage) and Part B (Medical Insurance). Part A is generally free for most people. Part B has a minimum monthly premium of $164.90 per month (in 2023) which rises with inflation over time. The annual Part B deductible is only $226/year (2023) and beyond that there is coinsurance where Medicare pays 80% of the approved amount for each service.

PART B PREMIUMS DEPEND ON YOUR INCOME.

Part B monthly premiums depend on your income (MAGI) from your tax return two years ago and can be significantly higher than $164.90/month for high income people. The premium is $164.90 if your income (as a couple) two years ago was below $194,000. If you are a couple and your combined income two years ago was between $246,000 and $306,000, your monthly premiums would be $329.70 each. That is a significant premium (about double) for higher income people. Cost Savings Tip: Smart retirees who have had high income (over $194K for a couple) can likely save money on Medicare if their current income is significantly lower than two years ago due to retirement, working less hours, divorce, etc. by filing Form SSA-44. When you file Form SSA-44 Medicare will lower your Part B premiums based on your now (or expected) lower income.

STEP 2: TRADITIONAL MEDICARE OR MEDICARE ADVANTAGE PROGRAMS?

The next big decision you must make is between Traditional Medicare and a Medicare Advantage (MA) plan. Traditional Medicare covers Parts A (Hospital) and B (health Insurance), and then you typically buy a Medicare Supplement Plan (Medi-Gap) and a Part D prescription drug plan from a health insurance company. You get a Medicare card with this plan. You pay for services as you get them. You can see any doctor or

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hospital that takes Medicare, anywhere in the U.S. You pay your Plan B premium, your supplemental policy premium, and a Part D premium. Approximately 60% of people in the U.S. are on this type of plan.

Medicare Advantage (MA) plans are Medicare approved comprehensive health insurance plans that offer an alternative way of getting coverage and includes Part A (Hospital), Part B (Health Insurance), Part C, and Part D (a prescription drug plan). Some of these plans now often offer some type of vision, hearing, and dental coverage as well. You pay a monthly premium for these plans, in addition to your normal Plan B premium. Approximately 40% of people in the U.S. are on this type of plan.

	Traditional Medicare (+ Suppl + Part D plan)	Medicare Advantage (MA) Plans
Where can I go?	Any Doctor or Hospital in the U.S.Incl. Mayo Clinic.	Only doctors and hospitals in the plans network.
Specialist Referral?	Most cases not needed.	You may need a referral.
Simplicity	A bit more complicated with three premiums to pay.	Simplified- all in one service and company.
Approval needed?	No. Medicare will cover nearly all health services and costs. You have more control. Doctors can do nearly any test or treatment they want.	Yes. The insurance company will likely need to approve some health costs and services ahead of time for the plan to cover it. Insurance company has more control over services.
Supplemental Benefits	No. These are not covered.	Yes. Many of these plans offer some coverage for vision, hearing, dental, and certain other health related services.
Best Fit Clients	High healthcare users. People who use a lot of HC services. People who want more control. Those who have some health issues to catch up on and get done. Low-income people.	Healthy people who don't use many doctor or health services. People OK with going in-network for their health services. Those who want simplicity and some of the supplemental benefits (vision, hearing, dental).
Guaranteed Renewable	Yes.	No. After a 12-month trial period in these MA plans if your health deteriorates you may not be able to switch back to Traditional Medicare.
Typical Total Cost (Not high income)	$400/month Part B, Suppl., Part D	$250/month MA monthly premium
Max Out-Of-Pocket	$226/year	$3,000/year

Signing up for Medicare is complicated. We recommend doing your research and using experts. Please contact us for more information and/or for a referral to a good health insurance specialist who is an expert.

Sources: medicare.gov, webce.com, Medicare/insurance industry professionals

Cherry Tree Wealth Management, LLC (CTW) provides unique wealth management services for a select group of client families to help give them peace of mind. Author Keith Tufte, (President of CTW) has over 25 years of successful investment management experience as a Wall Street Analyst, Mutual Fund Portfolio Manager, Director of Equity Research for a major mutual fund firm, Hedge Fund Portfolio Manager, and Wealth Management Advisor.
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