



UNDERSTANDING MEDICARE

Included inside:

*7 Tips to Getting the Most from Medicare, Plus
Steps to Follow When Transitioning to Medicare*

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to making insurance decisions with confidence.

Are you looking forward to retirement – but not to the decisions you'll need to make about Medicare?

You're not alone.

We know how confusing it can be. For over 50 years, the Physicians Mutual family has offered Medicare Supplement insurance options to hundreds of thousands of Americans. People – like you – who feel overwhelmed by all their choices for coverage in retirement. We've been here for them. Listening. Answering questions. Empowering them with the guidance they need.

You, too, can count on us to be by your side. So when it's your turn, you can look forward to making decisions about your retirement with confidence.



"For my friends who are retiring, I recommend Physicians Mutual to them because it's been great for us."

Stephanie M., Arizona
Member of our family since 2019

Understanding Medicare.

A brief history of the program.

Medicare has changed a lot over the years. With all the changes, it can sometimes be difficult to remember what is covered, who is eligible, when you can enroll and how much everything costs.

That is why we've created this guide. We believe you deserve simple, straightforward answers and want to help you understand Medicare Supplement Insurance options available to you.

A little about Medicare

Medicare was created in 1965 to provide government-administered health insurance to help with the costs of hospital services (Part A) and medical services (Part B).

Over the years, Congress added some new benefits, rules and regulations to improve the program. One major change was the addition of Medicare Part C – a managed-care style coverage (like HMOs) administered by private companies but funded by the government.

Later, Congress enacted the Medicare Prescription Drug, Improvement, and Modernization Act (MMA), which created Medicare Part D.

The Affordable Care Act made additional changes to covered preventive care and offered savings for prescription drugs.

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Understanding Medicare coverage.

A guide to help you make wise choices.

Medicare Part A – Hospital coverage

Part A helps pay for inpatient hospital services. This includes benefits for critical access hospitals and skilled nursing facilities, but generally does NOT cover long-term care. It also provides benefits for hospice care and some home health care.

Administration

The Federal Government administers Part A and works with private companies to administer benefits.

Enrollment

You are eligible for Medicare at age 65 or if you have certain disabilities. If you are receiving Social Security or Railroad Retirement benefits, you are automatically enrolled when you turn 65. If you are not receiving those benefits, you must enroll on your own.

Cost

Most people don't pay a premium for Part A because they or their spouse already paid for it through payroll taxes while they were working.

Out-of-pocket expenses

There are deductibles and co-payments under Part A you must pay on your own. However, you are allowed to purchase Medicare Supplement (Medigap) insurance to help supplement these added expenses. The amounts can change annually. One of our agents can provide you with more details about the Medicare Supplement insurance options we offer.

Medicare Part B – Medical coverage

Part B helps pay for covered doctor services, outpatient hospital services, durable medical equipment, physical and occupational therapist services, home health care and preventive care. All services must be medically necessary.

Administration

The Federal Government works with private companies to administer Part B.

Enrollment

Enrollment in Part B is optional. You can enroll anytime during your Initial Enrollment Period, which begins three months before the month you turn age 65 and ends three months after the month you turn age 65.

There are two other times you can enroll in Part B:

- **Special Enrollment Period** – If you wait to enroll in Part B because you or your spouse are still working and have group health coverage, you can sign up anytime you are still covered by the group health plan, or during the eight-month period following the month the group coverage ends. Some group plans may require their insureds to enroll in Medicare Parts A and B when they turn 65, and if they do not enroll, they may receive reduced benefits.
- **General Enrollment Period** – If you don't enroll during your Initial Enrollment Period and you are not covered by another health plan, there is an additional period from January 1 through March 31 of each year. Your Part B coverage will start the first day of the month of enrollment. There is a penalty of 10% per year on your Part B premium for every year you could have had the coverage but didn't take it.

If you are turning age 65 and haven't applied for Social Security or Railroad Retirement benefits yet, you can enroll in Part B when you enroll in your Part A benefits.

Some people are automatically enrolled in Part B when they turn 65 if they are receiving Social Security or Railroad Retirement benefits. If this applies to you, your Medicare card will be mailed to you about three months before your 65th birthday.

IMPORTANT NOTE: If you don't want Part B coverage, you must follow the instructions that come with your Medicare card to disenroll.

Preventive benefits

- Within 12 months of signing up for Medicare Part B, you can have a one-time, "Welcome to Medicare" preventive doctor visit where your doctor checks to see if you are up-to-date with preventive screenings and services.
- Medicare provides a yearly "Wellness" visit to develop and update your personal prevention plan based on your current health needs.
- Medicare also provides many preventive care services, subject to the program's guidelines; you may have to pay a deductible or co-pay.

Cost

There is a premium for Part B coverage that most people must pay. Most people new to Medicare in 2025 will pay \$185. The Part B premium is usually deducted from your monthly Social Security or Railroad Retirement benefit payment. The Part B premium is also income indexed, which means people with higher incomes may pay higher premiums. The premium can change annually. Please see Medicare.gov for complete details.

Out-of-pocket expenses

There are deductibles and coinsurance you must pay on your own, but you are allowed to purchase Medicare Supplement insurance to help supplement the out-of-pocket expenses. These amounts can change annually. One of our agents can provide you with more details about the Medicare Supplement insurance options we offer.



Understanding Medicare coverage.

continued ...

Medicare Part C – Medicare Advantage

A Medicare Advantage plan is another way to receive your Part A and Part B coverage. There are primarily three kinds of plans: Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs) and Private Fee-for-Service Plans (PFFS).

Plans normally require you to use networks, so you can only use their approved hospitals and doctors in order to receive full benefits. Plans can change the hospitals and doctors in their networks at any time. Make sure to check if your current providers accept Medicare Advantage plans before you enroll.

At a minimum, Medicare Advantage plans must cover everything Part A and Part B do. Some plans provide additional benefits.

Administration

Private companies administer Medicare Advantage plans. These companies receive funding from the Federal Government to administer the plans.

Companies don't have to guarantee the coverage they provide from year to year. Each year, they can change the benefits or service areas; they can also decide to discontinue their plans entirely.

Enrollment

Enrollment is optional and voluntary. You must be eligible for Part A and Part B to enroll in a Medicare Advantage plan.

Cost

Depending on the benefits they provide, some Medicare Advantage plans may charge a premium in addition to the Part B premium. You must continue to pay your Part B premium to the Federal Government, who then provides funding to the Medicare Advantage plan. Some Medicare Advantage plans may not include a deductible, a plan premium or a cost associated with the Part B premium.

Out-of-pocket expenses

There are usually co-payments for all covered services, and they can change annually.

IMPORTANT NOTE: You are NOT allowed to buy insurance to supplement Medicare Advantage plans – you must pay all co-payments and other miscellaneous costs on your own.



Medicare Part D – The Prescription Drug Plan

Part D helps pay for outpatient prescription drugs. To receive full benefits, you normally need to use pharmacies in a network. While all plans must cover the same categories of drugs, the specific drugs covered in each category can vary by plan. You may be limited to a formulary (a list of specific drugs covered by the plan). Also, the formularies – and the pharmacies in a plan's network – can change.

Administration

Private companies administer Part D. They receive funding from the Federal Government to administer the plans.

Enrollment

Enrollment for Part D benefits is voluntary and doesn't have any health qualifications. It's simply an enrollment for Medicare-eligible individuals. It is offered by companies that have been approved by Medicare and multiple plans are available – and benefits could be different from company to company. When it comes to premiums, the amount you'll pay depends on your income and may vary by company. It is also important for you to know there is a penalty for people who delay enrollment. They pay a higher premium of 1% per month of delayed enrollment.

If you miss your Initial Enrollment Period, there are two other times you can enroll in Part D:

- **Special Election Period** – If you wait to enroll because you have creditable drug coverage from another source (like an employer or union), you can sign up at any time, or if your other coverage is discontinued. This period lasts for three months after the other coverage ends.

IMPORTANT NOTE: You are NOT allowed to buy insurance to supplement Part D prescription drug plans – you must pay deductibles, co-pays and other expenses out of your own pocket.

- **Open Enrollment Period** – If you don't enroll during your Initial Enrollment Period and you don't have another source of creditable drug coverage, there is an Open Enrollment Period that runs from October 15 through December 7. Your coverage will start on January 1 of the following year. There may be a monthly penalty of 1% on your Part D premium for every month you could have had Part D coverage but didn't take it.

Cost

There is a premium for Part D prescription drug coverage, which most people must pay. This premium can change annually.

People with limited assets and low incomes may be eligible for assistance with Part D expenses. To find out if you are eligible, contact the Social Security Administration. If your income is above a certain limit, you may pay an income-related adjustment amount each month, in addition to your plan premium.

Out-of-pocket expenses

Depending on the plan, there can be annual deductibles, co-payments and/or coinsurance amounts, which can change annually.



TIPS

to getting the most from Medicare.

1 Medicare pays just a little over 60% of health care costs for seniors

A little over 60% of health care costs for seniors are actually paid by Medicare, and the average Medicare recipient, aged 65 and over, has more than \$21,930 in health care costs each year.* Medicare Supplement insurance helps pay Medicare-approved services.

2 Your Medicare Part B premium is based on your income

Medicare's Part B premiums start at \$185 per month for those who earn up to \$106,000 per year (\$212,000 for couples). If you earn more than that, your premium could be up to \$628.90 per month. Premiums are based on your income each year.

3 Medicare covers some of your preventive care needs

Preventive care is important to helping you live a long, healthy and active life. Medicare pays for many preventive care services, but may not pay for some things your doctor requests. You may wish to research options to help you cover what Medicare doesn't.

4 You can get Medicare at age 65 even if you keep working

Many people retire at age 65 – while others continue working. You can still enroll in Medicare even if you're still working. Talking to a licensed professional can help you see when it makes sense for you to enroll in Medicare.

5 Dental services aren't covered by Medicare

Medicare covers many important services, but it doesn't provide coverage for dental care. Individual dental plans can help cover some of the costs of dental care and make it easier to get the services you need. Look for a plan with a low or no deductible, a wide range of dentists to choose from and an affordable premium.

6 98% of physicians nationwide accept Medicare

If you choose to stay in Original Medicare (versus enrolling in a Medicare Advantage plan), you'll have a large selection of doctors you can visit. That means you may keep going to the doctor you know and trust. If you choose a Medicare Advantage plan, you'll usually have a more limited selection of doctors.**

* "Medicare Current Beneficiary Survey," Centers for Medicare & Medicaid Services, (Released in December 2024 in the "Older Americans 2024 Key Consumer Price Index. (In FL: <https://agingstats.gov/docs/LatestReport/Older-Americans-2024-508-May-update.pdf>.)

Additional Information from: "Medicare & You 2025," Centers for Medicare and Medicaid Services.

**"Annual Medicare Participation Announcement," cms.gov, March 2024. (In FL: <https://www.cms.gov/medicare-participation>.)

7 There are different Medicare enrollment periods

It's best to sign up for Medicare during your Initial Enrollment Period, or shortly after your employer's group health plan coverage ends. If you don't, you could face a lifetime penalty not only on your Medicare Part B premiums, but also Medicare Part D, as well. Talk to a licensed insurance professional who can guide you through the process and help you make the right decision.

BONUS TIP Medicare Part D helps pay prescription drug costs

In Medicare's Open Enrollment Period, **October 15 to December 7**, you can sign up for, or change, your Medicare Part D Prescription Drug Plan. It's good to review your plan each year – because plans change often.

Use the plan finder tool at www.CMS.gov to find the right plan for you.





Take these steps before you transition to Medicare.

10 – 12 months before ┆-----➔ 7 – 9 months before ┆-----

- ☐ **Contact** Physicians Life Insurance Company at 1-800-235-7732 for your free copy of the “Guide to Health Insurance for People with Medicare” from the U.S. Department of Health and Human Services.
- ☐ **Contact the Social Security Administration** about your eligibility for Medicare benefits.
- ☐ **Learn about Medicare coverage options** available and how to enroll for benefits. To find Medicare resources in your state, click the “Help & Resources” tab on the Medicare website.
- ☐ **Check** with your health care providers to see if they accept Medicare.
- ☐ **Review** your current health care coverage to find out what happens after you turn 65.
- ☐ **Research** your options to help cover Medicare’s out-of-pocket costs.



Medicare can be confusing.

Our agents are here to help you every step of the way.

---→ 3 months before |-----→ Once you're on Medicare

- ☐ **Apply for Medicare** through the Social Security Administration.
- ☐ **Select and enroll** in a reliable Medicare Supplement insurance policy.
- ☐ **Select and enroll** in a Medicare Part D prescription drug plan.
- ☐ **Review** your coverage annually.
- ☐ **Mark your calendar for Medicare's Open Enrollment Period, Oct. 15 - Dec. 7.** During this time, you can make changes to your prescription drug coverage for the next year.





Glossary

Frequently used terms

Beneficiary: A person who has health care insurance through the Medicare, Medicaid programs.

Carrier: A private company that has a contract with Medicare to pay your Part B bills.

Centers for Medicare & Medicaid Services (CMS): The Federal agency that runs the Medicare program. In addition, CMS works with the states to run the Medicaid program. CMS works to make sure the beneficiaries in these programs are able to get high-quality health care.

Coinsurance: The percentage of the plan charge for services you may have to pay after you pay any plan deductibles. Usually, the payment is a percentage of the cost of the service (like 20%).

Co-Payment (Co-Pay): The cost for medical care you pay yourself. Usually, the co-payment is a pre-determined dollar amount you pay each time you utilize a particular service (like \$10 each time you fill a prescription or \$20 each time you visit your doctor).

Creditable Drug Coverage: Prescription drug coverage (like from an employer or union) that is, on average, at least as good as the Part D standard prescription drug coverage.

Deductible: The amount you must pay for health care before Medicare begins to pay, either for each benefit period for Part A, or each year for Part B and Part D. These amounts can change every year.

Disenroll: Ending your coverage with a health plan.

Durable Medical Equipment (DME): Reusable medical equipment, such as walkers, wheelchairs or hospital beds, that is ordered by a doctor for use in the home. DME is paid for under both Part A and Part B for home health services.

Gaps: Costs or services that are not covered under Medicare Parts A and B.

Group Health Plan: Insurance that provides health coverage to employees, former employees and their families, and is supported by an employer or employee organization.

Guaranteed Issue Rights: Rights you have in certain situations when insurance companies are required by law to sell or offer you coverage. The company can't deny you coverage or place conditions on an insurance policy, must cover you for all pre-existing conditions (in FL: old health problems), and can't charge you more because of past or present health problems.

Health Maintenance Organization (HMO): A type of Medicare Advantage plan in which a group of providers agrees to give health care to Medicare beneficiaries for a set amount of money from Medicare every month. You usually get your care from the providers in the plan.

Managed Care Plan: A health plan that contracts with health care providers to offer care at lower costs. Plans must cover all Part A and Part B health care. Some also cover extra benefits, like additional days in the hospital. Your costs may be lower than in Medicare Parts A and B.

Medicaid: A joint Federal and state program that helps with medical costs for some people with low incomes and limited resources. Programs vary by state, but most medical costs are covered if you qualify for both Medicare and Medicaid.

Medically Necessary:

Services or supplies that are proper and needed for the diagnosis or treatment of your medical condition; are provided for the diagnosis, direct care and treatment of your medical condition; meet the standards of good medical practice in the local area; and aren't mainly for the convenience of you or your doctor.

Medicare: The Federal health insurance program for people 65 years of age or older, certain younger people with disabilities, people with End-Stage Renal Disease (permanent kidney failure with dialysis or a transplant) (in FL: and people that are enrolled in Medicare Part B).





Glossary

continued ...

Medicare Advantage Plan (MA): A Medicare Part C program that allows you to choose private health plans to help provide your health care. Everyone who has Part A and Part B is eligible, except those with End-Stage Renal Disease (unless certain exceptions apply).

Medicare-Approved Amount: The fee Medicare sets as reasonable for a covered medical service. This is the amount a doctor or supplier is paid by you and Medicare for a service or supply. It may be less than the actual amount charged by a doctor or supplier. The approved amount is sometimes called the “approved charge.”

Medicare Supplement Insurance: A Medigap insurance policy sold by private insurance companies to supplement some of the “gaps” in Medicare coverage. There are 10 standardized plans. Medigap policies only work with Medicare Parts A and B.

Network: A group of doctors, hospitals, pharmacies and other health care experts contracted or hired by a health plan to take care of its members.

Out-of-Pocket Costs: Health care costs you must pay on your own because they are not covered by Medicare or other insurance.

Preferred Provider Organization (PPO): A type of Medicare Advantage plan in which you use providers that belong to the network. You can use providers outside of the network for an additional cost.

Preventive Services: Health care to keep you healthy or to prevent illness (for example, Pap tests, pelvic exams, flu shots, mammograms and other screenings).

Private Fee-for-Service Plan (PFFS): A type of Medicare Advantage plan in which you use providers that belong to the network (unless certain exceptions apply). The health plan, rather than the Medicare program, decides how much it will pay and what you pay for the services you get. You may pay more or less for Medicare-covered benefits. You may have extra benefits Medicare Parts A and B don’t include.

Provider: A doctor, hospital, health care professional or health care facility.

Referral: A written okay from your primary care doctor for you to see a specialist or get certain services. In many Managed Care plans, you need a referral before you can get care from anyone except your primary care doctor. If you don’t get a referral, the plan may not pay for your care.

Service Area: The area where a health plan accepts members. For plans that require you to use their doctors and hospitals, it is also the area where services are provided. A plan may disenroll you if you move out of its service area.



For more details and help.

We'll listen to your questions and help you get answers.

If you have questions or need more detailed information

We offer a variety of ways for you to get the answers you need to make informed decisions:

- Contact your local agent.
- Call our Home Office at 1-800-325-6300.
- Visit [PhysiciansMutual.com](https://www.physiciansmutual.com).

Medicare

For questions about Medicare or for personal help in choosing the coverage that is right for you:

- Call 1-800-MEDICARE (1-800-633-4227) or TTY 1-877-486-2048.
- Visit [Medicare.gov](https://www.Medicare.gov), the official Medicare website.
- Log on to [MyMedicare.gov](https://www.MyMedicare.gov), a free, secure online service for accessing personalized information regarding your Medicare benefits and services.
- Read *Medicare & You*, the official Medicare handbook that includes information on Parts A, B, C and D.

Social Security Administration

If you have questions about eligibility and enrollment in Medicare, Social Security retirement benefits, and/or low-income assistance for a Part D plan, call 1-800-772-1213 or TTY 1-800-325-0778.

Your health plan's customer service center

For help with your existing health coverage, call the phone number on your identification card.

Your state's medical assistance or Medicaid office

If you have questions about your state's Medicaid program, call Medicare and ask for the phone number for your state's Medical Assistance or Medicaid office.

Your state's health insurance assistance program

For help with questions about buying insurance, choosing a health plan, and your rights and protections under Medicare, call Medicare and ask for the phone number for your state's Health Insurance Assistance Program's office.

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Medicare is an important program.

Please keep this booklet for future reference.

We hope this booklet helps you understand your benefits and choices with Medicare – so you can look forward to making decisions about your retirement with confidence.

In KY/MO: Medicare Supplement policies are available to people under age 65 eligible for Medicare due to a disability.

We are not connected with, nor endorsed by, the U.S. Government or the Federal Medicare Program. For complete details, including costs and limitations, please contact your insurance agent or the company. Insurance policy kinds: L030, L035, L036, L039 (In GA: L030GA, L035GA, L036GA, L039GA; In MO: L030MO, L035MO, L036MO, L039MO).

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