

Medicare is the federal government's health insurance program for older adults and individuals with qualifying disabilities. Generally, U.S. citizens and permanent residents are eligible for Medicare if they are 65 or older, are younger than 65 with a qualifying disability, or have kidney failure requiring dialysis or a kidney transplant.

Most Americans must enroll in Medicare manually upon turning 65, but people who are already receiving Social Security payments at least four months before turning 65 are automatically enrolled in Medicare parts A and B. After initial enrollment, beneficiaries can make changes each year during open enrollment (October 15-December 7).

Medicare is divided into four "parts" with different benefits, premiums, and modes of administration. "Traditional" Medicare parts A and B were established by the Medicare and Medicaid Act of 1965. The Balanced Budget Act of 1997 introduced Part C, also known as Medicare Advantage. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established Part D for prescription drug coverage.

Part A

Hospital Insurance

- Covers inpatient care such as hospital stays, hospice care, and services provided at skilled nursing facilities.
- No monthly premium for beneficiaries who paid Medicare taxes for 10+ years. Otherwise, the premium is based on the number of years they paid Medicare taxes.
- Covers dental care only when medically necessary as part of a covered service.
- Covers prescription drugs only if prescribed and delivered in an inpatient setting.

Part B

Medical Insurance

- Covers outpatient care such as primary care and specialist visits, and associated costs such as ambulance rides and medical devices.
- Beneficiaries pay a base premium set by the Centers for Medicare and Medicaid Services for each calendar year. The base premium is then scaled up based on a beneficiary's income.
- Does not cover most dental, vision, and hearing care, nor prescription drugs.

Part C

Medicare Advantage

- An alternative to traditional Medicare (parts A and B) where private insurers offer plans meeting Medicare coverage requirements.
- Premiums are subsidized by Medicare and vary by plan and insurer.
- Insurers may offer dental, vision, or prescription drug benefits, sometimes in separate, stand-alone plans with separate premiums.

Part D

Prescription Drug Coverage

- Standalone insurance plans sold by private insurers that cover prescription medications. Meant to supplement Part B, or Part C coverage that does not already offer prescription drug benefits.
- Premiums are subsidized by Medicare and vary by plan and insurer.
- Late enrollment — waiting to join after you first get Medicare or going 63+ days without creditable coverage — may result in a monthly penalty.

Medigap

Created under the Medicare and Medicaid Act of 1965, Medicare Supplemental Insurance, or "Medigap," helps pay deductibles, copays, and co-insurance for services under parts A and B. Medicare Advantage enrollees cannot buy Medigap plans. Part D enrollees can buy Medigap plans, but Medigap benefits cannot be used for premiums or prescription drug cost sharing.

There are 12 Medigap standardized plan options available, with premiums and deductibles separate from parts A and B and cost-sharing protections varying between plans.

Medigap plans only pay for the beneficiary's share of procedures already covered by parts A and B. Medigap plans do not offer dental, vision, or prescription coverage.