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Medicare Made Clear: What You Need to Know

Some birthdays carry greater financial significance than others. Turning 65 is one of them: It's the year you become eligible for Medicare. But how do you proceed once it's actually time to enroll?

Even for people who have done careful planning for retirement, Medicare, with its multiple parts, strict timelines, and tax implications, can feel confusing. That's why we've put together this short guide: to give you a clear, practical overview so you know what to expect and how to avoid costly mistakes.

What is Medicare?

Medicare is the health insurance program for Americans 65 and above. While that may sound simple, it quickly gets more complicated. There are three main parts to Medicare that make up the foundation of the program:

- **Part A** covers inpatient hospital expenses, as well as nursing facilities and hospice care
- **Part B** covers medical expenses, such as outpatient visits, regular doctor's visits, and preventive care, but does not cover dental, vision, or most long-term care
- **Part D** covers prescription drugs

Depending on your coverage choices, you may end up having some combination of Parts A, B, and D. (More on that soon.)

Key Dates to Know for Medicare Enrollment

Although Medicare eligibility doesn't technically begin until you turn 65, you may begin to enroll before that date. The Initial Enrollment Period starts three months before your 65th birthday and ends three months after you turn 65.

Failing to sign up for Medicare during the Initial Enrollment Period could mean accruing steep penalties. Each part of Medicare has its own penalty. For instance, you'll pay an additional 10 percent on your premium for Part B for every year that you were eligible for coverage but didn't enroll. (It's important to note, however, that if you're still working at 65 you can stay on your employer's health coverage until you retire, at which point you'll then enroll in Medicare.)

As for when your Medicare coverage will officially begin, it depends on when you complete your enrollment. If you enroll before the month of your 65th birthday, your coverage will begin right when you turn 65. If you enroll later, your coverage will begin at the start of the following month.

How to Enroll in Medicare

Medicare enrollment is handled through the Social Security Administration, and most people complete the process directly with Social Security. There are three ways to enroll:

Online

The most common and convenient option is enrolling through the Social Security website at ssa.gov.

By Phone

You can enroll by calling Social Security at 1-800-772-1213.

In Person

You may also enroll at your local Social Security office if you prefer face-to-face assistance.

No matter which method you choose, enrolling during the Initial Enrollment Period helps ensure coverage begins on time and avoids unnecessary penalties.

Understanding Original Medicare vs. Medicare Advantage vs. Medigap

For many people, health insurance is a relatively straightforward proposition during most of their life. An employer offers a small number of plans, and they select the one that's best for them.

Medicare is a different animal. Here's what you need to know about the different Medicare coverage options:

> **Original Medicare** includes Part A and B coverage. With Original Medicare, you can see any doctor that accepts Medicare, anywhere in the country. You can also supplement this coverage by separately enrolling in Part D for prescription drug coverage. Original Medicare has no out-of-pocket max.

> **Medicare Advantage**, also known as Part C, is a plan from a private insurer that's approved by Medicare. These plans usually include Parts A, B, and D coverage bundled together. Typically, with Medicare Advantage, you can only see doctors who are within your plan's network. Like private insurance, these plans have an out-of-pocket max.

> **Medigap** is supplemental insurance that covers gaps in Original Medicare. Since Original Medicare doesn't have an out-of-pocket max, Medigap can be an important way of protecting yourself if you have any high-cost medical procedures. Medigap coverage can include reimbursements for deductibles, copays, and coinsurance.

How to Decide What Coverage is Right for You

The health coverage you choose is ultimately a personal decision that will reflect your own coverage and health needs. At Caudle Meares, we often recommend Medigap coverage over Medicare Advantage because it provides greater flexibility and allows clients to take full advantage of Original Medicare. But no matter what you decide, we will work with you to understand your needs and help you find the plan that works best for you.

The Tax Implications of Medicare

Medicare coverage doesn't take place in a vacuum. In fact, it can have a significant impact on your finances beyond monthly premiums — mostly thanks to the Income Related Monthly Adjustment Amount (IRMAA).

IRMAA is an additional surcharge that's applied to Part B and Part D premiums if your income exceeds certain thresholds. In 2026, IRMAA charges will begin for single filers with income exceeding $109,000 and joint filers with income above $218,000. (The surcharges increase according to income. For instance, a married couple earning $250,000 would each pay an additional $81.20 on their monthly Part B premiums. You can see the explore chart of income and IRMAA surcharges here.)

Avoiding IRMAA Surprises

Most retirees aren't thinking about the impact their decisions might have on their health insurance premiums. But without careful planning, IRMAA can lead to unpleasant surprises. That's because events like selling a business or highly appreciated stock assets can trigger gains that show up as taxable income, which can then put you in a high IRMAA surcharge bracket — even if you have no employment income.

Fortunately, IRMAA charges are based on taxable income levels from two years prior, which means that with careful planning in advance, it's possible to minimize large spikes in health insurance premiums.

Lowering Medicare Premiums with Form SSA-44

Medicare premiums are not set in stone. If your income drops due to a life-changing event, you may be able to reduce or eliminate IRMAA by filing Social Security Form SSA-44.

Qualifying events can include:

Retirement or reduction in work hours

Death of a spouse

Divorce

Loss of income-producing property

Filing SSA-44 essentially asks the Social Security Administration to recalculate your Medicare premiums based on your current income rather than your income from two years ago. This can result in meaningful savings — but only with proactive planning.

Your Guide to All Things Medicare

Medicare is supposed to provide health coverage for retirees, and yet navigating all the decisions around enrollment can feel like a full-time job itself. At Caudle Meares, we work to educate clients and ensure they have the information they need to select a coverage that aligns with their long-term goals.

Failing to get the right coverage can lead to significant costs that can disrupt years of saving and financial planning. That's why we believe insurance coverage needs to be integrated into the overall financial plan from the start.

Set up a meeting today if you need any guidance on how to select the right Medicare plan for you.

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