



2011 Edition

SOCIAL SECURITY & MEDICARE FACT SHEET

Inside This Fact Sheet You'll Find:

★ **A Summary of Social Security Benefits**

- retirement
- disability
- survivors

★ **How You Qualify for Benefits**

★ **How Benefits Are Calculated**

★ **The Benefits Estimate Explained**

- how to get it
- what it includes

★ **A Summary of Medicare Benefits**

- hospital insurance plan
- medical insurance plan
- Medicare Advantage plan
- prescription drug coverage



Great Public Schools for Every Student

COMPLIMENTS OF COLLECTIVE BARGAINING & MEMBER ADVOCACY



THIS FACT SHEET...

briefly summarizes your benefits under the Social Security and Medicare programs, which include hospital and medical insurance as well as retirement, disability, and survivors' benefits.

The material in the centerfold explains how you qualify for Social Security benefits, how your benefits are determined, and how you can obtain your own Social Security Statement. The Medicare section provides details on eligibility, coverage, and the premium amounts for hospital and medical insurance under the original plan (Parts A and B), and information on prescription drug plans (Part D), and Medicare Advantage plans (Part C).

To locate your nearest Social Security office, look in the telephone directory under "Social Security Administration" or "U.S. Government," call 1-800-772-1213, or visit www.socialsecurity.gov. For Medicare information, visit www.medicare.gov or call 1-800-MEDICARE (1-800-633-4227).

WHAT YOU PAY

In 2011, your employer will pay a Social Security tax of 6.2% and you will pay a Social Security tax of 4.2% of the first \$106,800 of your earnings. Both of you will each pay a Medicare tax of 1.45% on all that you earn.

If self-employed, you will pay 10.4% of the first \$106,800, plus a Medicare tax of 2.9% on all that you earn. However, when filing your tax return, you can take special deductions to offset your taxes.

The Social Security and Medicare taxes paid by you and your employer will continue as long as you are working, regardless of your age and even though you may be receiving Social Security benefits. If you work for more than one employer during the year, each employer will deduct these taxes on the maximum earnings base. If there is an overpayment, you may claim a refund on your income tax return for the year.

Your employer is required to give you a year-end statement showing the total amount of taxes deducted from your pay. If the Social Security Administration (SSA) does not send you a Social Security Statement automatically (see "Workers—How Your Benefits Are Estimated"), it's a good idea to check with the SSA every 3 years for the official record of wages credited to you.

APPLYING FOR BENEFITS

You are entitled to a retirement benefit if you are fully insured, are at least age 62, and file a claim with a Social Security office.

You can apply for retirement benefits on the Internet at www.socialsecurity.gov, by telephone at 1-800-772-1213, or by making an appointment to visit any Social Security office. The people at Social Security will tell you what documents you need to provide for the type of benefit you are claiming and will help you complete the application.

We suggest you talk to a Social Security representative a few months before the year in which you plan to retire. Prompt filing is important. Delay may mean fewer payments, because retirement benefits may be paid for up to only 6 months retroactively. It also may be beneficial to start your retirement benefits before you actually stop working.

Even if you don't plan to retire, it is important to contact Social Security 3 months before you or your spouse reaches age 65 to arrange for Medicare insurance coverage. If you wait until the month you reach age 65 or later, you may delay your coverage and may have to pay a higher premium for Medical Insurance (Part B).

PAYOFF ON RETIREMENT

If you retire in 2011 at age 66 (see Table 1 for full retirement ages) and you have earned the maximum amount each year used to figure benefits, the highest monthly benefit you can receive is \$2,366 beginning in the month after the month you meet the eligibility requirements.

You can retire as early as age 62, but this will permanently reduce your benefit, even for years after you reach age 66. You will get about the same total sum over your lifetime, but in smaller amounts to account for the longer period you will receive them.

If you work past full retirement age, you can collect full Social Security benefits no matter how much you earn. Also, your benefits (and your dependent surviving spouse's benefits) may be increased according to your earnings (see "Work After Retirement"). If you choose not to receive benefits, you will receive special credits for

delaying your retirement until you reach age 70. These credits are based on your year of birth and can substantially increase your benefit amounts. Note that if you were born after 1937, your full retirement age is more than 65. You can still receive reduced benefits at age 62, but the reduction will increase (see "Notes to Table 1," footnote 1).

When you are retired, your dependents in any of the following categories may be entitled to benefits based on your work record:

- ★ Your spouse at age 62 or older, unless he or she can collect a higher Social Security benefit on his or her own work record. (If your spouse's work record produces a personal retirement benefit that is less than the benefit payable on your record, he or she will get the personal benefit plus the difference. For example, Mrs. Smith is due a \$350 retirement benefit and a \$450 spouse's benefit. She will be paid her \$350 benefit plus \$100 from her husband's Social Security account.*) Note also that your spouse's eligibility for a government pension may reduce benefits he or she can receive on your record due to the Government Pension Offset that applies to government pensioners who apply for Social Security spousal and survivor benefits (see "Retirees—How Your Benefits Are Calculated").
- ★ Your spouse at any age, if caring for your child (under 16 or disabled) who is entitled to benefits. Your spouse is not eligible for benefits as a dependent from the time your youngest child turns age 16 until your spouse reaches age 62, even if your child continues to draw benefits.
- ★ Your dependent, unmarried children (natural or adopted) under age 18 (under 19 if still in high school), and those age 18 or older who were disabled before age 22 and who remain disabled.
- ★ Your grandchildren who live with you, if their parents are dead or disabled.
- ★ Your divorced spouse at age 62 who: (1) was married to you for 10 years, (2) has not remarried, and (3) is not eligible for an equal or higher benefit on his or her own record or on someone else's. (If divorced at least 2 years, your ex-spouse can get benefits if you are eligible to receive them, even if you have not yet retired).

You and your dependents are each entitled to a percentage of your benefit (your Primary Insurance Amount (PIA), shown in Table 1). If you have more than one dependent when you retire, benefit amounts are subject to the Family Maximum Benefit, the top amount payable to you and your dependents together, and to other limits discussed in "Retirees—How Your Benefits Are Calculated."

If you owe a delinquent nontax debt to the federal government, you have 2 months to pay it or the Treasury Department will begin to deduct up to 15% of your monthly Social Security benefit payment (not to be reduced below \$750 per month) until you pay off the debt. For a delinquent federal tax debt, your monthly benefit may be reduced regardless of the amount.

Cost of living adjustments. Although Social Security benefits have been adjusted annually to keep up with living costs, there has been no adjustment since 2010 because the U.S. Government has determined that living costs have not increased.

WORK AFTER RETIREMENT

If you are under full retirement age and already receiving Social Security benefits, those benefits will be reduced if you continue to work and earn more than a certain amount: a) If you are under full retirement age for the entire year of 2011, your benefits will be

reduced by \$1 for each \$2 you earn above \$14,160 in 2011; and b) If you reach full retirement age in 2011, for all months in 2011 before you reach full retirement age your benefits will be reduced by \$1 for each \$3 you earn above \$37,680 in 2011. However, if 2011 is your first retirement year, you'll get your full benefit for each month in which you neither work as an employee for more than \$1,180 if you're under full retirement age, nor perform "substantial services in self-employment," regardless of your total earnings for the year. Beginning in the month you reach full retirement age and thereafter, you can earn any amount and still draw the full Social Security benefit to which you are entitled, with no reductions related to your earnings. The earnings test only applies to income earned from a job.

Your earnings in retirement may affect your dependents' benefits as well as your own, but not a divorced spouse's benefits. If a dependent works, those earnings affect only the dependent's benefits. If your earnings in retirement result in higher benefits, your benefits will be recomputed each year and you will receive the increase without further application.

TAX ON BENEFITS

Some people who get Social Security will have to pay taxes on their benefits. You will be affected only if you have substantial income in addition to your Social Security benefits.

If you file a federal tax return as an "individual" and your combined income** is between \$25,000 and \$34,000, you may have to pay taxes on 50% of your benefits. If your combined income is above \$34,000, up to 85% of your benefits may be subject to income tax.

If you file a joint return, you may have to pay taxes on 50% of your benefits if you and your spouse have a combined income that is between \$32,000 and \$44,000. If your combined income is more than \$44,000, up to 85% of your benefits may be subject to income tax.

If you are married and file a separate return, you probably will pay taxes on your benefits.

For more information about the taxation of your Social Security benefits, you can call the IRS at 1-800-829-3676 to ask for a copy of Publication 554, "Tax Guide for Seniors," and Publication 915, "Social Security and Equivalent Railroad Retirement Benefits," or visit www.irs.gov.

IF YOU BECOME DISABLED

If you become disabled, you and your dependents can start drawing monthly Social Security benefits (after a 5-month waiting period) just as if you reached full retirement age. However, you must be under full retirement age and insured for disability benefits, and you must apply for disability benefits. Note that your total family benefit is limited to the *smaller* of 85% of your average indexed monthly earnings or 150% of your PIA. Other provisions that may affect benefit amounts are discussed under "Retirees—How Your Benefits Are Calculated."

The time element in applying for disability benefits is very important—a delay of over 12 months beyond the waiting period in making application may result in your losing benefits.

To be eligible, you need medical proof showing that you are unable to perform any substantial work for pay because of a severe physical or mental disability, and that the disability has lasted, or is expected to last, 12 months or more or will result in death. (Generally, a job that pays more than \$1,000 per month is considered substantial work. However, a job that pays \$300 per month could be considered substantial work if you submit evidence that area workers who are not disabled do a similar amount and quality of work or your work is clearly worth more than \$1,000, based on pay scales in your community.) You must be "fully insured" and have had 5 years (20 credits) of coverage in the last 10 years before your disability. Workers who become disabled between the ages of 24 and 31 can qualify for disability benefits if they worked half the time between age 21 and the time they became disabled. Persons disabled before age 24 are eligible if they have earned 6 credits in the 3-year period ending when the disability started. Workers disabled and recovered before age 31 and again disabled after age 31 may be eligible if they worked half the time after age 21 through the calendar quarter of their second disability, excluding the first period of disability. The minimum number of quarters generally required under this alternate test is 6. Special rules apply for disabled blind people.

When you apply for disability benefits, you will be considered for vocational rehabilitation services by an agency in your state. If your application is approved, you will not be paid disability benefits if, without good cause, you refuse counseling, training, or other services offered to you by the state vocational rehabilitation agency.

If you return to work in spite of your impairment, your benefits will continue during a trial work period of up to 9 months (not necessarily consecutive, but within a 5-year period) to test your ability to work. You must have net earnings of more than \$720 in a month to count that month in the trial work period. If you are able to do substantial work after 9 months of trial work, your benefits will continue for an adjustment period of 3 additional months. If you complete the 9-month period and again become unable to continue working within the next 36 months, your benefits can be restarted automatically.

If you become disabled within 5 years after you return to work, you can begin receiving benefits again through expedited reinstatement without serving another 5-month waiting period, provided that your second disability is expected to last 12 months or more. This also applies to individuals who were entitled to benefits as a disabled surviving spouse or as a person disabled before age 22 who becomes disabled again within 7 years after benefits end.

SURVIVOR BENEFITS

Monthly survivor benefits are available to the following beneficiaries if you are insured by Social Security when you die

(regardless of your age):

- ★ Your surviving spouse at age 60 or over (50–59 if disabled), or at any age if caring for your child (under 16 or disabled before age 22) who is entitled to benefits;
- ★ Your dependent unmarried children under age 18*** and those age 18 or over who became disabled before age 22 and remain disabled;
- ★ Your dependent parents age 62 or older;
- ★ Your unmarried surviving divorced spouse: (1) at age 60 or over (50–59 if disabled) who was married to you for 10 years and who is not eligible for an equal or higher personal benefit, or (2) at any age if caring for a child (under 16 or disabled) who is entitled to benefits on your record.

Each surviving dependent is entitled to a percentage of your PIA, subject to the Family Maximum Benefit (your PIA is the amount you would have received if you had lived to retire at full retirement age or, if you had already retired at that age, the amount you were receiving) (see Table 1). Note that benefits of surviving spouses (including those disabled or divorced) are reduced if begun before full retirement age. Eligibility for a government pension may also affect their benefits due to the Government Pension Offset (see "Retirees—How Your Benefits Are Calculated").

If your surviving spouse remarries before reaching age 60 (or age 50 if disabled), she or he will not be eligible for benefits on your record unless the subsequent marriage ends. After reaching age 60 (50 if disabled), a surviving spouse or surviving divorced spouse married to an insured worker for 10 years may remarry without losing entitlement to benefits.

Children's benefits are not affected by the remarriage of their mother or father, even if their stepparent adopts them and contributes to their support. Nor will adoption of a surviving child by any other person cause the child's benefits to stop. Children's benefits stop when they marry or reach age 18.*** When the last surviving child marries or reaches age 16, the mother's or father's benefits also stop, but a surviving spouse or an eligible divorced spouse of a fully insured person may begin receiving a surviving spouse's benefits again upon reaching age 60 (50 if disabled).

As with retired workers, Social Security payments to a surviving dependent are reduced if the dependent works and earns more than the earnings limit for the year (see "Work After Retirement"). However, work by a parent does not affect the benefits of surviving children under that parent's care.

Lump-sum death benefit. In addition to the monthly benefits survivors receive, the deceased worker's eligible spouse is entitled to a one-time payment of \$255. If there is no such spouse, this payment can be made only to a child entitled to survivor's benefits.

*Applies to children, dependent parents, or surviving spouses (including those who are divorced).

**"Combined income" means your modified adjusted gross income (as reported on Form 1040) plus nontaxable interest plus one-half of your Social Security benefits.

***Nineteen if still in high school.

How You Qualify

Before you can qualify for benefits, you need credit for a certain amount of work under Social Security. You earn one credit (or a “quarter of coverage”) for each dollar amount listed below, up to a maximum

of 4 credits per year. (The dollar figure rises each year to reflect the increase in average wages.)

2003	\$890	2006	\$970	2009	\$1,090
2004	900	2007	1,000	2010	1,120
2005	920	2008	1,050	2011	1,120

Self-employed persons who have at least \$400 in self-employment income in a year before 1985 earn at least 1 credit. Since 1985, the amounts of self-employment income needed to earn at least 1 credit is the same as for regular earnings. However, self-employed persons with net earnings of less than \$400 may still be given credits if their gross earnings are at least \$600 and they are eligible to use an “optional method” of reporting earnings.

Men and women in military service from 1957 through 2001 earn credits on basic pay for active duty, plus additional credits of up to \$1,200 from 1978 through 2001. Credits of \$160 a month for active military service before 1957 may also be granted in some cases.

Federal employees hired as of January 1, 1984, employees of nonprofit organizations, and most state and local government employees also earn credits for wages they are paid.

“Fully insured” means that you and your dependents are eligible for most Social Security benefits. It does not, however, determine the amount of your benefits. You are fully insured if you have at least the following number of credits in the year you reach age 62, become disabled, or die:

1984	33	(8¼ yrs)	1988	37	(9¼ yrs)
1985	34	(8½ yrs)	1989	38	(9½ yrs)
1986	35	(8¾ yrs)	1990	39	(9¾ yrs)
1987	36	(9 yrs)	1991 on	40	(10 yrs)

Employees of nonprofit organizations who are 55 and older and who are mandatorily covered as of January 1, 1984, are considered *fully insured* for retirement and survivor benefits if they acquire the credits shown below:

Age on Jan. 1, 1984	Credits	Age on Jan. 1, 1984	Credits
60 or over	6	57	16
59	8	55 or 56	20
58	12		

“Currently insured” is a special coverage to ensure that dependent children and their surviving parent may receive benefits if a worker should die before becoming fully insured. You need at least 6 credits in the 3 years before your death to be currently insured. If you become disabled, you and your dependents are eligible to receive monthly benefits if you meet the requirements outlined under “If You Become Disabled.”

How Your Benefits Are Determined

you become eligible for benefits (the year you reach age 62, become disabled, or die), the age at which your benefits begin, and your family situation.

RETIREES—HOW YOUR BENEFITS ARE CALCULATED

When you apply for Social Security benefits, your earnings record is reviewed to determine whether you have worked long enough to qualify. Your *earnings average* is used to determine the size of your monthly benefit. The number of years used

in figuring the average depends on when you become *eligible* for benefits.

When your benefits are computed, your actual earnings are adjusted (“indexed”) to reflect changes in average wage levels during the years you have worked. The indexed earnings are averaged together, and a formula is applied to the average to obtain your Primary Insurance Amount (PIA).^{*} The PIA is increased by the cost-of-living adjustment (COLA) that occurs in the year you first become eligible for benefits and by any yearly COLAs thereafter. Increases since 2000 are as follows:

2000	2.4%	2004	2.1%	2008	2.3%
2001	3.5%	2005	2.7%	2009	5.8%
2002	2.6%	2006	4.1%	2010	0.0%
2003	1.4%	2007	3.3%	2011	0.0%

You and the eligible members of your family are each entitled to a percentage of your PIA (see Table 1). Note that the amounts are reduced:

^{*}This indexing method is used to calculate benefits for people eligible for benefits in 1984 and later. People who were eligible before 1979 receive benefits calculated under an “old” method using actual earnings rather than indexed earnings to obtain the PIA. People who became eligible in 1979–1983 receive benefits calculated two ways—by the indexing method and by a modified version of the old method—and they receive the higher of the two resulting benefit amounts.

The monthly benefit you and eligible members of your family will receive is determined by the SSA. This determination involves your earnings record, when

- ★ If you (or your spouse, unless caring for an eligible child) begin receiving benefits before reaching full retirement age; or
- ★ If the combined amount of family benefits exceeds the Family Maximum Benefit. In this situation, you receive your full benefits, but the benefits of each family member who is entitled to benefits on another earning record will be reduced proportionately, while benefits paid to other family members may be increased by a comparable amount. Benefits paid to a divorced spouse do not affect the total amount payable to other family members. (The amount of the Family Maximum Benefit is determined by applying a formula to your PIA.)

In addition, benefit amounts may be reduced in the following situations (see www.socialsecurity.gov for more information):

- ★ If you become eligible both for Social Security retirement or disability benefits and for a pension based on noncovered employment after 1985, a modified formula will be used to figure your benefits, which will result in a lower PIA to take account of the years spent in noncovered employment.
- ★ If you receive workers’ compensation or a public disability benefit, payments from such programs plus Social Security payments may not exceed 80% of your average current Social Security earnings before you became disabled.
- ★ If you receive a pension from a federal, state, or local government job not covered by Social Security, and you are eligible for Social Security spousal benefits based on your spouse’s earnings record, your spousal benefit may be reduced by an amount equal to two-thirds of your government pension, and could be reduced to zero, under the Government Pension Offset (GPO). The GPO applies to government pensioners who apply for Social Security spousal or survivor benefits.
- ★ If you receive a pension from a job not covered by Social Security and you are eligible for a Social Security retirement or disability benefit, your Social Security benefit may be reduced, but not eliminated, by the Windfall Elimination Provision (WEP), which applies to workers. The reduced amount depends on your earnings and number of years in jobs covered by Social Security, and the year you are age 62 or become disabled. In 2011, the maximum monthly reduction is \$375.

Your monthly benefit and the benefit of your surviving spouse will be increased, however, if you work past your full retirement age. (For a list of the monthly and yearly benefit increases you can receive, see Table 2.)

Table 1. Percentage of Primary Insurance Amount (PIA) Payable to Workers, Dependents, and Survivors*

RETIREMENT/DISABILITY BENEFITS

Category	Worker		Spouse (Divorced spouse)		Spouse any age caring for child under 16 or disabled	Child under 18 or disabled
	Full ret. age** or disabled	62 ¹	Full retirement age**	62 ²		
% of PIA	100	80	50	37.5	50	50

SURVIVORS' BENEFITS

Category	Surviving Spouse (Surviving divorced spouse)				Child under 18 or disabled	Dependent parent 62 or over
	Full retirement age**	60 ³	50–59, if disabled	Any age caring for child under 16 or disabled		
% of PIA	100 ⁴	71.5	71.5	75	75	82.5 (75 if two parents)

Table 2. Extra Credit for Each Month of Work Between Full Retirement Age and Age 70 (for Workers and Surviving Spouses)

Year Worker Reaches Full Retirement Age	Monthly Percentage	Yearly Percentage	Year Worker Reaches Full Retirement Age	Monthly Percentage	Yearly Percentage
Prior to 1982	1/12 of 1%	1%	1998–1999	11/24 of 1%	5.5%
1982–1989	1/4 of 1%	3%	2000–2001	1/2 of 1%	6%
1990–1991	7/24 of 1%	3.5%	2002–2003	13/24 of 1%	6.5%
1992–1993	1/3 of 1%	4%	2004–2005	7/12 of 1%	7%
1994–1995	3/8 of 1%	4.5%	2006–2007	5/8 of 1%	7.5%
1996–1997	5/12 of 1%	5%	2008 or later	2/3 of 1%	8%

Notes to Table 1

*Subject to the Family Maximum Benefit (total benefit amount payable to a family together, excluding any amount payable to a divorced spouse). Spouses eligible for higher benefits on their own records receive that amount.

**Full Retirement Age by Year of Birth.

Year of Birth	Full Retirement Age
1937 and earlier	65 yrs
1938	65 yrs, 2 mos
1939	65 yrs, 4 mos
1940	65 yrs, 6 mos
1941	65 yrs, 8 mos
1942	65 yrs, 10 mos
1943–1954	66 yrs
1955	66 yrs, 2 mos
1956	66 yrs, 4 mos
1957	66 yrs, 6 mos
1958	66 yrs, 8 mos
1959	66 yrs, 10 mos
1960 and later	67 yrs

Reduction Formula for Each Month of Entitlement Before Full Retirement Age

- ¹ 5/9 of 1% for each of the first 36 months of entitlement before full retirement age, and 5/12 of 1% for each month in excess of 36. (As the full retirement age increases, the reduction in benefits payable at age 62 will also increase. A worker retiring in the year 2027 will get about 70% of the age-67 benefit.)
- ² 25/36 of 1% for each of the first 36 months. Total reduction for 36 months is 25%. For each month in excess of 36, the benefit is reduced by 5/12 of 1%.
- ³ 19/40 of 1%.
- ⁴ Assumes deceased worker did not receive reduced benefit.

WORKERS—HOW YOUR BENEFITS ARE ESTIMATED

The SSA provides benefit estimates in two ways. You may request a Social Security Statement or, if you are a worker age 25 and older who is not currently receiving Social Security benefits and for whom a current address is available, Social Security will send you your benefits estimate automatically about 3 months before your birth month and annually thereafter. If you are not receiving it annually, you can call Social Security at 1-800-772-1213 and request Form SSA-7004, *Request for an Earnings and Benefit Estimate Statement*, or go to www.socialsecurity.gov to download the form, or visit your local Social Security office. The completed form should be mailed to the Social Security Administration, Wilkes-Barre Data Operations Center, P.O. Box 7004, Wilkes-Barre, PA, 18767-7004. You should receive your Statement in 2 to 4 weeks. If you automatically receive an annual Statement, this request will stop your next scheduled Statement mailing and you will not receive another automatic Statement until the following year.

You can also use Social Security’s *Retirement Estimator and Benefits Planner* available on Social Security’s website with the earnings shown on your Statement to calculate benefit estimates yourself. These benefit calculators will give you estimates based on your earnings record. You should be aware that these estimates will probably vary from your actual benefits.

The Statement lists an estimate of the monthly retirement benefit you would receive at age 62, full retirement age, and age 70, based on your average earnings over your working lifetime. It also provides an estimate in today’s dollars of the benefits for which you and your family might qualify upon retirement or if you should die or become disabled. The Social Security Statement also includes an annual breakdown of your earnings to date

and the total Social Security taxes paid by you and your employer over the course of your career.

Your estimated benefits are figured by the method used to calculate actual benefits, discussed under “Retirees—How Your Benefits Are Calculated,” above (i.e., your PIA is computed from your average earnings, then the percentages shown in Table 1 are applied to the PIA to derive the monthly benefit amounts shown in the Statement).

Bear in mind that the Statement is not a decision on a claim for Social Security benefits. You do not qualify for any of these benefits unless you apply for them, have all the Social Security credits you need, and meet all other requirements. The actual number of Social Security credits and the benefit estimates shown on the Statement may change. The SSA will determine the exact amount of your benefits, if any, when you apply.

If you request a Statement, the estimated benefits are based on your earnings record and information you give Social Security about not-yet recorded current earnings and future earnings. For the automatic Statements, Social Security assumes you will continue to earn the posted amount shown for the previous year.

If any of the information you submitted is wrong, the Social Security credits shown and the benefits estimated in the Statement may also be wrong. Social Security bases your benefit estimate in part on your future average yearly earnings. The accuracy of your prediction of earnings will affect the accuracy of your benefit estimate. Thus, it is a good idea to check on the status of your Social Security account periodically to make sure your earnings are being properly credited. However, there is a time limit on corrections of Social Security earnings records. If you discover an error has been made, you should contact your local Social Security office immediately.



MEDICARE PROGRAMS

Medicare Parts A, B, C, and D

Individuals are automatically covered by the Original Medicare Plan (Part A (Hospital Insurance) and Part B (Medical Insurance)). Individuals can opt to be covered by a Medicare Prescription Drug Plan (Part D) or by a Medicare Advantage Plan (Part C). Each of these plans is discussed below.

MEDICARE PART A: Hospital Insurance

WHAT IT COVERS

★ *Hospital care*, for up to 90 days for each benefit period (you pay \$1,132 for the first 60 days in the hospital and an additional \$283 for each day from days 61 through 90). You also have a lifetime reserve of 60 additional days of hospital care (you pay \$566 for each of these reserve days). A benefit period begins when you enter the hospital and ends after you have been out of the hospital (or out of a skilled nursing facility) for 60 consecutive days. It also ends if you stay in a skilled nursing facility but do not receive any skilled care for 60 consecutive days. If you reenter a hospital after 60 days, a new benefit period begins. Hospital and skilled nursing facility benefits are renewed with each new benefit period. However, lifetime reserve days or psychiatric hospital benefits you used are not renewed. There is no limit to the number of benefit periods you can have for hospital or skilled nursing facility care. Care includes semiprivate room and board (private rooms only when medically necessary); use of operating and recovery rooms; regular duty nursing services; radiological services; hospital costs for anesthesia services; drugs; blood transfusions (but you pay the costs of the first three pints of blood or provide replacement); medical supplies, appliances, devices, and related services; rehabilitation services; and psychiatric hospital care for a lifetime total of 190 days. Psychiatric care provided in a general hospital, rather than in a psychiatric hospital, is not subject to the 190-day limit.

★ *Inpatient care in a "skilled nursing facility"* after at least a 3-day hospital stay for up to 20 days for each benefit period, plus 80 days for which you pay \$141.50 per day. You must be admitted for the same condition for which you were treated in the hospital and have been transferred to a participating skilled nursing facility within 30 days after leaving the hospital. If you leave the facility and then need to return, you must do so within 60 days. Services include semiprivate room and board; nursing care; physical, occupational, and speech therapy; medically necessary transportation by ambulance; and drugs ordinarily furnished to inpatients.

★ *Inpatient care in a religious nonmedical health care institution* is covered for people who qualify for hospital or skilled nursing facility care but for whom medical care is not part of their religious beliefs. Medicare covers only the nonmedical, nonreligious health care items and services and not any religious aspects of care.

★ *Care in your own home* for an unlimited number of medically necessary visits if you are homebound and require either skilled nursing, physical or occupational therapy, or speech language pathology. A doctor sets up a home health plan for you. The services must be supplied by a Medicare-approved home health agency and include part-time or intermittent nursing care or therapy and services of home health aides. Medicare covers the full cost of home health care except for 20% of durable medical equipment; not covered are self-administered drugs and biologicals, housekeeping, home health aid services unrelated to patient care, transportation services, and delivery of meals.

★ *Hospice care* for patients certified as terminally ill who choose to receive care in a Medicare-certified hospice rather than standard benefits for the illness. Special benefit periods, daily coinsurance amounts, and coverage requirements apply.

MEDIGAP POLICY (Medicare Supplement Insurance)

Because Parts A and B pay for many, but not all, health care services and supplies, a Medigap policy can help pay some of the health care costs ("gaps") not covered by Parts A and B, such as copayments, coinsurance, and deductibles. Some Medigap policies also cover services not covered by Parts A and B, such as medical care when travelling outside the U.S. If you have Parts A and B and you buy a Medigap policy, Medicare will pay its share of the Medicare-approved amount for covered health care costs and then your Medigap policy pays its share. Medicare does not pay any of the premiums for a Medigap policy. Medigap policies are sold by private insurance companies.

MEDIGAP NOTES

- ★ To get a Medigap policy, you must have Parts A and B.
- ★ You pay a monthly premium for the Medigap policy in addition to your Part B monthly premium.
- ★ The Medigap policy only covers one person (no spouse coverage).
- ★ If you do not enroll in a Medigap policy when you are first eligible, your option to buy a policy may be limited and it may cost you more.
- ★ A Medigap policy cannot be used to pay Medicare Advantage plan copayments, coinsurance, or deductibles. If you have a policy and join a Medicare Advantage plan, you may want to drop your policy.
- ★ Medigap policies vary by state and costs vary by policy and insurer.

IT DOES NOT COVER

★ Your doctor's bill (but see Part B); psychiatric hospital care over a 190-day lifetime maximum; cost of private duty nurses and outpatient drugs; long-term or custodial care; or items or services not reasonable or necessary.

WHEN YOU BECOME ELIGIBLE

★ Whether you are working or retired, you are eligible for Part A benefits at age 65 if you are entitled to monthly Social Security or railroad retirement benefits, are insured under Social Security or railroad retirement, or have worked long enough in federal, state, or local government employment to be insured for Medicare purposes. Your spouse, at age 65, is also eligible. Employers with 20 or more employees are required to offer workers age 65 or older (and spouses age 65 or older married to workers of any age) the same health benefits offered to younger workers. You may accept or reject the employer's health plan. If you accept it, Medicare will become the secondary health insurance payer. If you reject the employer plan, Medicare will be the primary health insurance payer.

★ Generally, if you are age 65 or over and filed an application and established entitlement to a monthly Social Security benefit or railroad retirement benefit, you do not need to file an additional application for Medicare Part A. Similarly, if you are under age 65 and have established entitlement to Social Security benefits or Railroad Retirement benefits on the basis of disability, you do not need to file a separate application for Medicare. If you are eligible for Social Security benefits but have attained age 65 without applying for those benefits, you must file an application to establish your eligibility for Medicare.

★ Individuals age 65 who are not eligible under these rules may enroll for Part A benefits by filing an application and by paying the full cost of coverage (\$248 per month for individuals with 30 or more quarters but fewer than 40 quarters of Medicare-covered employment (\$273 for late enrollees), and \$450 per month for those with fewer than 30 quarters or no quarters of Medicare-covered employment (\$495 for late enrollees)).

★ Disabled persons under age 65 who have been entitled to disability benefits for at least 24 months, people with permanent kidney failure, and certain surviving spouses are eligible for Part A benefits. Persons with permanent kidney failure and certain surviving spouses must file an application for Part A benefits.

★ Excluded are aliens who are not permanent U.S. residents for 5 years.

MEDICARE PART B: Medical Insurance

WHAT IT COVERS

★ *Services of physicians*, including diagnosis, therapy, surgery, consultation (including use of telecommunications systems for services covered in certain rural areas), and home, office, and institutional visits; services and supplies ordinarily furnished in a doctor's office, such as services of an office nurse and drugs that cannot be self-administered.

★ *Certain services of dental surgeons, optometrists, chiropractors, podiatrists, chiropodists, and nurse practitioners.*

★ *Outpatient hospital services* for diagnosis and treatment, such as care in an emergency room or outpatient clinic; and outpatient services including surgery, physical and occupational therapy, speech pathology, and those furnished in a comprehensive outpatient rehabilitation facility. There may be limits (and exceptions to those limits) on physical therapy, occupational therapy, and speech pathology services.

★ *Additional medical services*, including a one-time welcome exam within 12 months of enrollment and annual wellness exams if enrolled for more than 12 months; diagnostic X-ray, laboratory, and other tests; radiation treatments; glaucoma tests and macular degeneration treatment; certain ambulance services; purchase or rental of durable medical equipment; prosthetic devices (other than dental); diabetic and colostomy supplies; kidney dialysis; certain vaccines; immunosuppressive drugs therapy and medical nutrition therapy; pap smears (includes pelvic and breast exams); mammograms; screenings for colorectal and prostate cancer, cardiovascular disease, diabetes, and HIV; bone mass measurements; hearing exams; smoking cessation; medical clinical trials; and blood transfusions, but you pay for the first 3 pints or provide replacement. Medicare covers 55% of approved charges for most outpatient mental health benefits.

★ *Home health services* are covered under Part B only if you do not have Part A coverage and the home health agency has submitted a claim for payment of services.

WHAT IT PAYS

★ Medicare generally pays 80% of the approved amount for covered services after you pay an annual \$162 deductible. You are responsible for paying the other 20% of deductible charges and for permissible physician charges in excess of the Medicare-approved amount, plus all charges not covered by Medicare. In 2011, you will pay nothing for most preventive medical services

if the services are from a doctor or health care provider who accepts assignment. For some services, a copayment or coinsurance may apply. Physicians who do not accept assignment of Medicare claims can charge the lower of the prevailing rate or 15% more than the Medicare-approved amount for a covered physician service. An annual cap of \$1,870 applies to outpatient physical therapy and speech pathology combined, and a separate annual cap of \$1,870 for occupational therapy applies. There is no charge for a flu shot.

IT DOES NOT COVER

★ Routine foot care; eye exams to determine the need for eyeglasses; eyeglasses (except following cataract surgery) or fitting expenses (except prosthetic lenses); hearing aids or fitting expenses; orthopedic shoes; cosmetic surgery (except in repair of an injury); dental services; self-administered drugs and biologicals; most immunizations, vaccinations, and inoculations (unless medically necessary); assisted suicide services; home delivery of meals or homemaker services; injuries covered by workers' compensation; health services provided by a member of your household or an immediate relative; and services outside the United States or its territories except in certain circumstances.

WHEN YOU BECOME ELIGIBLE

★ All persons enrolled in Part A benefits are automatically entitled to Part B benefits and must file a written request for enrollment with SSA during an enrollment period. You must also request enrollment if you are eligible to enroll in Part B but are not automatically entitled (i.e., because you are not enrolled in Part A or reside in Puerto Rico). You can reject coverage (unless you have voluntarily enrolled in Part A) by filing a notice that you do not wish to be enrolled. If you file the notice after coverage has become effective, termination will take effect at the end of the next month.

★ If you reject coverage initially or after being enrolled, you may enroll or re-enroll in January through March of each year; coverage is effective in July of that year. However, the premiums you pay may be higher if you enroll after you rejected coverage unless you are age 65 or older (or disabled and under age 65) and covered by an employer's group health plan.

★ If you accept enrollment at your first opportunity, your 2011 monthly premium is \$115.50. However, if your income is above \$85,000 (\$170,000 for a married couple filing jointly), your monthly premium is \$161.50; if your income is above \$107,000 (\$214,000 for a married couple filing jointly), your monthly premium is \$230.70; if your income is above \$160,000 (\$320,000 for a married couple filing jointly), your monthly premium is \$299.90; and if your income is above \$214,000 (\$428,000 for a married couple filing jointly), your monthly premium is \$369.10.

MEDICARE PART D: Prescription Drug Coverage

WHAT IT COVERS

Prescription drug benefits are available under Part D. This coverage is a prescription drug option run by Medicare-approved private insurance companies. This coverage helps cover the cost of prescription drugs. Prescription drug coverage is voluntary.

Two Types of Plans Offer Medicare Prescription Drug Coverage:

★ Medicare prescription drug plans add drug coverage to Parts A and B, some Medicare cost plans, some Medicare Private Fee-for-Service (PFFS) Plans, and Medicare Savings Account (MSA) Plans.

★ Medicare Advantage plans or other Medicare health plans that offer Medicare prescription drug coverage. You get all of your Part A and Part B coverage, and prescription drug coverage (Part D) through these Medicare Advantage plans.

WHAT IT COSTS

Each plan may vary in cost and drugs covered. The costs for coverage are paid for by monthly premiums you pay. Part D monthly premiums are in addition to the Part B monthly premium you pay. Similar to premium adjustments that apply to higher income Part B enrollees, in 2011, your Part D monthly premium could be higher based on your income. You will pay the regular plan premium to your prescription drug plan and you will pay the income-related adjustment to Medicare. If your income is above \$85,000 (\$170,000 for a married couple filing jointly), your monthly adjustment is \$12; if your income is above \$107,000 (\$214,000 for a married couple filing jointly), your monthly adjustment is \$31.10; if your income is above \$160,000 (\$320,000 for a married couple filing jointly), your monthly adjustment is \$50.10; and if your income is above

\$214,000 (\$428,000 for a married couple filing jointly), your monthly adjustment is \$69.10.

HOW TO ENROLL

Medicare offers prescription drug coverage to everyone in Medicare. To get prescription drug coverage, you must have Part A or Part B (unlike a Medicare Advantage plan that requires you to have both Parts A and B), and you must join a prescription drug plan run by an insurance company or other private company approved by Medicare. This is unlike Part B, in which you are automatically enrolled and must opt out if you do not want coverage. If you do not elect to join a Medicare prescription drug plan when you are first eligible, and you do not have other prescription drug coverage (for example, from a current or former employer or union), you will likely pay a late enrollment penalty. You must also live in the service area of the Medicare drug plan you want to join.

DONUT HOLE

If you have Part D with a coverage gap (also called the donut hole), that gap will be reduced over several years to make prescription drugs more affordable. If you reach the coverage gap in 2011, you may get a 50% discount on brand-name prescription drugs. The Medicare donut hole will be phased out over time and eliminated by 2020.

Most Medicare drug plans have a coverage gap policy, which means that after you and your drug plan have spent a certain amount of money for covered drugs, you have to pay all costs out-of-pocket for your prescriptions up to a yearly limit. Not everyone reaches the coverage gap. Your annual deductible, coinsurance, or copayments and what you pay in the coverage gap all count toward your out-of-pocket limit. The limit does not include the drug plan premium you pay or what you pay for drugs that are not covered.

Once you reach your plan's out-of-pocket limit, you automatically get catastrophic coverage. This coverage assures that once you have spent up to your plan's out-of-pocket limit for covered drugs, you only pay a small coinsurance amount or copayment for the prescription drugs for the rest of the year.

You can learn more about what Medicare covers in *Medicare & You* at www.medicare.gov, or by calling 1-800-MEDICARE (1-800-633-4227).

MEDICARE PART C: Medicare Advantage Plans

WHAT IT COVERS

Under Part C, Medicare Advantage plans (formerly known as Medicare+Choice plans) provide coverage for a fixed fee under contract to Medicare and handle administering Medicare benefits for plan participants. These plans (like an HMO or PPO) are run by Medicare-approved private insurance companies. By joining a Medicare Advantage plan, you can choose to receive all of your health care services through a provider organization. All Medicare Advantage plans must offer the same benefits as Parts A and B (except hospice care) and usually offer prescription drug coverage like Part D. In all types of Medicare Advantage plans, you are covered for emergency and urgent care. Part A covers hospice care even if you have a Medicare Advantage plan. Many plans offer additional benefits usually excluded from Medicare coverage such as vision, hearing, and dental. The plan, rather than Medicare, determines the deductibles and coinsurance payments for covered benefits. While provider and hospital selection sometimes is more limited, Medicare beneficiaries who join a Medicare Advantage plan usually save on coinsurance and deductible payments and often receive greater benefits.

Types of Medicare Advantage Plans

Some examples of Medicare Advantage plans are:

- ★ Health Maintenance Organization (HMO) Plan
- ★ Preferred Provider Organization (PPO) Plan
- ★ Private Fee-for-Serviced (PFFS) Plan
- ★ Special Needs Plan (SNP)

Some other less common types of Medicare Advantage plans are:

- ★ HMO Point of Service (HMPOS) Plan, which is an HMO plan that may allow you to get some services out-of-network for a higher cost
- ★ Medical Savings Account (MSA) Plan, which is a plan that combines a high deductible health plan with a bank account. Medicare deposits money into

the account (usually less than the deductible). You use the money to pay for your health care services during the year.

WHAT IT COSTS

In addition to your Part B monthly premium, you usually pay a monthly premium for a Medicare Advantage plan. Medicare will pay a fixed amount for your care every month to the company offering the Medicare Advantage plan you are enrolled in. These companies must follow rules set by Medicare. However, each Medicare Advantage plan can charge different out-of-pocket costs and have different rules that apply for how you get services, such as if you need a referral to see a specialist.

What You Pay in a Medicare Advantage Plan

Your out-of-pocket costs in a Medicare Advantage plan depend on:

- ★ Whether the plan charges a monthly premium.
- ★ Whether the plan pays any of your monthly Part B premium.
- ★ Whether the plan has a yearly deductible or any additional deductibles.
- ★ How much you pay for each visit or service (copayments or coinsurance).
- ★ The type of health care services you need and how often you get them.
- ★ Whether you follow the plan rules (for example, use of network providers).
- ★ Whether you need extra benefits and if the plan charges for them.
- ★ The plan's yearly limit on your out-of-pocket costs for all medical services.

Keep in mind that Medicare Advantage plans are not supplemental coverage. Instead, with a Medicare Advantage plan, you do not need a Medigap policy because Medicare Advantage plans cover many of the same benefits as a Medigap policy, such as extra days in the hospital after you have used the Medicare-covered days.

HOW TO ENROLL

If you have both Medicare Parts A and B, you can enroll in a Part C Medicare Advantage plan. Because not all Medicare Advantage plans are the same, you should contact the specific plan you are interested in for information about its benefits and costs.



Your Medicare Coverage Choices at a Glance

There are two main choices for how you get your Medicare coverage: Original Medicare or a Medicare Advantage Plan. Use the steps below to help you decide how to get your coverage.

Step 1: Decide how you want to get your coverage

