

# Healthcare in Retirement

Understanding your options



Arkansas Blue  
**MEDICARE**

An Independent Licensee of the Blue Cross and Blue Shield Association



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# Your first big decision

The current United States life expectancy is 79 years, up over 16% from 68 in 1950. This means Americans are living longer and working longer, to save more for retirement.

*\*Resources:*

[https://www.cdc.gov/nchs/products/databriefs/db548.htm#section\\_2](https://www.cdc.gov/nchs/products/databriefs/db548.htm#section_2)

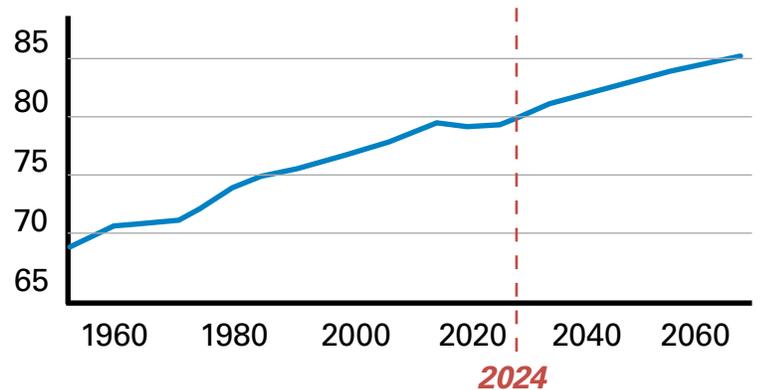
As the Baby Boomer generation ages into retirement, the Bureau of Labor Statistics projects adults age 55+ will continue to increase their work force labor presence over the next decade.

The BLS projects that 21% of older adults will be in the labor force in 2032, up from 19% in 2022.

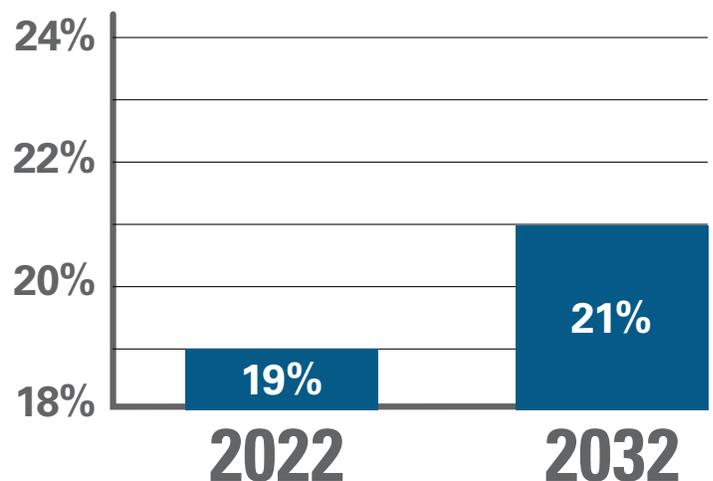
*\*\*Resource:* Pew Research Center

<https://www.pewresearch.org/social-trends/2023/12/14/the-growth-of-the-older-workforce/>

## Life Expectancy from Birth\*



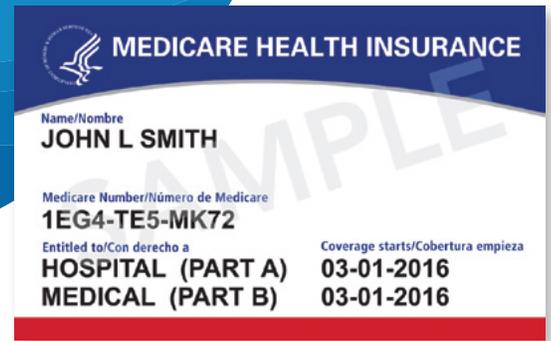
## Increase of Older Adults in the Labor Force\*\*





**Whether you decide to retire or keep working, it's important to learn about Medicare and Social Security. There could be financial impacts to both your Medicare premiums and your Social Security benefits based on the decisions you make when you turn 65. Understanding all of your Medicare options will help you do the right thing for your circumstances.**

# Basics of Medicare



There are different “Parts” of Medicare. Original Medicare is made up of Part A (hospital services) and Part B (doctor services). Original Medicare is offered by the federal government. Beneficiaries can go to any doctor, hospital, or other provider that accepts new Medicare patients. Original Medicare does not cover all medical expenses, however, and many people choose to buy additional coverage.

## Part A: Original Medicare

- Hospital care
- Inpatient services
- Routine nursing services
- Skilled nursing facility care



**Hospital services**



**Doctor services**



**Prescription coverage**



**Additional benefits**



**Out-of-pocket Medicare costs**

## Part B: Original Medicare

- Physician and outpatient services
- Preventive care
- X-rays and lab tests
- Emergency room visits
- Mental healthcare



**Hospital services**



**Doctor services**



**Prescription coverage**



**Additional benefits**



**Out-of-pocket Medicare costs**

## Part B covers many preventive services. Services like:

- Abdominal aortic aneurysm screening
- Alcohol misuse counseling
- Annual wellness visit
- Bone mass measurement
- Cancer screening (breast, prostate, cervical, vaginal, and colorectal)
- Cardiovascular disease (behavioral therapy)
- Depression
- Diabetes (including self-management training)
- Glaucoma testing
- Hepatitis B shots
- HIV screening
- Medical nutrition therapy
- Obesity screening and counseling
- Pneumococcal shot
- STD screening and counseling
- Tobacco cessation counseling
- “Welcome to Medicare” exam



# Eligibility & enrollment

## You're eligible for Medicare if you are:

- Age 65 or older
- Under 65 with certain disabilities
- Diagnosed with End-Stage Renal Disease (ESRD)

If you already receive Social Security or Railroad Retirement Benefits at least four months before you turn 65, you will automatically be enrolled in Medicare Part A and Part B. However, because you must pay a premium for Part B coverage, you have the option of turning it down. For most people, enrollment in Part A is not automatic. You can enroll in Part A online at [ssa.gov](https://ssa.gov), or by contacting your local Social Security Administration office. Once you enroll in Part A, however, you may have the option to delay enrollment into Part B.

**NOTE:** A growing number of people have high-deductible health insurance plans and make contributions to health savings accounts (HSAs). If you have a high-deductible plan and an HSA, and you'll be eligible for premium-free Part A (see the next page for details), you can enroll at any time when you are first eligible for Medicare. To avoid a tax penalty, however, you should stop contributing to your HSA at least six months before you apply for Medicare.





# Monthly premiums

## Part A

If you or your spouse worked for ten or more years (40 or more quarters), you will not have to pay a monthly premium for Part A. If you worked 30–39 quarters, your monthly premium will be \$311 each month. If you worked 29 quarters or less, you will pay \$565 a month for Part A.

## Part B

The federal government updates the monthly premium for Part B each year. The monthly premium you pay for Part B is based on the income you reported two years prior. For 2026, these are the monthly amounts you'll pay for Part B based on your 2024 reported income:

Your yearly income in 2024		You pay each month
FILE INDIVIDUAL TAX RETURNS	FILE JOINT TAX RETURNS	AMOUNT
\$109,000 or less	\$218,000 or less	\$202.90
\$109,000 - \$137,000	\$218,000 - \$274,000	\$284.10
\$137,000 - \$171,000	\$274,000 - \$342,000	\$405.80
\$171,000 - \$205,000	\$342,000 - \$410,000	\$527.50
\$205,000 - \$500,000	\$410,000 - \$750,000	\$649.20
Above \$500,000	Above \$750,000	\$689.90

## Part B Deferment

The size of your employer determines if you can wait to enroll in Parts A and B without having a late enrollment penalty. If your employer has fewer than 20 employees, you should sign up for Parts A and B when you are first eligible to enroll in Medicare. If you continue to work past age 65 (and your employer has 20 or more employees), you can wait to enroll in Part B as long as you keep the health insurance offered to you by your employer. **If you do not have employer health insurance coverage and you wait to enroll in Part B, you will have a late enrollment penalty.** The penalty will increase by 10% for each 12-month period you delay your Part B enrollment from your initial eligibility date. In most cases, you'll pay this penalty for as long as you have Part B. (NOTE: If you have TRICARE coverage, please contact TRICARE for your enrollment options.) Your employer's human resources benefits manager should be able to tell you whether your health insurance coverage meets the IRS requirement to avoid a late enrollment penalty. You can also call your health insurance company to check this information.



# Enrollment periods

There are several different enrollment periods for Medicare.

Enrollment period	Timing
Initial Enrollment Period (IEP)	When you first become eligible for Medicare (three months before your birth month, your birth month, and three months after the month you turn age 65)
General Enrollment Period (GEP)	Annually from January 1 to March 31 for coverage beginning the first of the following month
Special Enrollment Period (SEP)	Eight-month period from the earliest of these events: Employment ends  OR  Your group health plan insurance ends (based on current employment)

## COBRA and Medicare

Some people choose to enroll in the Consolidated Omnibus Budget Reconciliation Act (COBRA) health insurance program after their employer-sponsored health insurance coverage ends. This program allows you to continue your health insurance through your employer (at a higher cost) for a maximum of 18 months after your employment ends. For most people, COBRA would end when they enroll in Medicare.



# Social Security benefits basics

There's not a single "best age" for everyone to retire, but your monthly Social Security benefit will be higher the longer you delay applying for Social Security. The age you'll receive full Social Security benefits is determined by the year of your birth (see the table below). You can continue to work and also receive Social Security benefits. If you've reached the Social Security full retirement age, you'll still get your full Social Security benefit payment no matter how much money you make each month. If you apply for Social Security before you reach the full retirement age, however, you could be subject to a yearly earnings limit, where your income would reduce your monthly Social Security benefit amount.

Year of Birth	Full Social Security Benefits	Medicare
1943 - 1954	66	65
1955	66 and two months	65
1956	66 and four months	65
1957	66 and six months	65
1958	66 and eight months	65
1959	66 and ten months	65
1960 or later	67	65



# When is the best age for me to apply for Social Security?

Even though your full monthly Social Security benefit could be higher, for illustrative purposes, let's say the full monthly benefit is \$1,000. If you turn 62 in 2026, your full retirement age is 67, and your monthly benefit starting at full retirement age is \$1,000. The earlier you apply for Social Security, the more your monthly benefit will be decreased.

For example, for a person born in 1964, here's how their monthly benefits decrease or increase based on their Social Security application date:

Age	Benefit Reduction/ Increase	\$1,000 Monthly Social Security Benefit
62	-30%	\$700
63	-25%	\$750
64	-20%	\$800
65	-13.3%	\$867
66	-6.7%	\$933
67	0%	\$1,000
68	8%	\$1,080
69	16%	\$1,160
70	24%	\$1,240

# Medicare Advantage plans and Supplement policies

The different “Parts” of Medicare cover different things.

## Part A: Original Medicare

- Hospital care
- Inpatient services
- Routine nursing services
- Skilled nursing facility care



**Hospital services**



Doctor services



Prescription coverage



Additional benefits



Out-of-pocket Medicare costs

## Part B: Original Medicare

- Physician and outpatient services
- Preventive care
- X-rays and lab tests
- Emergency room visits
- Mental healthcare



Hospital services



**Doctor services**



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Out-of-pocket Medicare costs

## Part C: Medicare Advantage

- All benefits in Parts A and B
- Option to include prescription drug coverage
- Valuable extras such as a fitness program membership and worldwide emergency care coverage



**Hospital services**



**Doctor services**



**Prescription coverage**



**Additional benefits**



Out-of-pocket Medicare costs

## Part D: Prescription Drug Coverage

- Prescription drugs



Hospital services



Doctor services



**Prescription coverage**



Additional benefits



Out-of-pocket Medicare costs

The federal government offers Original Medicare (Parts A and B). Part C (Medicare Advantage) and Part D (prescription drug plans) are offered through private health insurance companies. Because Medicare Parts A and B and Medicare Supplement policies do not cover prescription drugs, most people also enroll in a Part D plan when they become eligible for Medicare.

## **Part C – Medicare Advantage plans**

Medicare Part C plans are usually referred to as “Medicare Advantage” plans. They offer all of the benefits of Original Medicare Parts A and B, plus the option to include prescription drug coverage. They may also include valuable extras such as a fitness program membership, dental and vision coverage, and other benefits not covered under Original Medicare. Medicare Advantage plans actually replace Medicare Parts A and B. If you enroll in a Medicare Advantage plan, in addition to paying a monthly premium (if the plan has one), you must also continue to pay your Part B premium. The plans feature a network of doctors and hospitals that contract with your health insurance company to treat you.

Medicare Advantage plans feature deductibles, copays, and coinsurance similar to individual and employer-sponsored plans. The plans also have maximum out-of-pocket limits that protect members from catastrophic healthcare costs each year.

## **Part D – Prescription drug plans**

Medicare Part D plans are usually called “prescription drug plans.” A Medicare prescription drug plan works like many other insurance plans. Typically, you pay a portion of your prescription drug costs and the health insurance plan pays the rest.

You can purchase a Part D plan regardless of any health conditions you may have. You are guaranteed to be approved if you apply on time. Even if you only have Original Medicare Parts A or B, you still can enroll in a prescription drug plan. Each prescription drug plan features a Formulary, (or Drug List), of covered drugs that range from generic to specialty drugs. In addition to the Formulary, people will consider the monthly premium, cost of copays, deductibles, and coinsurance, and the plan’s pharmacy network before purchasing a Part D plan.



## Part D – Adjustments & penalties

In 2011, due to the Affordable Care Act, people with higher incomes began paying a monthly income-related adjustment for Part D benefits in addition to their regular Part D premium.

2026 Part D income-related adjustment		
If your yearly income in 2024 was:		You pay on top of your monthly premium:
File Individual Tax Returns	File Joint Tax Returns	Amount
\$109,000 or less	\$218,000 or less	\$0.00
\$109,000 - \$137,000	\$218,000 - \$274,000	\$14.50 + your plan premium
\$137,000 - \$171,000	\$274,000 - \$342,000	\$37.50 + your plan premium
\$171,000 - \$205,000	\$342,000 - \$410,000	\$60.40 + your plan premium
\$205,000 - \$500,000	\$410,000 - \$750,000	\$83.30 + your plan premium
Above \$500,000	Above \$750,000	\$91.00 + your plan premium

You will face a late enrollment penalty for Part D if you miss your Initial Enrollment Period (see page 9) or if you enroll after your Initial Enrollment Period and it's determined that you did not have what is called "creditable coverage." Creditable coverage is prescription drug coverage that is as good or better than Medicare Part D coverage. Most employer health plans are considered creditable coverage, but you should check with your employer before deciding to delay enrollment into a Part D plan. *(NOTE: Part D plans have no impact on Veteran's Administration (VA) benefits.)*





# Medicare Supplement policies



**Hospital services**



**Doctor services**



**Prescription coverage**



**Additional benefits**



**Out-of-pocket Medicare costs**

Also known as "Medigap" policies, Medicare Supplement policies work hand-in-hand with Original Medicare Parts A and B. Medicare Supplement policies cover most, if not all of the out-of-pocket costs Original Medicare does not cover. These costs include deductibles, copayments, and coinsurance. As a result, you pay very little, if any, costs for healthcare other than your monthly premium.

Although the monthly premium may be higher than a Medicare Advantage plan, many people choose a Medicare Supplement policy because they like not having out-of-pocket costs when receiving healthcare services. Members also have the freedom to choose any doctor or hospital that accepts patients on Medicare — no referral is required.

Unlike many Medicare Advantage plans, however, Medicare Supplement policies do not include prescription drug coverage. Therefore, most people decide to buy a prescription drug plan to go along with a Medicare Supplement policy.

Because Medicare Supplement policies are regulated by the federal government, the benefits of a particular policy (such as Plan C or Plan F) are exactly the same, regardless of the insurance company you choose. Important differences between insurance companies, however, are found in price, customer service, and the experience and reliability of the company from which you purchase the policy.



# Private insurance enrollment periods

## Annual enrollment period

The Annual Enrollment Period (AEP) runs every year from October 15 through December 7. During this period, you can add, drop, or switch Medicare Advantage and/or prescription drug plans. Any coverage added or changes made during AEP are effective January 1 of the following year.

## Special enrollment periods

If you or your spouse are still working and have health plan coverage through your employer, you may have a chance to sign up for Medicare during a Special Enrollment Period (SEP) when your employer coverage ends. The month after your employment (or employer coverage) ends, your SEP begins, and you'll have eight months to sign up for Medicare Part A and/or Part B without having to pay a late enrollment penalty. You'll also have an SEP if you move out of your current plan's service area, move into institutionalized care (nursing home), or qualify for "Extra Help" (a prescription drug subsidy for low-income Medicare members).

## Medigap open enrollment period

This six-month window begins the month you turn 65 and enroll in Medicare Part B. You can apply for a Medicare Supplement policy after this period, but if you do not have a Special Enrollment Period, you will be subject to medical underwriting.





# Medicare glossary

## Centers for Medicare & Medicaid Services (CMS)

CMS is the federal agency that runs Medicare, Medicaid, and the Children's Health Insurance Programs, as well as the Federally Facilitated Marketplace.

## Coinsurance

Coinsurance is your share of costs and generally applies after you've met your deductible. As an example, once you've met your deductible, your plan might pay 80% for covered services and you might pay 20% in coinsurance.

## Copayment or Copay

Copay is a fixed amount you pay for a covered service, like a doctor's visit. You usually pay it at the time you go to the doctor.

## Deductible

A deductible is the amount you pay for medical costs before your health insurance begins to make benefit payments. For example, if your deductible is \$1,000, your plan won't pay anything until you've met your \$1,000 deductible for allowable charges, not the billed charges.

## Emergency Care

Healthcare services that could, without being given immediately, result in placing the patient's health in serious jeopardy.

## Formulary

A Formulary, often called a Drug List, is a list of preferred prescription drugs that have been designated as safe and cost-effective and are covered by your health insurance plan.

## Inpatient Hospital Services

Services received when a patient is admitted to a hospital or non-hospital facility as a registered bed patient for whom a room-and-board charge is made.

## **Out-of-Pocket Maximum**

Out-of-pocket maximum is the most you have to pay out of your own pocket for covered medical benefits (including deductibles, coinsurance, and copayments) under your insurance plan during the year. After you've reached this amount, your plan pays for the rest of your covered services for the year.

## **Outpatient Hospital Services**

Treatment that is provided to a patient who is able to return home after care without an overnight stay in a hospital or other inpatient facility. Examples include outpatient surgery, lab tests, and X-rays.

## **Premium**

The premium is the fixed amount you pay each month for your health insurance coverage. Essentially, it's your monthly bill.

## **Preventive Care**

Routine healthcare that includes screenings, check-ups, and patient counseling to prevent illnesses, disease, or other health problems.

## **Primary Care Provider (PCP)**

The provider you choose to be your primary source for basic medical care. Your PCP coordinates all your medical care, including hospital admissions and referrals to specialists (if required).

## **Specialist**

A healthcare professional whose practice is limited to a certain branch of medicine, including specific procedures, age categories of patients, body systems, or certain types of diseases.

## **Underwriting**

Underwriting is the practice of using an applicant's medical or health insurance information to evaluate eligibility for coverage.





# Questions? Contact your agent.

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