

Choosing Between Traditional Medicare and Medicare Advantage

If you are eligible for Medicare you can choose between getting Medicare benefits through traditional Medicare (also known as original Medicare and traditional Medicare) or a Medicare Advantage (MA) plan. Making this choice is personal and requires individuals to consider their circumstances, including their health, need for flexibility, budget and tolerance for financial risk. Before deciding how to receive Medicare, it is important to understand the different parts of Medicare, how they work together, and the key differences between traditional Medicare and Medicare Advantage. It is also important to ask questions and gather information before deciding whether to enroll in a Medicare Advantage plan.

A. Understanding the Parts of Medicare

Before discussing the differences between traditional Medicare and Medicare Advantage, it is important to understand the different parts of Medicare and how they work together. Medicare has four parts: Part A, Part B, Part C and Part D.

1. **Part A** covers hospital care, skilled nursing facility care, home health care and hospice care.
2. **Part B** covers medical insurance (e.g. doctor visits, medical equipment, outpatient procedures, home health care, lab tests, x-rays, ambulance services and some preventive services).

Part C, also known as Medicare Advantage (MA) plans, are administered by private insurers that have contracts with the Medicare program. MA is a different way of getting Medicare Part A and Part B coverage and combine Part A and Part B, and often Part D, into one plan so the entire package of benefits comes from a private insurance company, regulated by the federal government

3. **Part D** provides outpatient prescription drug coverage. Part D is administered and run by private insurance companies that have contracts with the federal government. Individuals who have traditional Medicare, or a Medicare Advantage plan that does not include prescription drug coverage, who want Part D coverage, must purchase it separately. This is called a “stand-alone” Prescription Drug Plan (PDP). A Medicare Advantage plan that includes both health and drug coverage is referred to as a Medicare Advantage Prescription Drug (MA-PD) Plan.

B. Medigap (Medicare Supplement Insurance)

Medigap plans (also known as Medicare Supplement Insurance), are private health insurance plans that help pay for the "gaps" in payment for Medicare-covered care left by traditional Medicare; these include copayments, coinsurance, and deductibles. In many cases, someone with traditional Medicare must purchase a separate Part D drug plan as well as a Medigap plan to supplement their Medicare benefits. Medigap policies do not work with MA plans and it is

illegal for anyone to sell an MA enrollee a Medigap policy unless they are switching to traditional Medicare.

Some beneficiaries have employer or union coverage that pays costs that traditional Medicare does not cover; those who do not may need to buy a Medigap plan. Other individuals may be eligible for Medicaid that can also cover such costs and may not need Medigap

C. Key Differences between Traditional Medicare and a Medicare Advantage Plan

It is important to understand some of the key differences between traditional Medicare and Medicare Advantage including enrollment, access to services, costs, benefits, and the appeals process.

1. Enrollment

- **Traditional Medicare**

If you meet the requirement of at least 40 quarters of employment paying into Social Security, you automatically qualify for Medicare Part A, with no required monthly premium. You may also be eligible for premium-free Part A based on your spouse's work history if you meet certain criteria. You should contact Social Security on-line or in your community to enroll. When you enroll in Medicare for the first time you are automatically enrolled in **traditional** Medicare, but you can choose a private Medicare Advantage plan if you prefer.

Medicare Part B requires the payment of a monthly premium. You must elect to either accept or decline this coverage, but be aware that there may be penalties for not enrolling during your initial enrollment period. For more details, see our Eligibility and Enrollment page.

- **Medicare Advantage**

In general, you must specifically opt to receive your Medicare coverage through an MA plan; it does not happen without your authorization, except for certain individuals enrolled in certain Special Needs Plans, a type of MA plan. You must be enrolled in Medicare Parts A and B in order to be eligible to enroll in a MA plan. Note that if you choose to enroll in a Medicare Advantage plan you are still in the Medicare program and you still have Medicare rights and protections but you have chosen to have your Medicare benefit provided through a private plan. Note that some employers offer their retirees coverage only through MA plans.

2. Access to Services

- **Traditional Medicare**

If you are enrolled in traditional Medicare you can go to any doctor or hospital in the United States that accepts Medicare. Traditional Medicare does not have a “network.” Referrals are not needed to see specialists and there is no prior authorization required to obtain services.

- **Medicare Advantage**

If you are enrolled in a Medicare Advantage plan you may be limited by the MA plan to using a network of specific providers in order for the plan to cover your care. You may have to choose a primary care physician, obtain referrals to see specialists, and get prior authorization for certain services. Certain MA plans may cover care you get outside of the network, (called Preferred Provider Plans/PPOs), but you will likely have to pay more. Most plans may only cover emergency and urgent care if you are out of the service area; you must return to the service area for follow up or routine care. Network providers can join or leave a plan's provider network anytime during the year but, generally, you must wait until the next year's open enrollment period to opt to leave the plan. The MA plan can also change the providers in the network anytime during the year.

3. Costs

- **Traditional Medicare**

In traditional Medicare, Part A is free if you have worked and paid Social Security taxes for at least 40 calendar quarters (10 years). If you are in traditional Medicare you owe a monthly premium for Part B coverage. You may also have to pay for deductibles, coinsurance and copays. Traditional Medicare has no out-of-pocket maximum or cap on what you may spend on health care. With traditional Medicare, you will have to purchase Part D drug coverage and a Medigap plan separately (if you choose to purchase one).

- **Medicare Advantage**

Costs in MA plans vary. You must pay the same monthly premium as those enrolled in traditional Medicare Part B. Additional out-of-pocket costs in an MA plan depend on what type of MA plan you choose and may include the following: whether the plan charges an extra monthly premium; whether the plan has a yearly deductible; how much you pay for each visit or service (copayments or coinsurance); the type of health care services needed and how often; and, whether network providers are used.

MA plans may charge cost-sharing for a service that is above or below the traditional Medicare cost-sharing for that service. However, MA plans cannot impose cost-sharing for chemotherapy administration services, renal dialysis services, and skilled nursing care services that exceed the cost-sharing for those services under traditional Medicare. All MA plans must have a maximum allowable out-of-pocket (MOOP) limit on the amount of cost-sharing they can charge for all Part A and Part B services, after which you will pay nothing for covered benefits for the rest of the year. MA plans may also change benefits, premiums, and copays every year.

4. Benefits

- **Traditional Medicare**

Traditional Medicare has a standard benefit package that covers medically necessary health care services. Traditional Medicare does not offer coverage for prescription drugs. In traditional Medicare you may have to buy a Medigap plan as well as a separate Part D prescription drug plan.

- **Medicare Advantage**

MA plans must offer a benefit package that is at least equal to traditional Medicare's and covers everything traditional Medicare covers. Some MA plans may cover services which are not covered by traditional Medicare such as dental, hearing and vision care, health club memberships, and other supplemental benefits. Many MA plans have prescription drug coverage built into the benefit package.

5. Appealing Denied Claims:

Regardless of how you receive your Medicare benefits you always have the right to appeal unfavorable decisions regarding coverage of your services. However, timeframes and deadlines differ depending on whether you have traditional Medicare or a Medicare Advantage plan.

D. What to Do and What to Ask Before Choosing Between Traditional Medicare and a Medicare Advantage Plan

- Understand how the MA plan you are considering works with any current coverage you may have. If you have retiree or employer health coverage you may lose this coverage if you join a MA plan; alternatively, your former employer may offer you retiree coverage through one or more MA plans.
- Compare the coverage and costs available through the traditional Medicare program combined with an appropriate Medigap policy and prescription drug plan, versus the available MA plans including any monthly premium, deductible, copayments, and yearly out-of-pocket maximum.
- Inquire with MA plans as to whether and to what extent you are required to receive services from medical providers who participate in the MA plan you are considering.
- Be sure the physicians and health care providers you are likely to want to use contract with the MA plan.
- Ask the MA plans whether there is coverage if you travel outside of the service area.
- Read each MA plan's literature to see what kind of plan it is and what it pays for. Not all MA plans, even if the plans are the same type, and from the same insurer, work the same way.
- Check to see if the medications you need are on the MA plan's formulary.
- Determine what MA plan services are provided at what additional cost. All preventive services and extra benefits should be identified, as well as any limitations associated with visits or services. Determine where you are required to go for regular, non-urgent care.
- Check into the MA plan's physicians to determine if your physicians are in the plan's network. If your doctor is in the network then ask your doctor what their experience has been dealing with that plan and whether they would recommend joining the plan. In

addition, ask which hospitals, skilled nursing facilities and home care agencies the plan contracts with to ensure that there are satisfactory choices.

- Learn how to use the plan's complaint system and how appeals and grievances are handled.
- Ask an MA plan representative if member satisfaction surveys are conducted and if the results are available for review.
- Contact the CMS Regional Office to determine if a plan has failed to comply with CMS regulations.
- Individuals can obtain help and a list of MA plans in their area from their State Health Insurance Assistance Program (SHIP), the Medicare helpline (1-800-633-4227), or the Medicare website (www.Medicare.gov).