



## **Going with Only Original Medicare Can Cost You Later**

Upon signing up for Medicare for the first time, you have a number of choices for insurance policies that complement or replace Original Medicare in order to reduce your out-of-pocket medical and drug costs.

Some people prefer Original Medicare because they don't want to be tied down to an insurance company's doctors' network and can go to whichever provider they want. But in order to avoid potentially out-of-pocket costs that would be a significant financial burden for most people, they need to consider securing additional coverage in the Medicare system.

While Original Medicare has low deductibles overall, once you reach your Part B (outpatient care) deductible, you'll be on the hook for 20% of future medical bills for the rest of the year.

You can avoid that scenario by considering backup insurance that you can also choose from when you first sign up for Medicare during a seven-month period before, during and after you turn 65. Your options when first signing up are:

**Enroll in Original Medicare.** This includes Part A (hospital coverage) and Part B (outpatient care). There is no premium for Part A, but Part B's 2025 monthly premium for individuals earning up to \$105,000 a year in 2025 will be \$185, up 6% from this year.

**Enroll in a Part D drug plan.** This is insurance from a private insurer that helps cover the cost of prescription drugs. Without this plan, you may have to pay the full retail price for medications.

The average Medicare Part D premium this year is estimated to be \$55.50, but the actual premium can vary depending on the plan. The annual deductible for Medicare Part D in 2025 will be \$590 and out-of-pocket costs will be capped at \$2,000.

**Enroll in a Medicare Supplement (Medigap) plan.** If you want to stay with Original Medicare, you can opt for a Medigap plan, which will either fully or partially cover cost-sharing aspects of Parts A and B, including deductibles, copays and coinsurance. Medigap also limits what you'll pay out of pocket each year.

**Enroll in Medicare Advantage (Part C).** The other option is Medicare Advantage, which replaces Original Medicare and includes Part A, Part B and usually Part D (see final section below). These plans, also sold by private carriers, vary and may offer extra benefits that Original Medicare doesn't cover, such as dental insurance or gym memberships. The Part B premium is absorbed by the plan.



The plans work much like a managed care plan most Americans are used to and feature deductibles, coinsurance and copays. They also have a yearly limit on what you pay out of pocket for services that Part A and Part B cover.

### **The perils of only having Original Medicare**

As you can see, there are private insurance options that can reduce and cap what you pay for medical care and pharmaceuticals when you are a Medicare beneficiary.

Take Part B, which has a very low deductible of \$240 for 2024. But after you reach that deductible, you'll be on the hook for 20% all future medical costs during the year and there is no out-of-pocket limit.

Consider the 2023 costs of some major surgeries that you could encounter in your later years:

- The average cost of a heart valve replacement was \$170,000;
- The average cost of a spinal fusion was \$110,000; and
- The average cost of a hip replacement was \$40,300.

If all of those charges were delivered through your Part B, a 20% share would be:

- \$34,000 for a heart valve replacement,
- \$22,000 for a spinal fusion, and
- \$8,060 for a hip replacement.

Those are emergency scenarios, but there are plenty of other outpatient procedures that cost \$1,000, \$2,000 or \$5,000.

### **Your choices**

If you opt for Original Medicare and want to cap what you would pay for doctors' costs, a Medigap plan can help significantly. Two Part D plans, G and F, will pay for excess costs above the Part B deductible, although Plan F is no longer available to new enrollees.

Premiums for these plans vary by region, but have averaged between \$100 and \$200 a month in 2024.



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To avoid paying 100% of the cost for prescription medications, you may consider enrolling in a Part D plan. These plans feature copays and cap your out-of-pocket drug expenditures at \$2,000, starting in 2025. Without a Part D plan, you'll pay full price for your prescription drugs.

Also, be aware that if you don't enroll in a Part D plan when you are first eligible for Medicare, you'll face a lifetime penalty, which increases for each month you went without coverage.

Finally, instead of Original Medicare, you can enroll in a Medicare Advantage plan, which will provide the same benefits as Original Medicare, but also cap your out-of-pocket costs. These operate much like traditional insurance with doctors' networks, copays and deductibles. They often will include a Part D plan, but not always.

