

Medicare your way

Investor guide



Considered the impact of rising health care costs?

You should. Health care can be one of the biggest expenses in retirement and one you may be underestimating. As of 2015, a married couple age 85 and older can expect to spend about \$13,088 in out-of-pocket medical expenses.



And these costs are continuing to rise. The average medical inflation rate currently stands at 6%.¹ This means that a 65-year-old couple expecting to live 25 years in retirement may pay over \$220,000 dollars in out-of-pocket medical expenses, not including nursing home care.²

¹ PricewaterhouseCoopers LLP, 2015.

² Fidelity Benefits Consulting, 2014, Retiree health costs hold steady, Fidelity Viewpoints, June 11, 2014.

Where to start

This guide is the perfect place. It will help you answer key questions, including:

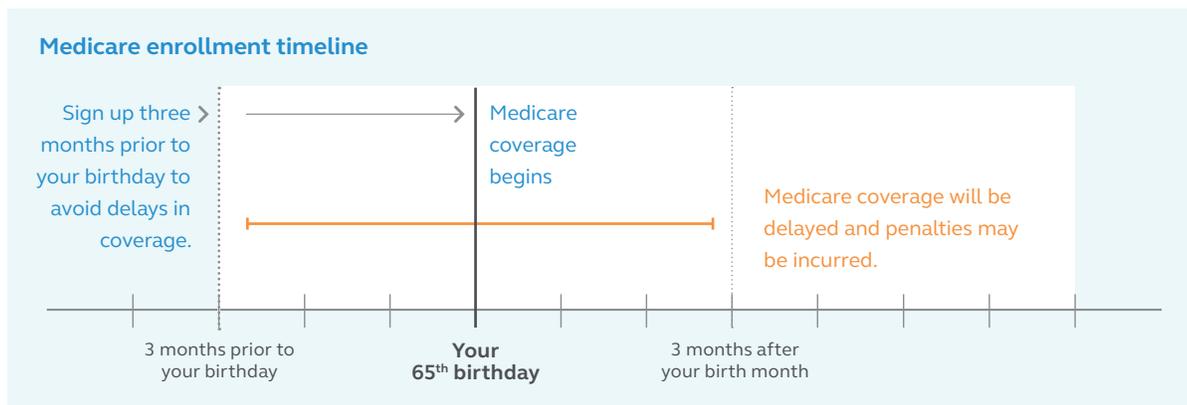
- ? What are the different parts of Medicare, and how do they work?
- ? How much does Medicare cost?
- ? Who is eligible?
- ? What is Medigap insurance?
- ? How do I enroll in Medicare?

To begin, follow these simple steps. Your financial professional can also provide guidance.



When should you enroll?

You're eligible for Medicare when you turn 65. You don't have to be retired or collecting Social Security to receive Medicare benefits. Sign up three months prior to your birth month to avoid delaying your coverage. You're still eligible to sign up three months after your birth month, but your coverage will be delayed.



Step 1: Understand medicare

Let's start with the basics — what exactly is Medicare?

The chart below provides an overview of the different parts of Medicare. Your financial professional can help you get more information about each plan.

Plan	Medicare Part A	Medicare Part B	Medicare Advantage (Medicare Part C)	Medigap (Replaces Medicare Part C)	Medicare Part D
Overview	Medicare Part A is hospital insurance and helps cover the cost of inpatient care	Medicare Part B is medical insurance to cover medically necessary services like visits to the doctor and outpatient care	Medicare Part C, sometimes called Medicare Advantage, is medical and hospital insurance provided by private companies	Medigap is Medicare supplemental insurance provided by private insurance companies	Medicare Part D is prescription drug coverage
Coverage	<ul style="list-style-type: none"> Hospital stays up to 60 days and partial coverage beyond 60 days Skilled nursing and hospice 	<ul style="list-style-type: none"> Outpatient care 	<ul style="list-style-type: none"> Combines Medicare Parts A and B³ Prescription drug coverage may be included Individuals can select their own provider (PPO or HMO) 	<ul style="list-style-type: none"> Pays deductibles and co-pays Medicare Parts A and B Individuals can select their own provider (PPO or HMO) 	<ul style="list-style-type: none"> Pays for generic and brand name prescription drugs
Provider	U.S. government	U.S. government	Private health insurance companies	Private health insurance companies	Private health insurance companies
Plan Premium	None	\$134 to \$428.60 per month based on income	Varies by state: all individuals pay same price	Varies by carrier and health status ⁴	Varies by state and prescriptions used
Additional Expenses	Individual pays for all or partial care after 60 days	20% co-payment for some services	Co-pay for most services	N/A	Partial costs for medications during donut hole ⁵
Deductible	\$1,340	\$183	Varies	Varies	Varies

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Medicare Parts A and B provide the lowest up-front costs, but also can create the most gaps. Medicare Parts A, B, D, and Medigap together will create the highest up-front costs, but together will provide the fullest coverage with the least amount of gaps.

³ Requires using a provider in network.

⁴ Individual pays more based on chronic health conditions.

⁵ Individual exits the initial coverage of prescription-drug plan, the beneficiary is financially responsible for a higher cost of prescription drugs until he or she reaches the catastrophic-coverage threshold.

Step 2: Consider your options and costs

How much will medicare cost?

Medicare Part A

You usually don't pay a monthly premium for Medicare Part A coverage if you or your spouse paid Medicare taxes while working. This is sometimes called "premium-free Part A."

Medicare Part B

Premiums for Medicare Part B vary depending on your household income. Remember, deadlines are one of the most important things to know and can impact your cost. If you don't enroll when you're first eligible, premiums will increase 10% for each full 12 months until you do enroll.

File individual tax return	File joint tax return	Your monthly payment
\$85,000 or below	\$170,000 or below	\$134.00
\$85,001 to \$107,000	\$170,001 to \$214,000	\$187.50
\$107,001 to \$133,500	\$214,001 to \$267,000	\$267.90
\$133,501 to \$160,000	\$267,001 to \$320,000	\$348.30
Above \$160,000	Above \$320,000	\$428.60

Important Note:

Keep in mind that if you choose to enroll in Parts A and B, you may also want Medigap coverage.

Medicare Part C

Known as Medicare Advantage, plans are provided by private companies and can vary quite a bit from one plan to another. By law, they must at least be equivalent to regular Parts A and B coverage. But some Medicare Advantage plans provide greater coverage than Parts A and B.

Carefully compare how each Medicare Advantage plan stacks up to the costs and benefits of original Medicare. The Medicare Plan Finder at [medicare.gov](https://www.medicare.gov) can help.

Medicare Part D

Cost for Medicare Part D will depend on which plan you choose, and may incur an additional charge depending upon your income.

File individual tax return	File joint tax return	Additional payment
\$85,000 or below	\$170,000 or below	+ \$0.00
\$85,001 to \$107,000	\$170,001 to \$214,000	+ \$13.00
\$107,001 to \$133,000	\$214,001 to \$267,000	+ \$33.60
\$133,501 to \$160,000	\$267,001 to \$320,000	+ \$54.20
Above \$160,000	Above \$320,000	+ \$74.80

Add these amounts to your monthly Part D premium.

Do you need separate prescription drug coverage?

Part D coverage can also be purchased through a stand-alone prescription drug plan offered by an outside provider, but costs will vary based on the plan you choose. You can change your plan during the Annual Coordinated Election Period (October 15 to December 7 each year). You may have to pay a penalty if you don't apply for coverage when first eligible.

Medicare Part D coverage gap

One thing you need to consider with Part D is what's called the "donut hole." By 2020 the gap will close, thanks to the Affordable Care Act, but until then it's an important consideration. The diagram below illustrates the impact of this coverage gap in most Part D programs. This means that after total retail costs for your prescriptions reach \$3,750 (for 2018), you'll have to pay the full amount until you've paid a total of \$5,000 (for 2018).

Once you reach the coverage gap in 2018, you'll pay no more than 35% of the plan's cost for covered brand-name prescription drugs. You get these savings if you buy your prescriptions at a pharmacy or order them through the mail. Some plans may offer higher savings in the coverage gap. The discount will come off of the price that your plans has set with the pharmacy for that specific drug.

Although you'll pay no more than 35% of the price for the brand-name drug in 2018, 85% of the price — what you pay plus the 50% manufacturer discount payment — will count as out-of-pocket costs which will help you get out of the coverage gap. These items aren't counted toward your out-of-pocket spending:

- What the drug plan pays toward the drug cost (15% of the price in 2018)
- What the drug plan pays toward the dispensing fee (65% of the fee in 2018)



What if you're still working?

If you or your spouse is still working and has insurance through your employer, contact your benefits administrator to find out how your insurance works with Medicare. Each situation is individual to the kind of health insurance you have.

If you need to change your coverage

There are certain times of year when you can make changes to the coverage you already have:

- 1 During certain open enrollment periods that happen every year from October 15 to December 7.
- 2 Under certain circumstances that qualify you for a **Special Enrollment Period (SEP)**, such as:
 - You move.
 - You're eligible for Medicaid.
 - You qualify for extra help with Medicare prescription drug costs.
 - You're getting care in an institution, such as a skilled nursing facility or long-term care hospital.

Step 3: Create a plan

Once you know how Medicare works and understand your options, it's time to create a plan. Be sure to include your decisions on Medicare and how you'll pay for out-of-pocket health care costs during retirement.

How to enroll

When you're ready to enroll, the Social Security Administration handles Medicare eligibility and enrollment. Contact the Social Security Administration at 800-772-1213 to enroll or to ask questions about your eligibility. You can also enroll online at [socialsecurity.gov](https://www.socialsecurity.gov).

Initial enrollment period	Age 65 (3 months before through 3 months after)
General enrollment period	January 1 through March 31 each year
Open enrollment period	October 15 through December 7 each year
Special enrollment period	Extending up to eight months after your group coverage ends

Make sure you have the information you need to make this important decision. Still have questions about Medicare? These resources can help you gather additional information.



Call **1-800-MEDICARE**



Visit **medicare.gov**



Call your state's **Senior Health Insurance Information Program (SHIIP)**.

Working together

One of the best ways to keep your health care costs in check is to remain healthy. Talk with your financial professional to develop a retirement income strategy that factors in medical coverage and the rising costs of health care, and review your strategy on an ongoing basis to adjust for health situations or coverage changes.



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