PREPARED BY THE RETIREMENT CLARITY COMMUNITY | 2026

Medicare Made Simple

A complete, plain-English guide to enrollment, coverage choices, prescription drugs, Medigap, and what your income means for your premiums. Dig deeper at retirementclaritycommunity.com or join the conversation in our Facebook Group.

> Medicare covers more than 65 million Americans. Most people spend less than an hour researching their options — and some of those decisions carry a permanent cost. This guide walks you through what you need to know, in the order you need to know it.

WHAT IS MEDICARE

Medicare is the federal health insurance, primarily for people 65 and older. It's divided into parts, each covering different services.

MEDICARE

- **Original Medicare**
  - **Part A** — **Hospital & Skilled Nursing**
    Typical Costs: $0 premium for most people (worked 40 qtrs)
  - **Part B** — **Doctors & Outpatient Care**
    Typical Costs: $185/mo standard premium in 2026 (higher if IRMAA applies)
- **Medicare Advantage**
  - **Part C** — **Private Insurance**
    Often $0 added premium but costs vary by plan

Optional

Part D — **Drug Coverage**
- Prescription drugs

Avg Costs: $46/mo in 2026; varies by plan

Medigap — Medigap (Medicare Supplement Insurance) is not a Medicare Part. It's a private policy you buy to cover costs Original Medicare doesn't pay — like deductibles and coinsurance. You'll read more about it in the Medigap section below

Meet Linda — she'll guide you through this guide.
Linda is 64, retiring in six months, and currently covered by her employer's health plan. She takes three prescriptions, travels frequently, and has a primary care doctor she wants to keep. Watch how Medicare decisions play out for someone just like her.

ENROLLMENT DEADLINES

Missing your enrollment window is one of the most common — and costly — Medicare mistakes. The late enrollment penalty for Part B is **10% added to your premium for every 12 months you were eligible but didn't sign up**, and it lasts for as long as you have Part B. The Part D penalty works similarly: **1% per month** without creditable drug coverage, added to your premium for life.

Age 64½ — Start Learning
Research your options: compare Original Medicare, Advantage plans, and Part D costs.

3 Months Before 65
Your Initial Enrollment Period (IEP) opens. You can sign up now.

65th Birthday Month
Coverage can begin. This is your target enrollment month.

3 Months After 65
IEP closes. The 7-month window is over.

Employer Coverage Exception
Still working? If your employer has 20+ employees, you may delay without penalty.

Missed Deadline — Penalty Applies !
10% per year (Part B) and1% per month (Part D) added to premiums for life.

Oct 15 – Dec 7 Every Year
Annual Enrollment Period (AEP): switch plans, change coverage, update prescriptions.

Linda's Situation — Employer Coverage

Linda's employer has more than 20 employees, so she qualifies for a Special Enrollment Period (SEP). She can delay Medicare while she's still working without any penalty — but must enroll within 8 months of losing her employer coverage when she retires.

Turning 65 and not yet taking Social Security? You will not be auto-enrolled in Medicare — you need to sign up actively at medicare.gov or by calling 1-800-MEDICARE.

Already receiving Social Security at 65? You'll be automatically enrolled in Parts A and B. You can decline Part B if you have qualifying employer coverage, but think carefully before doing so.

UNDERSTANDING YOUR COST EXPOSURE

The most important difference between Original Medicare and Medicare Advantage isn't the monthly premium — it's what happens to your costs when you actually use healthcare.

ORIGINAL MEDICARE

Part A — Hospital

$1,676 deductible per benefit period

Part B — Doctor Visits

$257 deductible + 20% coinsurance

Your 20% Coinsurance

No Cap

No out-of-pocket cap — costs continue

The Gap

Medigap can cover this (see page 6)

No annual out-of-pocket cap.
Serious illness could mean $20,000+ in bills

MEDICARE ADVANTAGE

Part A — Hospital

Varies by plan

Part B — Doctor Visits

Copays + coinsurance vary by plan

Your Cost Share

Copays + coinsurance within network

Your Cost Share

Max Reached

Plan pays 100% beyond this

Annual cap up to $9,350 in-network (2026).
Predictable — but tied to a network.

Original Medicare's 20% coinsurance on Part B services has no annual cap. A serious illness or surgery can leave you with **tens of thousands of dollars** in cost-sharing. That's exactly why Medigap exists — to cover those gaps. Medicare Advantage caps your annual exposure, but ties you to a network and may require referrals.

MEDICARE ADVANTAGE PLAN TYPES TO KNOW:

- **HMO (Health Maintenance Organization):** Lowest premiums, but you must use in-network doctors. You need a referral to see a specialist.
- **PPO (Preferred Provider Organization):** More flexibility to see out-of-network providers, at higher cost. No referral usually needed.
- **SNP (Special Needs Plan):** Designed for people with specific conditions (diabetes, heart failure, dual Medicare/Medicaid eligibility).

Linda’s Consideration

Linda travels often and wants to keep her doctor. Original Medicare's nationwide flexibility appeals to her — but the uncapped 20% coinsurance worries her. A Medigap Plan G policy could give her both nationwide coverage and predictable costs.

THE FULL COMPARISON: AND HOW TO CHOOSE

The most important difference between Original Medicare and Medicare Advantage isn't the monthly premium — it's what happens to your costs when you actually use healthcare.

	ORIGINAL MEDICARE	MEDICARE ADVANTAGE
Run by:	Federal government	Private insurer
Doctor Access:	Any Medicare-accepting doctor	Usually an HMO or PPO network
Referrals:	Not required	Often required (HMO)
OOP cap:	None — Medigap fills this	Up to $9,350 in-network (2026)
Drug Coverage:	Separate Part D plan	Usually included
Premium:	~$185/mo Part B + Medigap	Often $0 added (varies)
Dental/ Vision:	Not included	Often included
Travel:	Works anywhere nationwide	Limited out-of-network

WHICH PATH IS RIGHT FOR YOU?

A starting point — not a recommendation.

WHAT IS MOST IMPORTANT TO YOU?

- **Nationwide Access?** → Original Medicare + Medigap
- **Low Premiums?** → Compare Advantage Plans
- **Keeping Your Doctors?** → Check Provider Networks
- **Lots of Prescriptions?** → Compare Part D or Advantage Formularies

There is no universally right answer between Original Medicare and Medicare Advantage. The right choice depends on your health needs, your doctors, your medications, where you live, and how you weigh premium costs against flexibility. If you travel frequently or see specialists regularly, Original Medicare's nationwide access may matter more. If you want lower premiums and extra benefits like dental and vision, Advantage may fit better.

Retirement Clarity Tip

Before choosing a Medicare plan, list your doctors, medications, and preferred pharmacies. Then compare plans based on your actual needs — not just the monthly premium.

PRESCRIPTION DRUG COVERAGE: PART D

Part D adds prescription drug coverage to Original Medicare. If you have Medicare Advantage, drug coverage is usually already included. Understanding how Part D prices your medications can save you hundreds of dollars a year.

Your Prescription
Doctor writes Rx

↓

Drug Formulary
Is your drug on the plan's list?

↓

Cost Tier
Tier 1 (generic) to Tier 5 (specialty)

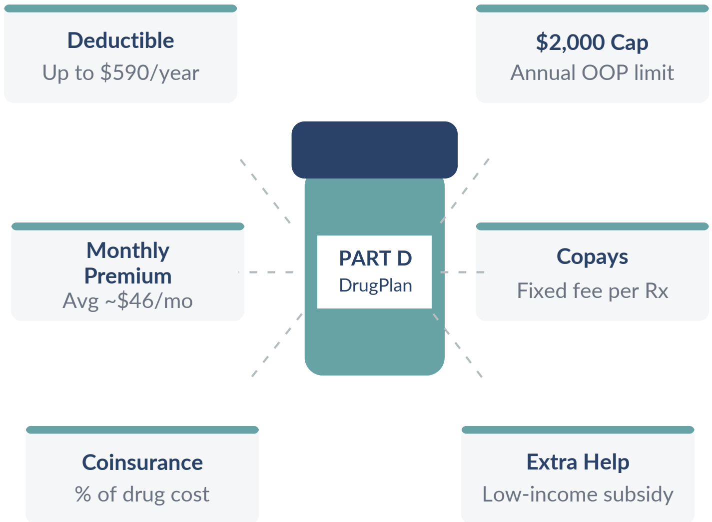
↓

Preferred Pharmacy
Preferred pharmacy = lowest cost

↓

Your Final Cost
Copay, coinsurance, or deductible

WHAT DETERMINES YOUR COSTS?



2026 highlights: There is now a $2,000 annual cap on out-of-pocket drug costs — a major improvement from prior years when there was no cap. Low-income individuals may qualify for Extra Help, which significantly reduces Part D costs. Apply at ssa.gov.

Retirement Clarity Tip

Don't skip Part D just because you're healthy now. If you go without creditable drug coverage for 63 or more days after your IEP ends, you'll pay a late enrollment penalty for life. Even a low-premium plan keeps you protected and penalty-free.

WHY PLANS CAN COST VERY DIFFERENT AMOUNTS:

The same drug can be on different tiers depending on the plan.

SAME DRUG (Example)	PLAN A (Tier 1)	PLAN B (Tier 3)
	$5 Copay	$45 Copay

Linda's Prescription Check

Linda enters her three medications into Medicare's Plan Finder at medicare.gov/plan-compare. She discovers that one Part D plan would cost her approximately $600 less per year than another plan with the same monthly premium — because her specific drugs land on lower tiers.

Use the Medicare Plan Finder at medicare.gov/plan-compare. Enter your exact medications, preferred pharmacy, and zip code to find the lowest-cost plan for you.

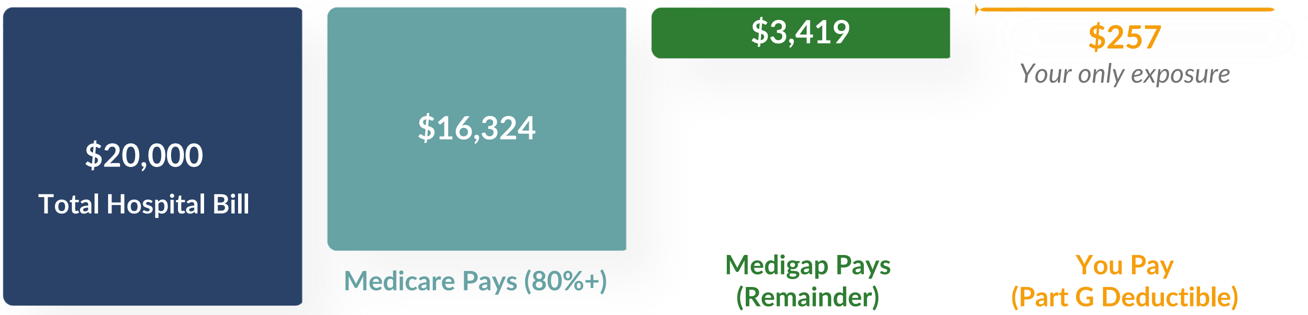
MEDIGAP: DOES IT FIT YOUR NEEDS?

Medigap (also called Medicare Supplement Insurance) is a private policy that works alongside Original Medicare to cover costs it doesn't pay — like the 20% coinsurance, hospital deductibles, and excess charges.

Important: Medigap only works with Original Medicare. You cannot have both a Medigap policy and a Medicare Advantage plan.

WHAT HAPPENS WHEN A $20,000 HOSPITAL BILL ARRIVES?

With Plan G Medigap — the most popular supplement



The most common Medigap plans:

PLAN	WHAT IT COVERS	BEST FOR
Plan G (most popular)	Covers everything Medicare doesn't — except the $257 Part B deductible (2026)	Most comprehensive; best open-enrollment choice for most people
Plan N	Like Plan G but with small copays ($20 office, $50 ER). Lower premium.	Healthy enrollees who want lower premiums and can handle small copays
High-Deductible Plan G	Same as Plan G after you meet a $2,870 deductible (2026)	Very healthy; comfortable with higher exposure before coverage kicks in
Plan K / L	50–75% cost coverage. Lowest premiums, highest exposure.	Budget-focused; higher risk tolerance

When to buy — timing matters. Your Medigap Open Enrollment Period is the 6-month window that starts the month you turn 65 and enroll in Part B. During this window, insurers **cannot deny coverage or charge more based on your health.** After it closes, medical underwriting applies in most states.

> Medigap premiums vary significantly by insurance company, even for identical coverage. Plan G from Company A and Plan G from Company B must cover exactly the same services — but the monthly premium can differ by $50–$150 or more. It pays to compare. Your State Health Insurance Assistance Program (SHIP) offers free, unbiased help comparing options. Find your local SHIP at shiphelp.org.

IRMAA: WHEN YOUR INCOME AFFECTS YOUR PREMIUMS

IRMAA (Income-Related Monthly Adjustment Amount) is a surcharge added to your Part B and Part D premiums if your income exceeds certain thresholds. It's based on your **Modified Adjusted Gross Income from two years prior** — so 2026 premiums use your 2024 tax return.

Higher Income
Above thresholds

→

IRMAA Surcharge
Part B + Part D

→

Higher Premiums
Added monthly cost

→

Planning Opportunity
Tax-efficient income

→

Lower IRMAA Next Year
Roth + withdrawal strategy

2026 IRMAA BRACKETS

Individual Income (2024 tax return)	Joint Income (2024 tax return)	Extra Part B Per Month	Extra Part D Per Month
$106,000 or less	**$212,000 or less**	$0-standard premium	$0
$106,001–$133,000	$212,001–$266,000	+$74.00	+$13.70
$133,001–$167,000	$266,001–$334,000	+$185.00	+$35.30
$167,001–$200,000	$334,001–$400,000	+$295.90	+$57.00
$200,001–$500,000	$400,001–$750,000	+$406.90	+$78.60
Above $500,000	Above $750,000	+$443.90	+$85.80

What counts as income: wages, Social Security benefits, IRA and 401(k) withdrawals (including Roth conversions), capital gains, rental income, and pension income. Roth IRA withdrawals do not count toward MAGI for IRMAA — one reason many retirees plan Roth conversions before Medicare begins.

Can you appeal? Yes. If your income dropped significantly due to retirement, divorce, or loss of income-producing property, use Form SSA-44 to request a review. Social Security can use a more recent year's income for a qualifying life-changing event.

> If you're planning Roth conversions or a large IRA withdrawal in the years before Medicare begins, run the numbers on how that income spike could affect your Medicare premiums two years later. A conversion that pushes you into the next IRMAA bracket could cost $1,500–$5,000 in additional Part B and D premiums per person per year.

PUTTING IT TOGETHER: YOUR MEDICARE ACTION ROADMAP

Medicare decisions don't all happen at once. Some are made at 65, others revisited every fall. Here is the path — step by step.

65

Enroll in Medicare

Sign up during your 7-month Initial Enrollment Period. Don't wait.

PLAN

Compare Your Options

Use medicare.gov/plan-compare with your actual doctors and drug list.

Dr.

Confirm Your Doctors

Verify your physicians are in-network before you commit to a plan.

Rx

Review Your Prescriptions

Check your medications against the plan's drug formulary and tiers.

$

Estimate Total Annual Cost

Add premiums + deductibles + copays. Monthly premium is just one piece.

Oct

Review Every Fall

Annual Enrollment (Oct 15 - Dec 7): plans change every year. Review yours.

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Retirement Clarity Tip

Review your Medicare coverage every fall during Annual Enrollment (October 15 – December 7). Drug formularies change, provider networks shift, and premiums are adjusted each year. A 20-minute annual review could save you hundreds of dollars.

OFFICIAL RESOURCES

Medicare.gov | Official Medicare information, enrollment, and plan comparison
Medicare Plan Finder | Compare Advantage and Part D plans using your actual drug list
SSA.gov | Sign up for Medicare, apply for Extra Help, appeal IRMAA (Form SSA-44)
1-800-MEDICARE | 24/7 helpline for Medicare questions