

# An Overview of Medicare

## What is Medicare? Who is eligible?

Medicare is a federal health insurance program for individuals aged 65 years and older and certain younger people with disabilities. Generally, Medicare beneficiaries pay a monthly premium for Medicare coverage and part of the costs each time they receive a covered service.

There are a number of decisions to make when choosing what Medicare coverage is best for you. Here's an overview of how Medicare works.



## The ABCs of Medicare

**Part A** is for hospital insurance and helps cover:

- Inpatient hospital stays
- Care in skilled nursing facilities
- Hospice
- Home health care

**Part B** is for medical insurance and helps cover:

- Doctors' services
- Certain physician-administered drugs
- Outpatient care
- Medical equipment (such as wheelchairs and supplemental oxygen)
- Preventive services (such as yearly "wellness" visits)

**Part C** is also known as Medicare Advantage and is an alternative to Traditional Medicare run by private health insurers. [Learn more here.](#)

**Part D** covers prescription drugs, including most vaccines. **NEW** as of 2025! Beneficiary out-of-pocket spending for prescription drugs under Part D is capped. For 2026, the out-of-pocket cap is \$2,100. Beneficiaries also have the option to enroll in the [Medicare Prescription Payment Plan](#) (MPPP) which will allow people to pay their prescription drug costs in monthly installments over the course of the plan year.

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## Types of Coverage

Traditional Medicare (or Original Medicare) includes Medicare Part A and Part B. Part D, prescription drug coverage, is optional coverage and must be added separately. You can use any doctor or hospital that takes Medicare, anywhere in the U.S.

Medicare Advantage (MA)—also known as Part C—is an alternative to Traditional Medicare. MA plans are run by private health insurers that follow certain rules and are then paid by Medicare to provide services. MA plans are often cheaper than Traditional Medicare, but services and providers in network are typically limited, and may involve additional step therapy measures such as prior authorization.

[Learn more about the differences between Traditional Medicare and Medicare Advantage.](#)



## Enrollment

An individual becomes eligible for Medicare at age 65. If at age 65 you still have group coverage through your job or your spouse's job, you can wait to enroll in Part B. If you do not have employer-sponsored insurance, however, you should enroll at 65 to avoid late enrollment penalties. Learn more below and refer to the [Medicare FAQ](#) for more information.

**Initial Enrollment Period:** Medicare offers an Initial Enrollment Period, which starts 3 months before you turn 65 and ends 3 months after the month you turn 65. Typically, an individual must sign up during this time to avoid late enrollment penalties!

**Open Enrollment Period:** Every fall—from October 15th to December 7th—there is a Medicare Open Enrollment Period, when individuals eligible for Medicare can change their Medicare Advantage plan, supplemental plan or prescription drug coverage for the following year. Information for next year's plans will be available beginning in October. [Learn more about why it's important to shop around during Open Enrollment.](#)

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**Medicare Advantage Open Enrollment Period:** If you are already in a Medicare Advantage (MA) plan, you can switch to another MA plan with or without drug coverage or you can drop your MA plan and return to Original Medicare between January 1st - March 31st of each year. You can also switch your MA plan during the October 15th - December 7th Open Enrollment Period.

**Special Enrollment Periods for Part A & Part B:** After the Initial Enrollment Period, there are certain situations when you can sign up for Part B (and Premium Part A) without paying a penalty. If you do not sign up during your Special Enrollment Period, you will have to wait for the next Open Enrollment Period and you may have to pay a monthly late enrollment penalty. [Refer to the Medicare FAQ to learn more about Special Enrollment Periods.](#)

## Are you ready to enroll?

### ***Late enrollment penalties.***

Medicare does have late enrollment penalties if you do not sign up when you are first eligible. [Be sure to check out the Medicare FAQ to learn more.](#)

## How much will Medicare cost me?

Medicare is not free. Your costs may include premiums, a deductible, coinsurance, and copayments. Out-of-pocket costs under Medicare will vary depending if you are covered under Traditional Medicare vs. Medicare Advantage, or based on the providers you see, and the services you receive. Some costs, such as Part B and Part D premiums, may depend on how much income you make each year. For Part B, you usually pay 20% of the cost for each Medicare-covered service after you've paid your deductible. You can purchase Medicare supplement insurance (Medigap) to help cover out-of-pocket costs, such as copayments, coinsurance, and deductibles, under Traditional Medicare. Read more about what Medicare costs.

[Be sure to check out the Medicare FAQ to learn more.](#)