



Facing the complexities of Medicare



WACHOVIA SECURITIES



There's no denying it: Medicare is a complicated insurance program that beneficiaries often find as challenging as it is helpful. It's important to use a guide when trying to work within the system. This brief "Medicare map" gives you an overview of what to expect from Medicare, as well as the steps you can take to ease your journey toward securing the maximum benefits due you.

This planning sheet offers an introduction to Medicare, with information on eligibility, enrollment, coverage, and new Medicare health plan options, as well as helpful tips.

WHO IS ELIGIBLE?

You are eligible for Medicare if you are a U.S. citizen or legal immigrant who has lived in the United States for at least five years and meets one or more of the following criteria:

- you are age 65 or older and eligible for Social Security or railroad retirement benefits
- you have been receiving Social Security disability income for at least 24 months
- you qualify for disability insurance due to ALS (Lou Gehrig's disease)
- you have end-stage renal disease

If you are eligible for Social Security retirement benefits but do not take them at age 65, or if you are working after age 65, you can still receive Medicare benefits.

If you are not eligible for Social Security or railroad retirement, you are eligible for Medicare, but you must pay Part A premiums.

By the numbers

- On average, older Americans today spend approximately 22% of their disposable income on health care costs, compared with only 11% in 1970

Source: "Medicare at a Glance," Kaiser Family Foundation, March 2004

HOW MEDICARE WORKS

Medicare is the federal health insurance program available to older Americans and to many adults with disabilities. In most cases, you become eligible for Medicare at age 65 or if you have a disability, regardless of your income. Starting in 2006, Medicare is divided into three parts: Part A, Part B, and Part D.

Medicare Part A covers inpatient hospital, skilled nursing facility, home health, and hospice services. Medicare Part B covers almost all reasonable and necessary medical services,

Key points

- Understanding the basics of Medicare A, B and D gives you good standing to take necessary steps on schedule. It also helps you deal with problems in the system when you must.
- Begin the enrollment process in advance of your 65th birthday, or immediately after any other qualifying event in order to become eligible for benefits as soon as possible.
- Always insist that doctors, pharmacists, nursing homes and other vendors bill Medicare to make certain that you pay minimum co-pays or other out-of-pocket costs.

including physicians' services, outpatient hospital care, durable medical equipment, laboratory tests, X-rays, therapy, mental health, and ambulance services. Medicare Part D is the new outpatient prescription drug benefit available only through Medicare private drug plans or Medicare private health plans.

The more you understand about Medicare, the better you'll be able to enjoy the full benefits of the program.

A SNAPSHOT OF THE BASICS

How and when to enroll

If you already get Social Security or railroad retirement benefits, your Medicare enrollment is automatic when you turn 65. However, you should contact the Social Security office to make sure your coverage is in place. If you do not yet get Social Security or railroad retirement benefits, there are three ways you can enroll in Medicare:

Initial enrollment

If you are not yet 65, you can file an enrollment application with your local Social Security office during a seven month period beginning three months before your 65th birthday.

General enrollment

You may also enroll between January 1 and March 31 of any year after you become eligible, but you may pay a penalty for late enrollment. If you apply during the general enrollment period, your Medicare coverage will start on July 1 of the year you enroll.

Special enrollment

If you or your spouse has coverage under an employer group health plan (GHP) because you still work, you can enroll in Medicare at any time while you are covered by the GHP. If you or your spouse end your GHP coverage or stop working, you have a special eight-month enrollment period beginning when you lose the GHP coverage or stop working, whichever comes first. If you still get coverage from a former employer after you retire, it is considered retiree coverage and pays after Medicare pays, so it is important to sign up for Medicare.

COVERAGE AND COSTS

Medicare covers most reasonable and necessary health care costs. Starting in 2006, it will cover a portion of most outpatient prescription drugs as well (for more information on this new benefit, see page 3). However, it does not cover routine checkups, dental services, custodial or long-term nursing home care, or experimental procedures.

MEDICARE PART A COSTS

Most people get Medicare Part A for free. Your Part A premium is free if

- you are age 65 or older and eligible for Social Security or railroad retirement benefits or
- you have received Social Security disability income for at least 24 months
- you qualify for disability insurance due to ALS or Lou Gehrig's disease
- you have end-stage renal disease

If you do not qualify for free Part A, you can pay for it. How much it costs depends on your work history. Call Social Security for individual information (800-772-1213) or go to www.socialsecurity.gov.

If you or your spouse have worked 40 quarters (10 years) or more, which means you are eligible for Social Security retirement benefits, you do not have to pay a Part A premium. For 2006, if you have worked between 30 and 39 quarters, your Part A premium is \$216 per month. If you have worked less than 30 quarters, the premium is \$393 per month. In both cases there may be a surcharge for delayed enrollment.

Medicare coverage tips

- Medicare covers most health care services that you or your doctor think you need. If you get a service and Medicare denies coverage, you can challenge the denial through a simple appeal process.
- If you have questions about Medicare, you can get free help from your State Health Insurance Assistance Program.
- Most doctors accept Medicare. Doctors do not have to treat Medicare patients, but if they do, they are legally bound to file claims with Medicare and to charge no more than state and federal laws permit.
- If you have Medicaid, make sure you see doctors that will bill Medicaid for your out-of-pocket costs.

It is always a good idea to ask doctors whether they will take Medicare assignment. Doctors who take assignment have to accept the Medicare approved amount as payment in full. Medicare will pay the doctor 80% of its approved amount, and you are responsible only for the remaining 20%. (Doctors who do not take assignment can charge you up to 15% more than Medicare's approved amount.)

Medicare will not cover

- private duty nursing
- private hospital room
- custodial care in a nursing home
- custodial care in home
- annual checkups
- most chiropractic services
- experimental procedures
- cosmetic surgery and treatments
- care outside of the United States
- dental care
- acupuncture
- long-term care
- hearing aids
- nonmedical services
- eyecare (including glasses), except after cataract surgery

- Medicare Part D allows recipients to enroll in one of several new private prescription drug plans.
- Medicare recipients can keep their original Medicare coverage and join a stand-alone private drug plan.
- Current Medicare recipients can join a Medicare Part D plan up until May 15, 2006.
- Those eligible for Medicare after May 15 will have the same seven month enrollment period to enroll in Medicare Part D as they have to enroll in Medicare Part B.

The supplemental prescription drug insurance plan known as Medigap has been discontinued.

Exception: Those who enrolled in Medigap plan before January 1, 2006, can keep their Medigap drug coverage.

For more information about Medicare prescription drug coverage, call 1-800-633-4227 or visit medicare.gov.

ADDITIONAL RESOURCES

www.medicare.gov

MEDICARE PART B PREMIUMS

Everyone pays a monthly premium for Medicare Part B, but if you do not enroll when initially eligible, you may have to pay a 10% premium penalty for each year you delay your enrollment (unless you had employer insurance through your or your spouse's current job). For 2006, the Part B premium is \$88.50 per month.

For example, if you were eligible for Medicare Part B at age 65, but you did not choose to enroll until age 70, you would pay a 50% penalty.

MEDICARE PART D

As of December 31, 2005, Medicare recipients can get prescription drug coverage with copays through Medicare Part D.

How the change will occur:

- Medicare recipients will be sent information about Medicare Part D.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

Wachovia Securities is the trade name used by two separate, registered broker-dealers and nonbank affiliates of Wachovia Corporation providing certain retail securities brokerage services: Wachovia Securities, LLC, Member NYSE/SIPC, and Wachovia Securities Financial Network, LLC, Member NASD/SIPC. ©2006 Wachovia Securities, LLC 0606-26656 74678 7/06

MFS and Wachovia Securities do not provide legal, tax, or accounting advice. Any statement contained in this communication (including any attachments) concerning U.S. tax matters was not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code. This communication was written to support the promotion or marketing of the transaction(s) or matter(s) addressed. Clients of MFS and Wachovia Securities should obtain their own independent tax and legal advice based on their particular circumstances. ©2006 MFS Investment Management®. MFS Fund Distributors, Inc., 500 Boylston Street, Boston, MA 02116. The information in this booklet was derived from *Medicare Basics*. ©2006 Medicare Rights Center, www.medicarerights.org HP-MEDI-FLY-5/06 06-19155