

## **Praise for *Maximize Your Medicare*, 2022-2023 Edition**

Jae Oh's *Maximize Your Medicare* is the best book I've read on understanding all of the Medicare options and how Medicare intersects with other health insurance options. And he provides frequent updates so that new readers have the most up-to-date information about the constantly changing world of Medicare.

—**Wade Pfau, professor of Retirement Income  
at The American College and author of the  
*Retirement Planning Guidebook***

"*Maximize Your Medicare's* real-world, practical information makes it a must-read for both current and future retirees. This book is one of a kind because it provides a practical strategy, a practical approach of how to think about how Medicare works today, and how it can affect a retirement plan in the future. There are many books on the topic of retirement planning, from Social Security to investing, written by professionals who have direct real-world experience. Similar guidance is difficult to find regarding Medicare, where the pitfalls are everywhere, especially when a Medicare beneficiary is not aware of the nuances that are not stated in the many advertisements and mailings."

—**Robert Powell, editor, *Retirement Daily***

"Jae Oh has unquestionably mastered the challenge of making sense of the byzantine Medicare rules, regulations, and little-known nuances and pitfalls. Oh deserves great praise for his adept skill at translating what is, for most, too difficult a language to comprehend. I have learned a lot and am grateful to Oh for devoting so much of his time and energy to create what is clearly a Medicare roadmap for all to follow. Anyone who follows the advice and guidance provided will not only find their way to an optimal Medicare coverage to meet their needs, but will also enjoy

the added health benefit of reducing the stress related to the cost of accessing health care.”

Professionally, I advise clients about their rights under the various Medicare programs. Even with all of this knowledge and experience, when it came time to straighten out coverages for my mother, I thankfully turned to Jae. His practical expertise understanding the system and how to effectively navigate it is unparalleled.

—**Sanford J. Mall, JD, elder law attorney, VA accredited attorney, and member of the Council of Advanced Practitioners and National Academy of Elder Law Attorneys**

“Jae Oh’s how-to, titled *Maximize Your Medicare*, offers a wealth of timely advice covering the ins and outs of Medicare coverage. Even though I’ve served in senior management and consulting roles with hospitals and physician practices for almost forty years and thought I understood the arcane rules governing qualifying for Medicare and the various options for coverage, the eye-openers covered in this book will prove invaluable to anyone on the cusp of qualifying and as a guide to assure one is sufficiently covered from year to year.”

—**Jim Goldmann, MHA, former fellow, American College of Health Care Executives**

“I have been a Medicare insurance broker in Pennsylvania, New Jersey, and Florida for the last twelve years. I have been carrying the annually updated version of *Maximize Your Medicare* with me for the past six or seven years. I would not go to an appointment without it. Technical questions/answers and third-party thoughts are very helpful for immediate clarifications and in-depth information.”

—**Dale Hood, independent Medicare insurance broker**

2022–2023 Edition

# Maximize Your Medicare



2022–2023 Edition

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**Qualify for Benefits, Protect Your Health,  
and Minimize Your Costs**

**Jae W. Oh, MBA, CFP**



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NOTE TO READERS: Premium levels, IRMAA premiums (part of Medicare Part B), and income brackets are subject to change per annual updates from the federal government. Always check for the most recent information, available here: <http://www.maximizeyourmedicare.com>.

## INTRODUCTION

### MEDICARE IS A MYSTERY: IT DOESN'T HAVE TO BE

Medicare is enormous—there are about sixty million enrollees, according to the most recent Medicare Trustees Report.<sup>1</sup> That's about one in five Americans! As you might expect for such a vastly complex government program, its rules are confusing and frequently misunderstood. Commercials, advertisements, phone calls, and mail have made matters even more unclear.

For millions of Americans, misunderstanding Medicare can mean unanticipated medical bills, overspending on prescriptions and health-care services, and other serious consequences. Health-care expenses are the number-one cause of household bankruptcy. And, as people age, out-of-pocket costs can overwhelm pensions, Social Security, and investments.

When understood and approached in the right way, however, Medicare is the single most valuable component of retirement planning in the United States, offering financial security, excellent access to health-care providers, and peace of mind. The

regulations surrounding Medicare are heavily in your favor—but you must understand the enrollment rules to reap all the benefits. In addition, fierce competition among insurance companies leads to very competitive pricing, which in turn means better benefits, lower costs, or both. You can use this information to set up Medicare in an optimal way—but doing that requires that you be fully informed.

That's the mission of *Maximize Your Medicare*: to make you fully informed. You will learn how Medicare actually works, how/when/why to enroll, and, most important, the crucial factors in choosing the best Medicare configuration for you and your family.

After countless appearances and presentations to both local and national audiences, I can tell you that almost no one understands precisely how Medicare works. This is true regardless of education level, financial status, or profession. Everyone is liable to get his or her advice from people, including health-care professionals, whose information is inaccurate, incomplete, or outdated. This book will help you avoid these errors and get the most for your money.

### **This Happens**

A highly educated, sixty-eight-year-old, very successful business owner is enrolled in employer-sponsored group health insurance. He is married, and the group plan covers him and his Medicare-eligible spouse. The premium of that insurance was \$1,500 each, per month. Instead, they cancel their group health insurance and enroll in Medicare Part B (they had enrolled in Part A when they turned sixty-five), Medigap, and Part D.

Savings: \$1,500, a month. Deductible: Lower by more than \$5,000. Copays: None.

There are lessons to be learned here. First, this outcome was possible for the past three years. That is more than \$50,000 of excess premium paid, for inferior coverage. That money cannot be recovered. One goal of *Maximize Your Medicare* is to inform you, so that you can avoid this combination of excess cost and inferior coverage. Second, it did not matter that this person was

well-educated or wealthy—the misinformation delivered to him was still incorrect. The amounts can vary, but saving a few hundred dollars a year for a person is vital to a person that relies entirely on Social Security benefits for retirement income.

### WHY IS MEDICARE SO IMPORTANT?

- Medicare can dramatically lower your health-care costs. There are a number of reasons this is true. First, the combination of premiums and benefits is superior under Medicare, compared to individual health insurance and most employer-sponsored health benefit plans. There are a variety of reasons for this. For example, the Medicare Advantage, Part D, and Medigap markets are very competitive, which works heavily in your favor. In addition, your ability to enroll and make changes in the future is possible, which can lower your overall healthcare costs, but if and only if you understand that what you choose today can affect your ability to make changes in the future.
- Medicare has superior benefits. Under Medicare, access to health-care providers can improve. Original Medicare is accepted by the overwhelming majority of healthcare providers. Medigap has no effective concept of network; the only limit is that the health-care provider must accept Medicare itself. Medicare Advantage has networks, but you can reasonably find a plan that includes most, if not all, of the providers that you prefer. Further, Medicare Advantage networks are fundamentally different to networks in the individual and employer-sponsored health insurance markets. For example, some Medicare Advantage plans do not require a referral from a primary-care physician, prior to visiting a specialist. This will be addressed in Chapter 5.
- Making mistakes can be costly. Errors in enrollment can result in penalties that may never expire. Not understanding the options under Medicare can result in you paying

far too much for inferior coverage. These errors can limit your access to health-care providers, such as a specific specialist. The financial costs of how and what you choose can be many thousands of dollars a year. If a dollar saved is a dollar earned, then a dollar unnecessarily spent is a dollar wasted.

### WHY IS MEDICARE SO CONFUSING?

- Medicare may look the same as other health insurance, but it works much differently. The choices you make today may affect the adjustments available to you in the future. This is a very important difference between Medicare and health insurance under the Affordable Care Act as it currently stands. For example, the words “deductible” or “network” may appear in both programs, but the practical implications of the words can be very different under Medicare.
- The simple example is that Social Security Full Retirement Age has risen and will be sixty-seven, but Medicare eligibility has stayed the same: most are eligible for Medicare when becoming sixty-five years old, not sixty-seven.  
Retiree benefits, small employer, large employer, COBRA, spousal/family coverage: any or all these terms combine to make your best selection very complicated, as each situation will have a different set of alternatives. Medicare, combined with health-insurance benefits for employees (and their families), has created a very wide range of coverage and cost combinations. People are frequently working beyond sixty-five, and this trend is not going to change anytime soon.
- Medicare components are oddly named. Unlike health insurance for those prior to becoming eligible for Medicare, Original Medicare has specific components: Parts A, B, C, and D. Within Medicare Part C (Medicare Advantage), there are commonly thirty Medicare Advantage Plans



available, some of which include prescription drug benefits, and some that do not. Within Part D (prescription drug plans), there are approximately twenty-five stand-alone Part D plans available in every geographic location. Medigap also uses a lettering system to describe plans: A through N. Sound confusing? It is.

- Advertisements and publications are incomplete. Advertisements from carriers are not intentionally misleading or inaccurate since every advertisement describing Medicare Advantage and Part D plans is highly regulated. *Medicare and You*, the annual document published by the Centers for Medicare & Medicaid Services (CMS), is a description of benefits under Medicare. Every commercial and advertisement from an insurance company has been pre-approved by the government, prior to their release to the general public. However, the advertisements do not shed any light on what is important when making decisions and provide no guidance about how to choose among a wide variety of options. Regulations ban direct comparisons among Medicare Advantage Plans and Part D plans, so the advertisements and sales presentations are not wrong, but they do not provide the information required to make the best choices.
- There are changes every year. Numerous changes, both gradual and sudden, affect the Medicare eligible. Premiums and copays for Original Medicare (Parts A and B), and the late-enrollment penalties, are recalculated every year. Medicare Advantage continues to improve, and retiree plans continue to weaken or can be entirely discontinued.

Why? Well, as we noted, Medicare is staggeringly large today, with nearly sixty-five million current beneficiaries, and 10,000 becoming newly eligible for Medicare every single day. This is creating enormous financial strain on the federal government, and there is no end in sight without

a complete overhaul of the health-care system. The result is that the government, employers, and insurance carriers have to make adjustments. Every stakeholder is adjusting, every year.

- A single detail can change everything. The icing on this already-complicated cake is that since everyone's set of priorities and resources is different, a single detail can make an enormous difference in your decision, when compared to your spouse, your lifelong friend, or your work colleague. It is not the goal of *Maximize Your Medicare* to determine your private priorities. It is the goal of this book to help you determine what may be best, given your specific set of priorities and resources.

### HOW TO USE THIS BOOK

*Maximize Your Medicare* is your guide through the Medicare maze. Every Medicare-eligible person needs to take these vital steps:

- Understand the enrollment guidelines. If you do not enroll according to the rules, there are late enrollment penalties that never expire. In addition, you will not be able to simply “turn the switch on” whenever you want. You may need to wait, and while you're waiting, you might need health-care services or prescriptions. While there will be some relief to this resulting from the newly enacted BENES Act, late enrollment penalties will continue to exist, and can be very costly: you may be uninsured, or you may be wasting money.  
For those eligible for Medicare prior to turning sixty-five (which will be addressed later), there are untold ripple effects. For example, if you do not have a prescription drug plan that is deemed to be “creditable coverage,” you get hit with the Part D Late Enrollment Penalty. But you may be able to enroll in Medigap (depending on where you live) or Medicare Advantage, which would

save you a great deal of money compared to an individual health-insurance configuration. In other words, if you are eligible for Medicare before you turn sixty-five years old, there are ways you can save a lot of money or get far better benefits.

It is not only those planning on retirement or turning sixty-five years old who are affected. Current Medicare enrollees, who may have been relying on Medicare for years, must stay up to date too. People may prefer to “set and forget,” but practical reality has made this approach unworkable. Medicare Advantage plans continue to add benefits, Medigap carriers are also adding separate, standalone benefits: some can reap the rewards if they stay updated.

- Understand what options are available. Simply understanding the enrollment rules is not sufficient. Why? Because your choices today can have consequences in the future. Some choices can be changed easily in the future (Medicare Advantage and Part D), and some may not, because the carriers may have the right to decline your application in the future (Medigap), which would make adjustments difficult, if not impossible. It is not all negative. Those with excellent health may be able to switch Medigap carriers, to lower their premiums, while retaining the same Medigap policy. Medicare Advantage policyholders may switch among Medicare Advantage plans freely, which may provide additional benefits.

This is not a suggestion that you be insurance poor; I would never give that advice. While Medicare premiums and out-of-pocket costs are lower than almost any other health-insurance setup, plans change. What is best today may not be best next year, and the difference can be huge—hundreds or thousands of dollars a year.

- Get your best Medicare configuration. Your individual situation can vary widely due to your personal history. For example, if you are employed or retired, married or single, or receive retiree health benefits, what you need to know is almost certainly different than what your friend or neighbor needs to know.

While you can apply by yourself, you may want an expert/agent/advisor to help you confirm that you are approaching your individual issues in the best possible way. But not all experts, agents, and advisors are equally knowledgeable about the plans in your geographic location. This book will show you how to find the professional who is right for you.

The bottom line is that you need to keep up to date. I provide updates, breaking news, and commentary on special situations on the official website for the book: [www.maximizemyourmedicare.com](http://www.maximizemyourmedicare.com).

There are many other ways to get information too:

- *Maximize Your Medicare* YouTube channel
- *Maximize Your Medicare* Facebook page
- *Maximize Your Medicare* Facebook community (you need to apply)
- *Maximize Your Medicare* podcast
- Jae's Corner Substack ([jaeoh.substack.com](http://jaeoh.substack.com))

These additional resources will help you especially because it is very likely that Medicare will change. As mentioned earlier, the BENES Act will reduce the waiting period and certain complications for those that may be assessed late enrollment penalties. The Medicare Plan Finder, a tool located online, at <http://www.medicare.gov>, is subject to constant change. This is an important tool, and there are instructions on how to use the Medicare Plan Finder in order to help identify a Part D and/or Medicare Advantage Plan.

Knowledge of how health insurance works is unlike almost any other type of financial knowledge. Normally, information that only you possess, and keep secret, is to your great advantage. That is not the case when it comes to knowledge about health insurance. The reasons are complicated, but one important factor is that the cost of health care is very high in the US and that there are uninsured, or underinsured, persons who leave unpaid bills with health-care providers. Losses suffered by health-care providers need to be recouped. How? Higher prices for the next patient—i.e., you.

So use these resources in addition to the book. Share them too, and help others—as I said, almost no one understands Medicare.

### AVOID MISTAKE #1

Do not wrongly confuse the terms health insurance and health care. They are linked of course, but they are not the same. Health insurance is a *financial contract* where you, as the insurance policyholder, receive benefits under certain conditions. Health care is a set of services administered by your doctor, hospital or healthcare provider. Keeping these different topics separate is vital.

Let's take a simple example to illustrate the difference. Let's say your refrigerator breaks and you have purchased an extended warranty. The extended warranty, a financial contract, specifies the benefits you will receive, perhaps the cost of repair, or a brand new refrigerator. The retail price of a new refrigerator, available for sale at the store, remains unaffected.

In the same way, health insurance is a contract defines the benefits you receive, and the out-of-pocket costs you face, if you require medical services. In the same way that the cost of the extended warranty does not fix or address the retail price of the refrigerator, the cost of health care itself cannot be changed by modifying health insurance.

You can frequently read or hear in the media that “health-care costs are excessively high in the United States,” and that the fix is to change the way that health insurance works. However, you can see, from the refrigerator example, the two terms are not the same; changing the way that health insurance works does not change

the high costs of health care. What matters to consumers, you, is that you understand how health insurance can reduce your overall costs. Medicare? Simply a very specific type of health insurance.

The key principle to remember is that probability and statistics determine the price and benefits of health insurance. Any debate that differs from this central fact is secondary.

Failing to understand that health insurance is different than health care is at the root of a long list of problems, miscommunication, and distortion. (Politicians wrongly conflate them all the time) In our deeply fragmented society, these differences are both advertently and inadvertently obscured, the result is that everyday people become confused or distracted. In turn, wrongful blame and credit is assigned to the wrong stakeholder.

Health care costs themselves cannot be brought down by tinkering with health insurance. Why? Probability and statistics determine price of health insurance, not your physician. Your physician is administering health care. There is a very long, complicated list of inputs to the underlying cost of health care among other things, the costs of health insurance have no impact on how much it costs to become a physician, which needs to be offset through physicians' salaries, which in turn help determine health-care costs. Being an expert in *Gray's Anatomy* (to book) does not, by itself, make him or her an expert in the Black-Scholes formula.<sup>2</sup> The confusion between these two terms, health insurance and health care can be witnessed everyday: people who do not understand health insurance ask their physician for health insurance advice, That would be similar to you asking your auto mechanic about which auto manufacturing stock to buy.<sup>3</sup>

### VERY BRIEF HISTORY OF MEDICARE

Medicare was established in 1965 as an amendment to the Social Security Act. The federal government has two separate revenue accounts—they can be thought of as different funding “pots”—to fund the different parts of Medicare. There is the Hospital Insurance (HI) Trust Fund, used to fund Medicare Part A. It is

paid for through federal payroll taxes. There is an annual Medicare Trustees Report provides an update on the financial status of the HI Trust Fund. Then there is the Supplementary Medical Insurance (SMI) Trust Fund, which funds Medicare Parts B and D. The SMI Trust Fund receives its funds from premiums paid by beneficiaries (you), and from the general budget of the US government. In other words, it is funded by taxes.

Why does any of this matter to you? Groundbreaking reform to the Medicare system will remain difficult because the HI Trust Fund has already been paid over time. That means current Medicare beneficiaries are the primary recipients of Part A benefits. If you widely expand the number of people enrolled in Medicare, there is no other way around this: much higher taxes will be required, or the existing HI Trust Fund will be diluted, resulting in weaker Part A benefits.

You can observe in the media and in think tanks that the United States has a more expensive health-care delivery system than other nations. There is endless name-calling and finger-pointing about this from every corner of our society. Changing health care from an à la carte system (called Fee for Service) to one where there is a singular price sounds ideal but introduces a problem. Creating an integrated health-care delivery system will be very difficult, because there have been very few proposals on how to deal with the fact that the HI Trust Fund and the SMI Trust Fund are separate tax revenue “pots.” Combining the two Trust Funds (HI and SMI) would be very complicated, and it will require legislation. Dramatically changing and widening Medicare will invite political controversy to our already-divided nation. The reason? The existing HI Trust Fund has already been funded by payroll taxes, and the number of those benefiting from a public option, Medicare For All, or increased Medicare eligibility will likely dilute or divert the existing HI Trust Fund. The common sense conclusion is that existing Medicare beneficiaries’ money will be siphoned off to a much larger pool of recipients, unless the shortfall is made up via higher taxes.

An example will make this easier to understand. Let's say you require a joint-replacement procedure. You'll need an X-ray to determine that this is necessary. There will be some local anesthesia, a surgeon, a location, the support people, and then the rehabilitation. Currently under Medicare, each of these stakeholders is being compensated under different Parts of Medicare (Part A or Part B), which raises two basic questions. If care costs \$50,000, who gets what? And how much of the \$50,000 comes from the HI Trust Fund, and how much from the SMI Fund? A complete solution to this has been, and will remain, elusive. Proponents of Medicare Advantage suggest that Accountable Care Organizations could address this complicated issue, the conclusion is yet to be seen.

The simple fact, as this illustration points out, is a lot of information and noise surrounds Medicare. *Maximize Your Medicare* is not here to solve political or budgetary challenges facing the US. This book has one, and only one, constituent: you.

### IGNORING MEDICARE NOISE IS DIFFICULT

The goal of *Maximize Your Medicare* is simple, which is to help guide you so that you can get the most from the Medicare program. Every person is different, and every situation is different, so it is logical that the definition of "the most" will also differ from person to person. The complication is that everyone faces a blizzard of highly fragmented information, sound bites, and tidbits from a very wide variety of sources. Some are credible, some are not; some are politically motivated; some leave out a vital piece of information. Separating the signal from the noise is daunting.

Identifying the factors that are vital to you starts with the basics of enrollment and Medicare coverage. From that point, the real work begins: how to choose, why you would choose, and what factors should be considered in making the wisest choice for your situation.