

What's the Difference Between Original Medicare and Medicare Advantage Plans?



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One of the biggest decisions retirees have to make is how they are going to protect their health. The average 65-year-old couple retiring today will spend \$285,000 on healthcare, according to Fidelity, but this number could be much higher if you develop a severe or chronic illness or if you choose the wrong Medicare plan.

Medicare plans are available in two types: Original Medicare and Medicare Advantage plans. Original Medicare plans are offered directly by the federal government while Medicare Advantage plans are offered through private health insurers who partner with the government to provide Medicare coverage to retirees. Both have their advantages and disadvantages, so you need to understand the differences to make the right choice.



Image source: Getty Images.

Original Medicare

Original Medicare is broken down into several parts. [Part A](#) covers inpatient and hospice care and some home healthcare services. Most people qualify for premium-free Part A, but if you worked and paid Medicare tax for less than 10 years, you may have to pay a Part A premium. There's a \$1,364 deductible and you may have a copay if you're in the hospital for more than 60 days. [Part B](#) covers outpatient care, lab tests, X-rays, and more. The federal government sets the Part B premium every year. For most people, it's \$135.50 in 2019, but high earners may have to pay more than this. There's a \$185 deductible and you must pay a 20% copay after you meet your deductible.

There's also Medicare [Part D](#), which is an optional coverage for prescription drugs. These plans are offered through private insurers and the cost varies depending on which plan you go with.

Many people like Original Medicare because it doesn't limit which doctors you can use. You can receive treatment at any hospital nationwide that accepts Medicare and you don't need a referral to see a specialist. This makes it a great choice for snowbirds who may otherwise have difficulty choosing a primary care physician. The downside of Original Medicare is that there are a lot of things left uncovered, like vision and dental, plus you have to pay a portion of your regular

medical expenses, and with no annual out-of-pocket limits, you could still end up spending a lot if you require a lot of medical care.

Rather than pay for all the things Medicare doesn't cover out of pocket, many choose to purchase supplemental insurance, known as [Medigap policies](#). These policies cover the things that Medicare doesn't, and some will even pay for your Medicare premiums and deductibles. In that case, you would just pay your Medigap deductible and premium instead. Medigap policies are offered by private insurers, and combined with the costs for Parts A and B, they can be more expensive than Medicare Advantage plans.

Medicare Advantage plans

You may have noticed we skipped Medicare Part C above. That's because Part C is for Medicare Advantage plans. Private insurers contract with the government to offer these as an alternative to Original Medicare. By law, they must cover all of the same things as Parts A and B, but they can cover additional services, like dental and vision care and prescription drugs, as well. You must sign up for Original Medicare Parts A and B first before you can enroll in a Medicare Advantage plan, and you will still have to pay your Medicare Part B premium. There may be an additional Part C premium as well, but this depends on the plan you choose.

Your plan will also determine what you pay in deductibles and copays, and most have an annual out-of-pocket limit. Once you've hit this ceiling, your Medicare Advantage plan will cover all additional medical costs you incur during that year.

Because Medicare Advantage plans often cover more things than Original Medicare, there's no need for a Medigap policy to supplement it. Some prefer Medicare Advantage plans for their simplicity and find that they actually cost less than paying for Original Medicare and a Medigap policy. But there are some downsides. You're usually limited to doctors within the network for your plan, and this can be a problem if you travel often. You may also need a referral to see a specialist, which means paying for two doctor visits instead of one.

How do I choose between Original Medicare and Medicare Advantage plans?

Think about which factors are most important to you when it comes to your healthcare and use these to make your decision. If you travel often, you're better off going with Original Medicare because there are fewer limitations on where you can seek treatment. If you don't travel often, it may be worth considering a Medicare Advantage plan, though you should check if your primary physician accepts Medicare Advantage plans first.

Shop around and compare the costs of Original Medicare plus a Medigap policy and a Medicare Advantage plan. Pay attention to the monthly costs and the out-of-pocket costs in case you need to file a claim. Read through the policies carefully so you understand what is and isn't covered.

If you decide later that you'd like to switch between an Original Medicare and a Medicare Advantage plan, you can do so, but only at certain times. There's an initial enrollment period that begins three months before the month you turn 65 and runs until three months after the month you turn 65. This is when you make your initial plan selection. If you don't like it, you can change it during the general enrollment period, which runs from Oct. 15 to Dec. 7 every year.