

Overview of the Medicare Program

Part A: Hospital Insurance

Part A is often called hospital insurance because it pays for care in the hospital. Part A also pays some of the costs of stays at skilled nursing facilities, or health care at home. Finally, Part A also covers hospice care for people who are terminally ill. It is funded by the payroll tax (FICA) that is deposited into the Hospital Insurance Trust Fund.

Part B: Medical Insurance

Part B pays for doctor services, outpatient hospital care, and home health care that Part A does not pay for. It also covers:

- Diagnostic and laboratory tests, such as X-rays and blood work
- Medical equipment, such as wheelchairs and hospital beds
- Orthotics (devices that support joints) and prosthetics (artificial body parts)
- Mental health care
- Ambulance services
- Preventive benefits

Part B is financed by Part B premiums (paid monthly by Medicare beneficiaries) and general revenues from the federal government.

Part C: Medicare Advantage Plans

Your clients can get their Medicare coverage either through Original Medicare (Parts A and B) *or* through a plan sponsored by a private company, called a Medicare Advantage plan. These plans are sometimes called Medicare health plans. Your clients enrolled in a Medicare Advantage (MA) plan still have Medicare Parts A and B, but they get their health-care services through a private plan (that they choose) that has a contract with Medicare. Your clients will pay the usual Part B premium, plus any additional premium that the plan may charge.

Learn more about the key differences between Original Medicare and Medicare Advantage in our review, [Original Medicare and Medicare Advantage: Compare and Contrast \(The Four C's\)](#).

There are different types of Medicare Advantage (MA) plans:

- Health Maintenance Organizations (HMOs)
- Preferred Provider Organizations (PPOs)
- Private Fee-for-Service plans (PFFS)
- Special Needs Plans (SNPs)
- Medical Savings Accounts

Generally, these plans are required to cover all the same things as Medicare Part A and B. Most MA plans require people to use providers (like doctors, hospitals, and pharmacies)

that are part of their network. Using providers outside a plan's network will cost more money. These plans also may cover services that Original Medicare does not pay for, like vision or hearing care. These plans also *usually* cover prescription drugs.

The federal government pays a fixed amount to the insurers who sponsor these plans to provide the Part A and B benefits to its enrollees. The fixed amount to MA plans has been more than it would be under Original Medicare.

For more information on MA plans, see section on [Medicare Advantage](#).

Part D: Prescription Drug Coverage

Part D helps pay for prescription drugs. Part D is funded by premiums paid by enrollees, general revenues from the federal government, and by state payments.

For more information on prescription drug coverage, see section on [Part D](#).

Medicare Supplemental Insurance

Some people may get coverage from a current or former employer or union. This employer-sponsored coverage can help to pay for services and costs Medicare does not cover.

Other people may purchase Medicare supplement insurance, known as a Medigap policy. There are 11 different standardized Medigap plans that can be sold. They are labeled A-D, F, high-deductible F, G, and K-N (except in Massachusetts, Minnesota and Wisconsin). Each covers different services. The cost of a Medigap policy depends on the type of Medigap plan and the company your client bought it from.

For more information on Medigap supplement insurance, visit [Supplemental Coverage/Medigap](#) on MyMedicareMatters.org.