

MEDICARE

What You Must Know About the Different Parts of Medicare

Medicare can be complicated but we've got you covered. Here is a quick guide to the different benefits provided through each part.



Medicare can be complicated, especially if you are a new enrollee or someone checking their plan during the Medicare open enrollment period, which is October 15 to Dec. 7 annually.

It's important to understand what benefits you will receive so you can decide if you want prescription drug coverage, an Advantage plan or additional coverage through Medigap. Staying up-to-date about changes to Medicare taking effect in 2025 will help you select the best plan when the time comes. Below is a quick explanation of each part of Medicare.

The new digital version of the "Medicare & You" handbook is out and you can download [a PDF copy here](#).

If you're in a Medicare Advantage Plan or other Medicare plan, your plan may have different rules. But, your plan must give you at least the same coverage as Original Medicare. Some services may only be covered in certain facilities or for patients with certain conditions.

1. Medicare Part A

Part A covers inpatient care at hospitals and skilled nursing facilities as well as hospice and some home health care. If you paid Medicare payroll taxes for at least 40 quarters, the Part A premium is free. For 2025, there is a deductible of \$1,676. You also must pay coinsurance for hospital stays longer than 60 days.

2. Medicare Part B

Part B pays for doctor visits, outpatient care and some home health care. For 2025, the deductible is \$257 and the base premium is \$185.00 per month. After hitting the deductible, you pay 20% of expenses unless you have either Medicare Advantage or supplemental coverage.

The penalty for failing to enroll at age 65 is a permanent 10% of the monthly premium multiplied by the number of years you could have enrolled but didn't. Exceptions are made for those with coverage through a qualifying employer health plan.

3. Medicare Part C

Part C is commonly called Medicare Advantage. Beneficiaries are covered for Parts A and B through private insurers instead of traditional government-administered Medicare. Most Advantage plans include prescription drug coverage. For 2025, the average monthly premium is \$17.00

Starting in 2025, Medicare Advantage plans will be required to send policyholders a personalized “Mid-Year Enrollee Notification of Unused Supplemental Benefits” in July. It will list all supplemental benefits the person hasn’t used, the scope and out-of-pocket cost for claiming each one, instructions on how to access the benefits and a customer service number to call for more information.

In recent months, Humana, CVS and some smaller insurers announced plans to pull out of unprofitable markets and reduce service in others, so those Medicare Advantage customers have to find another plan or return to Original Medicare. UnitedHealthcare, the largest insurer, is the outlier with no plans to reduce current or new enrollments.

4. Medicare Part D

Part D refers to standalone prescription drug coverage through private insurers. If your Advantage plan includes prescription drugs, you don't need Part D. If you elect original Medicare and want medications covered, you will need a Part D plan. Modern Medigap plans don't cover prescription drugs, but if you purchased a policy before Jan. 1, 2006 and still have that plan, then your Medigap policy may include drug coverage.

The average total monthly premium for Medicare Part D coverage is expected to be approximately \$46.50 in 2025.

If you decide after your initial enrollment period that you want Part D, you will pay a permanent 1% penalty of the base premium multiplied by the number of months that you went without the coverage.

Beginning in 2025, people with Part D plans won't have to pay more than \$2,000 in out-of-pocket costs. The \$2,000 cap will be indexed to the growth in per capita Part D costs, so it may rise each year after 2025. Part D enrollees will also have the option of spreading out their out-of-pocket costs over the year rather than face high out-of-pocket costs in any given month.

5. Medigap

Supplemental coverage is commonly referred to as Medigap. This is private insurance to supplement original Medicare coverage. The plans cover part or most of the cost sharing, such as coinsurance and co-payments, for Parts A and B, depending on which lettered Medigap plan you choose.

There are 10 plans but as of 2020, new Medicare enrollees are ineligible for Plans C and F. All plans with the same letter provide the same benefits but the cost could vary by insurance company.

Medigap plans typically have higher monthly premiums than Advantage plans but lower out-of-pocket expenses.

You can pick any medigap plan available in your area within six months after you initially sign up for Medicare Part B. But after that, Medigap insurers in almost all states can reject you or charge more based on your health and preexisting conditions. Delaying enrollment in a medigap policy can lead to higher premiums and denial of coverage in most states.

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Jackie Stewart is the senior retirement editor for [Kiplinger.com](https://www.kiplinger.com) and the senior editor for [Kiplinger's Retirement Report](#).

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