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How Medicare Deductibles Work

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Before your Medicare coverage fully kicks in, most plans require that you pay a deductible—a set amount of money you have to pay, out of pocket, toward health-care expenses before your plan begins paying its share of costs.

Deductibles aren't your only [Medicare cost](#)—premiums and copayments are other costs that come with Medicare—but lowering your deductibles can dramatically minimize your overall expenses.

The first thing to know is that each part of Medicare has its own deductible, and each of these deductibles works a little differently.

The Part A deductible

[Medicare Part A](#) mostly covers hospital stays. But you could also use this coverage if you stay in a skilled nursing facility, use home health care, or require [hospice](#).

In 2020, the Part A deductible is \$1,408.¹ After you meet this deductible, you'll pay a daily coinsurance, which varies depending on how many days you've been hospitalized.

Hospital days	Daily coinsurance
1–60	\$0
61–90	\$352
91+	\$704

Table created from information at Medicare.gov. Data as of 6/9/2020.

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The Part B deductible

[Medicare Part B](#) covers most of your regular medical expenses, such as doctor visits, [preventative care](#), and lab work. Most people expect to use Part B more often than Part A, which is good because the Part B deductible is much lower and more straightforward.

The [Part B deductible](#) resets annually on January 1, so you'll only ever pay it once per year. And, in 2020, the Part B deductible is just \$198.²

After you meet the Part B deductible, you'll pay a 20% coinsurance for covered services. Note that preventative services such as wellness checks (but not physicals) are free, whether or not you've met your deductible.

How the Part B deductible works

David schedules his annual wellness check in January. It's the first time he's using Part B in the new year, but he pays nothing for this appointment anyway because it's preventative care. However, during this appointment, his doctor suggests David get his heart checked out.

David schedules an appointment with a cardiologist who orders a stress test and some blood work. David's bill comes to \$400, of which he pays \$238—\$198 plus 20% of the remaining \$202.

For his follow-up appointment a few weeks later, David pays just 20% of the total bill because he's already met his deductible for the year.

The Part D deductible

[Medicare Part D](#) is optional coverage you can buy to help pay for prescription drugs. Like the Part B deductible, this one resets annually too. Part D deductibles vary by plan, but by law must be \$435 or lower (in 2020).³

After you meet this deductible, you'll pay a portion of the cost of your covered medications. How much you pay depends on which tiers your drugs fall into, as well as which phase of coverage you're in.

Learn more about [Part D drug tiers and coverage phases](#).

Medicare Advantage deductibles

[Medicare Advantage](#), also known as Part C, is an alternative to Medicare in which your health-insurance benefits are provided by private insurance companies. Medicare Advantage covers everything Parts A and B cover, along with extras such as prescription drugs, dental care, and fitness programs.

Medicare Advantage enrollees don't have to pay a Part A or Part B deductible, but they do typically have to pay a separate deductible for prescription drugs if this coverage is included.

Medicare Advantage plans vary widely in terms of what they cover and what they cost. Generally, the higher a plan's monthly premium, the lower its deductible. But this isn't always true.

Once you meet your Medicare Advantage deductible, you'll likely pay a fixed-dollar copay (such as \$20 for a doctor visit) for each service you receive. Unlike Parts A and B, Medicare Advantage plans have a maximum out-of-pocket amount. By law, this amount can't be higher than \$6,700 (in 2020),⁴ and it might be lower.

Once you reach your out-of-pocket maximum—by paying your deductible, copayments, and other expenses—your plan pays for most other expenses until the end of the year. Then on January 1, your out-of-pocket maximum and deductible both reset.

Deductibles with Medicare Supplement

Together, Part A and Part B compose what's known as Original Medicare. [Medicare Supplement](#)—also known as Medigap—is an optional plan that covers costs Original Medicare doesn't cover. Unlike other parts of Medicare, Medigap doesn't have a deductible. Instead, this coverage helps *pay* for deductibles—as well as coinsurance, copayments and other coverage “gaps” you might be responsible for.

There are 10 Medigap plans currently available for purchase. Nine of these plans cover some or all of the Part A deductible, and seven of them pay 100% of that deductible.

Finding a Medigap plan that covers the Part B deductible is more challenging. [Only two of them](#) cover the Part B deductible, and only people who became eligible for Medicare before 2020 can

enroll in these two plans.

How to lower your deductible

Because deductibles can add considerable costs to any health-care budget, many people look for ways to lower their deductibles or avoid paying them altogether.

With Part D and Medicare Advantage plans, you can usually find a low-deductible plan if you're willing to pay a higher monthly premium. But whether you end up saving money depends on how much you use your coverage throughout the year.

If you use your Medicare benefits often, you're more likely to save money on a low-deductible, high-premium plan. If you don't use your benefits often, then it may make sense to save money on your premium instead.

If you want to avoid or lower your deductible for Part A or B, you may be able to add a Medicare Supplement plan to cover these costs. Medicare Supplement plans come with an additional premium, however, so you'll need to factor that into your potential savings.

If you're not sure saving on your deductible is worth paying more in premiums, speak with a licensed Medicare agent who can help you crunch the numbers and find the best plan for your needs.

Finally, check out the differences between [Medicare Advantage and Medigap](#). Each can save you money on deductibles, but they work differently.

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Sources

1. Medicare.gov, "[Medicare Costs at a Glance](#)"
2. Medicare.gov, "[Medicare Costs at a Glance](#)"
3. Medicare.gov, "[Medicare Costs at a Glance](#)"
4. The Centers for Medicare and Medicaid, "[Announcement of Calendar Year \(CY\) 2020 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter](#)"

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Kathryn is a Medicare and geriatric specialist who has appeared on Baby Boomers, OppLoans, and Best Company. Her readers don't need a degree in government-speak to get the right coverage because Kathryn sifts through Medicare's parts, plans, and premiums to distill only the most useful information. Her favorite place in the world is a hammock that swings peacefully between two crabapple trees somewhere in New Mexico's Gila National Forest.

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