ProsperPlan Wealth

MEDICARE GUIDE · 2026 EDITION

Making Medicare Finally Make Sense

Four key parts, two paths, and the deadlines you can’t afford to miss.

The Life You Want Tomorrow Starts With the Decisions You Make Today

INSIDE THIS GUIDE

Here's how Medicare all fits together, with the 2026 numbers, and the basics in plain English and with clear graphics.

Inside this guide you'll find:

- The four parts: What they leave in, and what they leave out
- Two pathway options, and how you should choose
- Medigap: Private coverage where Medicare stops
- Who pays first and who pays second
- When you must sign up
- What Medicare costs are for 2026
- Income-Related Monthly Adjustment Amount: The IRMAA income surcharge
- How billing works, and the key forms you should know
- Help with Medicare



THE BASICS

The four parts: What they leave in, and what they leave out

A, B, C, and D. Medicare uses 4 letters, with each one covering a certain type or level of care.

Part A: Hospital insurance

This covers: Inpatient hospital stays, skilled nursing care after a qualifying hospital stay, hospice, and some home health care.

What you pay: No premium if you or your spouse worked at least 10 years. With Part A, there is a $1,736 deductible for each benefit period in 2026.

Part B: Medical insurance

This covers: Doctor visits, outpatient care, lab work, preventive screenings, mental health care, and medical equipment.

What you pay: $202.90 a month in 2026 (more at higher incomes), a $283 yearly deductible, then usually 20% of the approved cost, with no yearly cap.

Part C: Medicare Advantage

This covers: Everything in A and B through one private plan, usually with drug coverage and extras like dental or vision.

What you pay: You still pay your Part B premium, plus any plan premium and copays. Each plan caps your in-network costs for the year, and the cap can't exceed $9,250 in 2026.

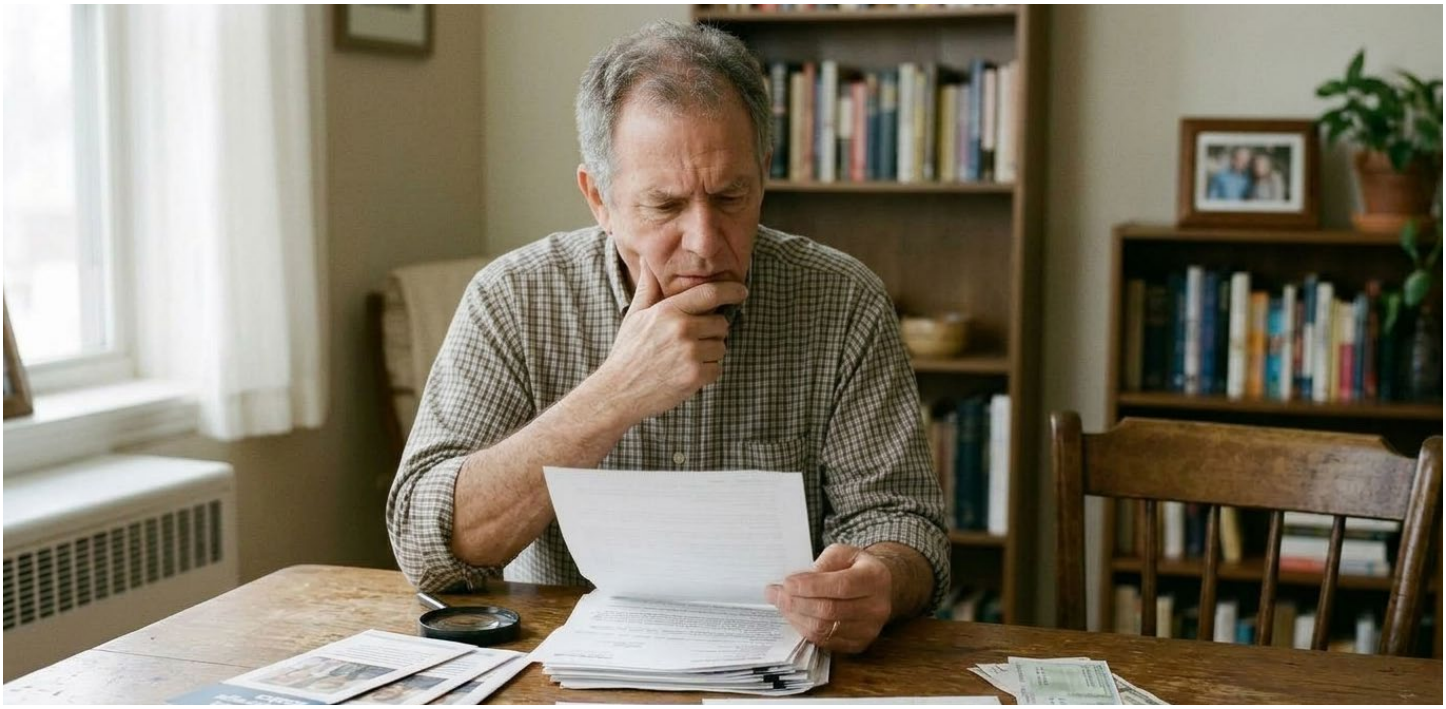
Part D: Prescription drugs

This covers: Outpatient prescriptions, through a private plan you buy on its own or get inside an Advantage plan.

What you pay: A premium, a deductible of up to $615, then 25% until your yearly cost reaches $2,100. After that, $0 for covered drugs.

THE BASICS

What Medicare does not cover



- **Long-term care:** Help with daily living or a long nursing home stay
- **Routine dental:** Cleanings, fillings, dentures
- **Routine vision:** Eye exams for glasses, and the glasses
- **Hearing aids:** Routine hearing exams and aids
- **Travel abroad:** Most care outside the U.S.

Long-term care is the big one.
Medicare pays for short-term skilled care after a hospital stay, but not for help with bathing and dressing or a long nursing home stay. (You must plan for these separately.) Advantage plans often add some dental, vision, or hearing.

YOU, TURNING 65

Two paths. You pick one.

Path 1: Original Medicare

Part A + Part B + Medigap + Part D
Medigap is private insurance that pays the 20% and deductibles Medicare leaves behind. It costs more each month, and your bills are easier to predict.

Path 2: Medicare Advantage

Part C: A + B, usually D in one plan
One private plan. It costs less each month, you pay copays when you use care, and you stay inside the plan's network.

	Original Medicare + Medigap	Medicare Advantage
Doctors	Any provider in the U.S. that accepts Medicare	The plan's network. Outside it can cost more or not be covered.
Approvals	Generally no referrals needed	Referrals and prior approval are common
Monthly cost	Higher: Part B, Medigap, and a Part D plan	Lower: Part B, plus a plan premium that is often $0
When you get care	Low and predictable	Copays as you go, up to the yearly cap ($9,250 max in-network)
Travel	Works the same in every state	Outside the service area, often emergencies only
Extras	Dental and vision bought separately	Often some dental, vision, or hearing

Our view: choose at 65 as if you will keep it

You can change Advantage and drug plans every fall. Getting into Medigap can be a challenge. Importantly, for your first six months on Part B after age 65, no insurer can turn you down. After that, insurers can usually ask about your health and possibly say "no."

Retiree coverage?

Plans from employers like Kaiser Permanente, PG&E, or the UC system may require Part B and may determine which path you take. (Speak with us so you know the plan's rules before you choose.)

Medigap

- **Long-term care:** Help with daily living or a long nursing home stay
- **Routine dental:** Cleanings, fillings, dentures
- **Routine vision:** Eye exams for glasses, and the glasses
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Medigap: Coverage Where Medicare Stops

Original Medicare doesn't cover everything, and that's where private Medicare Supplement (Medigap) plans help. Two of the most popular are Plan G and Plan N. Plan G is the most comprehensive option for people new to Medicare.

Once you've met the annual Part B deductible, it covers nearly all of your remaining Medicare-approved costs. Plan N usually has a lower monthly premium (with premiums typically ranging from $100 to $300 a month).

The precise amount you'll pay each month for either plan depends on your age, where you live, whether you use tobacco, which insurer you choose, and how that insurer sets its prices as you get older.

BEYOND THE BASICS

Who pays first and who pays second

The primary insurer pays first. The secondary insurer (Medigap) typically picks up what is left. Here is the order on each path.

Path 1: Original Medicare + Medigap

TWO INSURERS, TWO DIFFERENT PATHS

The bill: $1,000. An outpatient bill, at the Medicare-approved amount

- **1 · PRIMARY:** Medicare pays $800. Parts A and B pay first: 80% here
- **2 · SECONDARY:** Medigap pays $200. Plan G picks up the 20%
- **YOU: You pay $0.** After your $283 Part B deductible for the year

Medicare, 80%: $800 | Medigap, 20%: $200

Path 2: Medicare Advantage

ONE PLAN, NO SECONDARY

The bill: $1,000. An outpatient bill, at the Medicare-approved amount

- **THE BILL:** Sent to your plan. Not to Original Medicare
- **THE PLAN PAYS:** Advantage plan. Medicare pays the plan a set amount for you each month
- **YOU: Copays.** As you use care, up to the plan's yearly cap

Part C is not a secondary plan

With Medicare Advantage, your plan pays your bills instead of Parts A and B. Medigap only works alongside Original Medicare, so you can never have both. If someone sells you Medigap while you are in an Advantage plan, it covers nothing.

If you also have	Pays first	Pays second
Health plan from your or your spouse's current job, 20 or more employees	**Your job's plan**	Medicare
Health plan from a current job, fewer than 20 employees	**Medicare**	Your job's plan
Retiree plan from a former employer	**Medicare**	Retiree plan
COBRA	**Medicare, in most cases**	COBRA

Retirees, read this twice.
When Medicare should pay first, many retiree plans pay as though you have Part B. Skip Part B and you could owe the share Medicare would have paid.

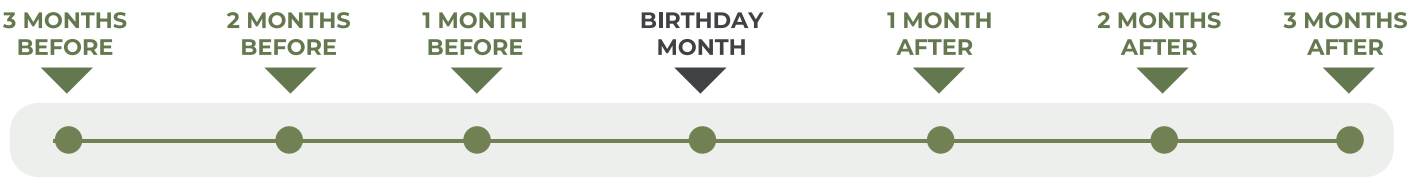
TIMING

When to sign up

It's extremely important to understand that Medicare deadlines are serious. Miss just one and the penalty can follow you for life.

Your First Window: The Seven Months Around Your 65th Birthday

Your Initial Enrollment Period lasts seven months. It begins three months before the month you turn 65, includes your birthday month, and ends three months after.



Our recommendation: sign up in the first three months.

If you enroll before your birthday month, your coverage begins on the first day of your birthday month, with no gap. This is the timing we recommend for almost every client.

Signing up later still works.

If you enroll during your birthday month, or the three months after, your coverage begins on the first day of the month after you apply.

Already receiving Social Security?

You'll be enrolled in Medicare Parts A and B automatically, and your card should arrive in the mail about three months before your birthday. There is a 10% Part B late penalty added for each full year you went without Part B when you should have had it, and it lasts as long as you have Part B.

Still working at 65? You can wait

With coverage from your job, or your spouse's current job, at an employer with 20 or more employees, you can usually delay Part B without penalty. You then have 8 months after either the job or the coverage ends to enroll.

These do not let you wait

COBRA, retiree health plans, and individual Marketplace plans. Delaying Part B on one of them is how penalties start. Using an HSA? Stop contributions six months before Medicare begins.

Medicare dates that matter every year

Oct 15 to Dec 7: Open Enrollment.
Opportunity to change Advantage or drug plans, or switch paths. New coverage starts January 1.

Jan 1 to Mar 31: Advantage Open Enrollment.
If you're in an Advantage plan, you can make one switch or return to Original Medicare.

Your birthday: California birthday rule.
If you have Medigap, the window runs 30 days before through 30 days after your birthday to move to a plan with equal or lesser benefits, with no health questions.

10% Part B late penalty.
Added for each full year you went without Part B when you should have had it, and it lasts as long as you have Part B.

1% Part D late penalty.
1% of the national base premium ($38.99 in 2026) for every month without drug coverage that counts, and it lasts for life.



If you missed your first window and have no job-based coverage, General Enrollment runs January 1 to March 31, and coverage starts the month after you sign up.

BY THE NUMBERS

What Medicare costs in 2026

The numbers that land on your budget, per enrollee.

- **$0:** Part A premium for most people
- **$1,736:** Part A deductible, each benefit period
- **$202.90:** Part B premium a month ($2,434.80 a year)
- **$283:** Part B deductible, once a year
- **20%:** Your share of most Part B costs, no cap
- **$2,100:** Yearly cap on covered drug costs ($2,400 in 2027)

How drug costs work in a year

STEP 1: Deductible.

You pay up to $615. Some plans have none.

STEP 2: You pay up to 25%.

Copays or coinsurance until your total reaches $2,100.

STEP 3: $0 the rest of the year.

Covered drugs cost nothing through December 31.

How the hospital deductible works through the year

FEBRUARY,
Hospital stay 1: Pay $1,736

You spend 60+ days in a row at home:
The benefit period closes/resets

SEPTEMBER,
Hospital stay 2:
Pay $1,736 again

The Part A deductible doesn't reset on January 1. It resets with each **new benefit period**, which ends after 60 days in a row out of the hospital or skilled nursing care. Two stays in one year can mean two deductibles.

Hospital and skilled nursing costs.

Hospital, per benefit period

- **Days 1 to 60:** $0 after the deductible
- **Days 61 to 90:** $434 a day
- **Reserve days:** $868 a day, 60 for life
- **After that:** You pay it all

Skilled nursing, after a hospital stay

- **Days 1 to 20:** $0
- **Days 21 to 100:** $217 a day
- **Day 101 on:** You pay it all

Most Medigap plans, including Plan G and Plan N, pay these daily amounts. Advantage plans set their own copays instead.

Remember:
Medigap and Advantage plan premiums vary by plan and ZIP code.

Your income can add to Parts B and D.



Source: CMS 2026 figures.

Income-Related Monthly Adjustment Amount or IRMAA

The surcharge based on your income

The higher your income, the more you'll pay for Part B and Part D premiums. (Medicare uses your tax return from two years ago.)

2026 Part B premium per person, by 2024 income

S = single · J = joint · D = Part D add-on

Tier	Part B premium	S	J	D
Standard	$202.90	S ≤ $109K	J ≤ $218K	D $0
Tier 1	$284.10	S $137K	J $274K	D +$14.50
Tier 2	$405.80	S $171K	J $342K	D +$37.50
Tier 3	$527.50	S $205K	J $410K	D +$60.40
Tier 4	$649.20	S < $500K	J < $750K	D +$83.30
Tier 5	$689.90	S $500K+	J $750K+	D +$91.00

Sources: CMS 2026 Medicare Parts A and B fact sheet; Social Security Administration. Upper limit of each tier shown.

Also counts toward IRMAA

- Your wages, pensions, and taxable IRA or 401(k) withdrawals, including RMDs
- Roth conversions
- Capital gains, dividends, and interest, even tax-exempt muni interest

These do not count toward your IRMAA

- Qualified Roth IRA withdrawals
- Qualified charitable distributions (QCDs) from an IRA
- Withdrawals from a bank savings account

Income dropped?

Retiring, losing your job, marriage, divorce, a spouse's death, or losing pension income can all result in lower premiums.

ALREADY COLLECTING SOCIAL SECURITY?

How Medicare bills you, and the forms to know

Your Medicare premium is taken from your check every month

Your Part B premium, and any IRMAA, comes out of each monthly Social Security payment before it reaches you: $202.90 a month in 2026.

NOT COLLECTING SOCIAL SECURITY YET?

You get a bill every three months

Medicare mails a Medicare Premium Bill (CMS-500) for three months of Part B at a time. (Part D IRMAA and any Part A premium are billed monthly.)

How do you physically pay?

- **Medicare Easy Pay.** Free automatic draft from your bank (form SF-5510).
- **Online.** Pay by card or bank account at Medicare.gov.
- **Bill pay or mail.** Use your bank's bill pay, or mail a check with the coupon.
- **Pay on time.** Unpaid premiums can end your coverage.

Advantage, Part D, and Medigap premiums are separate, and you pay them to the insurance company. An Advantage or Part D plan can take its premium from your Social Security check if you ask.



Government forms to know

Form	What it does	When you need it	How to file
CMS-40B	Enrolls you in Part B	You are not enrolled automatically, or your job coverage is ending	Apply online at ssa.gov, or send it to Social Security
CMS-L564	Proves you had job-based coverage, so no late penalty	You delayed Part B while working	Your employer completes it. Send it with your CMS-40B
SSA-44	Asks to lower IRMAA after your income drops	Retirement, job loss, marriage, divorce, or a spouse's death	Send to Social Security with proof of the change
SF-5510	Sets up Medicare Easy Pay	You are billed directly and want automatic payment	Fill in your bank details and mail it to Medicare
Creditable coverage notice	Shows your drug coverage counts, so no Part D penalty	Sent by your job or retiree plan before October 15 each year	Keep it with your records
Medicare Summary Notice	Shows what Medicare paid and what you may owe	Mailed every 4 months if you used care	Check it for errors, or read it at **Medicare.gov**

Important note: Make sure to set up the following two accounts before you turn 65:

My Social Security at **ssa.gov** and your account at **Medicare.gov.**

Help with Medicare

Medicare isn't simple. There are parts and plans, enrollment windows, penalties, and decisions that can follow you for years. It's normal to feel a little overwhelmed.

But here's the good news: with the right guide beside you, it becomes much easier to navigate. Most of what feels confusing comes down to a handful of clear choices, made at the right time, in the right order.

That's what we're here for. We'll help you understand your options, avoid costly missteps, and choose coverage that fits your health, your budget, and the retirement you've worked so hard for.



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Let's take the next step together.

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We'd love to hear from you.

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