Medicare Made Understandable

Four letters that cause more confusion than almost anything else in retirement

If you've ever sat down to research Medicare on your own and come away more confused than when you started, you're not alone — and it isn't your fault. Medicare is genuinely one of the more complicated systems a person interacts with in their entire life, layered with decades of legislative patches, an alphabet soup of parts and plans, and enrollment deadlines that carry real financial penalties if you miss them.

I've hosted well over a hundred seminars on Social Security, retirement income, and Medicare, and if there's one pattern I see more than any other, it's this: people don't feel confused because they're not smart enough to understand Medicare. They feel confused because almost nobody has explained it to them in plain language, from the beginning, without assuming they already know the vocabulary.

So let's do that.

The four parts, explained like a person would explain them

Part A — Hospital Insurance. This covers inpatient hospital stays, skilled nursing facility care, hospice, and some home health care. Most people don't pay a monthly premium for Part A because they, or a spouse, paid Medicare taxes for at least 10 years while working. If you paid into the system, this part is essentially already covered.

Part B — Medical Insurance. This covers doctor visits, outpatient care, preventive services, durable medical equipment, and most of the day-to-day medical care you'd expect from a health plan. Unlike Part A, everyone pays a monthly premium for Part B, and that premium is where income-based surcharges — more on those shortly — come into play.

Part C — Medicare Advantage. This is an alternative way to receive your Medicare benefits, offered through private insurance companies approved by Medicare. Instead of Original Medicare (Parts A and B) plus a separate drug plan, you get your Part A and B coverage, and usually Part D, bundled into one plan, often with extra benefits like dental or vision. The trade-off is usually a more limited network of providers in exchange for those extras and often a lower premium.

Part D — Prescription Drug Coverage. This covers prescription medications and is offered through private insurers. It's optional, but skipping it when you're first eligible, without other creditable drug coverage, can mean a permanent late enrollment penalty added to your premium for as long as you have Part D.

Together, Parts A and B are what people usually mean when they say "Original Medicare." Parts C and D are the pieces that involve private insurance companies working alongside the federal program.

What it actually costs in 2026

Numbers help cut through the fog, so here's where things stand this year.

The standard Part B premium is $202.90 per month. Most people pay this amount, deducted automatically from their Social Security check if they're already receiving benefits.

Part D premiums vary by plan, but average around $34.50 per month for standalone drug coverage.

Where it gets more complicated — and where I see the most surprised reactions — is IRMAA: the Income-Related Monthly Adjustment Amount. If your income is above certain thresholds, you pay more than the standard premium for both Part B and Part D. Here's what that looks like for 2026, based on your income from two years earlier (your 2024 tax return):

If you file individually:

Income up to $109,000 pays the standard $202.90 for Part B. Above that, surcharges phase in across five tiers, adding anywhere from roughly $81 to $487 per month on top of the standard premium, depending on how high your income runs, up to a top tier for income above $500,000.

If you file jointly:

The same structure applies, but the income thresholds roughly double — starting the first surcharge tier at $218,000 of joint income, with the same escalating tiers up through income above $750,000.

Part D carries its own, smaller IRMAA surcharge on the same income tiers, ranging from about $14.50 to $91 per month.

Here's the detail that trips up even financially sophisticated people: IRMAA is based on your income from two years before the coverage year. That means a big one-time event in 2024 — a Roth conversion, a large capital gain, selling a business — can raise your Medicare premiums in 2026, well after the event itself is behind you. This is one of the clearest examples of why Medicare planning and tax planning really can't be separated from each other.

The enrollment windows — and why missing them is expensive

This is the part of Medicare that causes the most avoidable financial pain, because the penalties for missing these windows aren't small, and in some cases they're permanent.

Initial Enrollment Period (IEP). A seven-month window centered on your 65th birthday — it starts three months before your birthday month and ends three months after. This is your first, and often best, opportunity to enroll without penalty.

General Enrollment Period (GEP). If you miss your IEP and don't have other qualifying coverage, you can enroll during this window, but you may face a late enrollment penalty for Part B that's added to your premium for as long as you have it — not a one-time fee, a permanent increase.

Annual Enrollment Period (AEP), October 15 through December 7. This is when anyone with Medicare can change their Part D or Medicare Advantage plan for the following year. I encourage clients to actually use this window every year, even if they're happy with their current plan — drug formularies and plan costs change annually, and the plan that was your best option two years ago may not be your best option now.

Special Enrollment Period (SEP). If you're still working past 65 and covered by a qualifying employer health plan, you may be able to delay Medicare enrollment without penalty and enroll later through a Special Enrollment Period. Getting this timing right requires confirming your employer coverage actually qualifies — an assumption worth verifying rather than guessing at, since being wrong about it can mean months, or years, of unnecessary penalties.

What recent legislation changed

The One Big Beautiful Bill Act, signed into law in 2025, made some changes worth knowing about if you're relying on Medicare or expect to need help affording it. The law paused planned improvements to Medicare Savings Programs — the assistance programs that help lower-income beneficiaries with premiums and cost-sharing — which means the enrollment process for that assistance remains more complex than it was on track to become. It also affects nursing home staffing standards and Medicaid rules that intersect with long-term care coverage for those who rely on both Medicare and Medicaid.

None of this changes the core mechanics of Medicare I've described above, but it's a good reminder that this system doesn't sit still. Rules shift, and a plan built on last year's information can quietly become outdated.

A few things I tell nearly every client

Compare plans every single year during AEP, even if you like your current one. Plans change more than people realize.

Understand your IRMAA exposure before you make a big financial move, not after. A Roth conversion, a business sale, or a large capital gain can all echo into your Medicare premiums two years later.

Don't assume Medicare Advantage or Original Medicare is automatically "better." The right answer depends on your health needs, your preferred doctors, your travel habits, and your budget — it's genuinely personal, not universal.

Confirm your enrollment timing if you're working past 65. This single detail causes more unnecessary penalties than almost anything else I encounter.

Where this leaves you

Medicare doesn't have to be confusing — it just has to be explained clearly, once, by someone willing to walk through it in plain language. That's what I've tried to do here. But your situation has specifics that a general guide like this one can't capture: your income, your health needs, your work situation, and how Medicare fits into the rest of your retirement income plan.

That's exactly the conversation I'd welcome having with you.

About Jim Cooper

Jim Cooper is a Certified Financial Fiduciary® and National Social Security Advisor with New Insight Financial. Before moving into financial services, Jim spent 30 years in the defense industry, an experience that shaped his belief in careful, methodical planning under real-world

constraints. For more than a decade, he has hosted seminars across the community on Social Security, retirement income planning, Medicare, and long-term care — always with the same goal: helping people replace financial uncertainty with a clear, workable plan. Jim's approach is built on a simple principle: People First, Money Second.

Have Medicare questions specific to your situation?

Contact Jim Cooper at jimcooper@newinsightfinancial.com or (863) 589-6850 to schedule a complimentary consultation.

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