

Medicare Open Enrollment - Avoiding Critical Mistakes



Presented by:

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Jim has been selected nine consecutive times by *Medical Economics* as one of “The 150 Best Financial Advisors for Doctors in America.”

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Jim has also been previously selected three times by *Pittsburgh Magazine* as one of the Pittsburgh area’s FIVE STAR Wealth Managers, a list that represents the most elite financial advisors in Pittsburgh.

With over 20 years of experience, Jim assists all types of clients with their financial planning and investment needs. Jim’s extensive skill set includes providing financial advice to retirement-focused clients, medical and dental practices, and businesses.

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Mr. Holtzman was selected by *Pittsburgh Business Times* as one of the 2013 Fast Tracker's, which honors leaders in the Pittsburgh area's business community who've had a significant impact on the growth of their organization.

30 Minutes on Medicare Basics

**What Baby Boomers Need to
Know About Medicare**

What Is Medicare?

- National health insurance program for people 65+
- Administered by the Centers for Medicare and Medicaid Services (CMS)
- Enrollment through the Social Security Administration (SSA)

Who Is Eligible for Medicare?

- Everyone over 65
 - All U.S. citizens
 - Legal residents who have lived in the U.S. continuously for at least 5 years
- Some people under 65 who are eligible for Social Security disability benefits

Four Parts of Medicare



Part A

**Hospital
Insurance**



Part B

**Medical
Insurance**



Part C

**Medicare
Advantage**



Part D

**Medicare
Prescription
Drug
Coverage**

Provided by Medicare

**Provided by private insurer that
contracts with Medicare**

Option 1: Original Medicare

(See pages 61–64)

This includes Part A and B.



Part A
Hospital Insurance



Part B
Medical Insurance

You can add:

(See pages 83–96)



Part D
Medicare Prescription
Drug Coverage

You can also add:

(See pages 79–82)



Medigap
Medicare Supplement Insurance
*(Medigap policies help pay your
out-of-pocket costs in Original Medicare.)*

Option 2: Medicare Advantage (Part C)

(See pages 65–78)

These plans are like HMOs or PPOs, and
typically include Part A, B, and D.



Part A
Hospital Insurance



Part B
Medical Insurance



Part D
Medicare Prescription
Drug Coverage

*(Most plans cover prescription drugs.
If yours doesn't, you may be able to join a
separate Part D plan.)*

Medicare Enrollment

Basic Principle of Enrollment

Unless you are covered by an employer group plan that covers 20 or more employees,* you must enroll in Medicare when you turn 65

***Coverage must be based on current employment of self or spouse**

What if You Don't Enroll in Medicare on Time?

- You may pay late-enrollment **penalties.**
- Your health care expenses **may not be covered** by insurance.
- Your private insurance **options may be limited.**

How Do You Enroll in Medicare?

- **If you **are** receiving Social Security when you turn 65:**
 - Medicare Parts A and B are automatic (can decline if don't want Part B)
 - Coverage starts 1st of month turn 65
 - Parts C and D are not automatic; must choose private insurer and proactively enroll

How Do You Enroll in Medicare?

- If you **are not** receiving Social Security when you turn 65:
 - Must sign up through Social Security Administration during a Medicare enrollment period
 - Initial enrollment period: If you are not covered by a group plan at 65
 - Special enrollment period: If you are covered by a group plan at 65
 - General enrollment period: If you missed your initial or special enrollment period

If Not Automatically Enrolled Your 7-Month Initial Enrollment Period

No Delay

Delayed Start

If you enroll in Part B	3 months before the month you turn 65	2 months before the month you turn 65	1 month before the month you turn 65	<i>The month you turn 65</i>	1 month after you turn 65	2 months after you turn 65	3 months after you turn 65

Sign up early to avoid a delay in getting coverage for Part B services. To get Part B coverage the month you turn 65, you must sign up during the first three months before the month you turn 65.

If you wait until the last four months of your Initial Enrollment Period to sign up for Part B, your start date for coverage will be delayed.

Who Signs up for **Part A** During the Initial Enrollment Period?

- (Almost) everyone who turns 65.
 - Check with benefits administrator if still working and covered by a large (≥ 20 employees), group health plan.
 - You may be advised to enroll in Medicare Part A to enhance hospitalization coverage offered by employer plan.
 - However . . . Do not sign up for Part A if employer plan (≥ 20 employees) is a high deductible health plan paired with a health savings account and you want to keep contributing to the HSA. (HSA contributions must stop upon enrollment in Medicare.)

Who Signs up for **Part B** During the Initial Enrollment Period?

- People who are not covered by a comprehensive employer-sponsored group health plan that covers 20 or more employees when they turn 65 — i.e., people who are:
 - Not working
 - Self-employed
 - Employed by a company with <20 employees
 - On COBRA
 - Receiving retiree health benefits
 - Employed by a company whose health plan is less comprehensive than Medicare

Who Signs up for **Part D** During the Initial Enrollment Period?

- People who have signed up for Parts A and B and want prescription drug coverage, either now or in the future.
 - Must sign up when first eligible or face late enrollment penalty (unless covered by a plan with drug coverage at least as comprehensive as Medicare — called “creditable” coverage).
 - Two options for Part D
 - Standalone prescription drug plan
 - Medicare Advantage plan that includes drug coverage

Special Enrollment Period

- For people who did not sign up for Parts B and D during their initial enrollment period because they were covered as a worker or spouse of a current worker by a large (≥ 20 employees) group plan.
- Special enrollment period for Part B:
 - Anytime before coverage ends
 - The 8-month period starting the month group coverage ends
- Special enrollment period for Part D:
 - Anytime before coverage ends
 - Within 63 days after coverage ends

Best Time To Enroll in Medicare

To avoid late-enrollment penalties:

Sign up during initial or special enrollment period

To avoid gaps in coverage:

Sign up before current coverage ends

General Enrollment Period

- If you missed the initial enrollment period, can sign up during the **general enrollment period**, Jan.1 – March 31.
- Coverage starts July 1.

If you sign up during these months:	Your coverage will begin on:
January	July 1
February	
March	

Review of Enrollment Periods

- **Initial enrollment period – for everyone age 65 who is not covered by an employer-sponsored group plan that covers 20 or more employees**
 - Best time to sign up: 3 months before 65th birthday
 - Coverage starts 1st of month turn 65
- **Special enrollment period – for everyone over 65 who is covered as a current worker or a spouse of a current worker under a large (≥ 20 employees) group plan**
 - Best time to sign up: Before coverage ends
 - Coverage starts first of month of enrollment (if enroll no later than month after coverage ends) or first of month following enrollment if later
- **General enrollment period – for everyone over 65 who missed the initial enrollment period**
 - Runs Jan. 1 – March 31
 - Coverage starts July 1

How to Sign Up for Medicare Parts A & B

- Go to www.ssa.gov.



Apply For Medicare Benefits

- Call Social Security at 800-772-1213.
- For general information about eligibility, go to: www.medicare.gov/MedicareEligibility

How to Sign up for Medicare Part D

- Decide if want **original Medicare** (Parts A & B + D) **OR** a **Medicare Advantage** plan (Part C) that includes drug coverage.
 - If original Medicare, **shop for standalone prescription drug plan** (PDP) offered through a private insurer.
 - If enrolling in **Medicare Advantage plan with drug coverage** (MAPD), shop for plan.
- Apply for Part D through the private insurer or through Medicare at www.medicare.gov or 1-800-MEDICARE (633-4227).

Medicare and Private Insurance

Out-of-Pocket Costs Paid by Medicare Beneficiaries

- Premiums
 - Part B premiums paid to Medicare
 - Private insurance premiums for
 - Part D drug plan plus Medigap policy or
 - Medicare Advantage plan
- Other out-of-pocket costs
 - Deductibles
 - Portion of doctor bills not paid by Medicare
 - Services not covered by Medicare

Monthly Premiums

- **Part A** – paid to Medicare
 - **\$0** if self or spouse paid into Social Security ≥ 40 quarters (10 years)
 - \$232/mo. if 30-39 quarters SS
 - \$422/mo. if < 30 quarters SS
- **Part B** – paid to Medicare
 - **\$134/month** in 2018
 - Plus income-related adjustment if applicable
- **Part D** – paid to private insurer
 - Varies with plan
 - Plus income related adjustment paid to Medicare if applicable

Monthly premiums for Parts B & D Including Income Related Adjustment Amounts

MAGI Single	MAGI Joint	MAGI Married filing separately	Part B monthly premium paid to Medicare	Part B income-related adjustment amount paid to Medicare	Part D monthly premium (average) paid to insurer	Part D income-related adjustment amount paid to Medicare	Total Parts B & D premium
≤ \$85,000	≤ \$170,000	≤ \$85,000	\$134.00	\$0.00	\$40.00	\$0.00	\$174.00
\$85,001 - \$107,000	\$170,001 - \$214,000		\$134.00	\$53.50	\$40.00	\$13.00	\$240.50
\$107,001 - \$133,500	\$214,001 - \$267,000		\$134.00	\$133.90	\$40.00	\$33.60	\$341.50
\$133,501 - \$160,000	\$267,001 - \$320,000		\$134.00	\$214.30	\$40.00	\$54.20	\$442.50
> \$160,000	> \$320,000	> \$85,000	\$134.00	\$294.60	\$40.00	\$74.80	\$543.40

These do not include premiums for Medicare Advantage or Medicare supplement plans

Deductibles

Amount You Pay

- **Part A - \$1,340** per spell of illness
- **Part B - \$183/year**
 - Waived for some preventive services such as flu shots, some mammograms and Pap smears, bone mass tests, prostate screening, diabetes tests, some others
- **Part D – \$405/year**

Coinsurance

Amount You Pay

- **Part A**
 - Hospital
 - **\$335/day** for days 61-90
 - **\$670/day** for days 91-150
 - Skilled nursing: **\$167.50/day** for days 21-100
- **Part B**
 - Assigned claims: **20% of Medicare approved rate**
 - Unassigned claims: **20% of approved rate + balance of actual charge** up to an additional 15% of the approved charge

Part D coinsurance

Medicare's standard benefit design; individual plans vary and may pay more

Coverage	Part D plan pays	You pay
Annual deductible (\$405)	\$0	\$405
Initial coverage period (\$3,345)	75% of \$3,345 (\$2,509)	25% of \$3,345 (\$836)
Coverage gap (donut hole) Starts when total costs exceed \$3,750 (\$405 + \$3.345)	\$0	35% of covered brand name drugs plus dispensing fee; 44% of covered generic drugs; 100% of rest.
Catastrophic coverage Starts when total out-of-pocket cost reaches \$5,000	95% or the drug cost minus the copay	Greater of 5% of the drug costs or \$3.35 copay for a generic drug or \$8.35 for a brand name drug

What Medicare Covers

- Hospital: 100% of first 60 days
- Medical services (doctor visits, outpatient services): 80% of Medicare-approved amount
- Some preventive services (flu shots, certain screenings)

See “Medicare & You” for complete list of covered services.
Call 800-633-4227 or go to www.medicare.gov.

What Medicare Does Not Cover

- Long-term care
- Care delivered outside the U.S.
- Dental care
- Vision care
- Hearing aids
- Cosmetic surgery
- Acupuncture and other alternative care
- Amounts over Medicare-approved amount
- Amounts not covered by deductibles and coinsurance (20%)

What Private Insurance May Cover in Full or Part

- Deductibles and coinsurance amounts, such as:
 - The Part A deductible
 - Hospital costs after 60 days
 - The 20% of doctor bills that Medicare doesn't pay
 - Amounts the doctor charges over the Medicare-approved amount
- Prescription drugs
 - The deductible (maybe)
 - Most of the cost of certain drugs during initial benefit period and catastrophic coverage period (but not donut hole)

Medigap Policies (Medicare Supplement Insurance)

- Private health insurance for individuals
- Sold by private insurance companies
- Supplement Original Medicare coverage Parts A and B
- Follow federal/state laws that protect you

Medigap

- Medigap insurance companies can only sell a “standardized” Medigap policy
 - Identified in most states by letters
 - MA, MN, and WI standardize their plans differently
- Does not work with Medicare Advantage
- You pay a monthly premium
- Costs vary by plan, company, and location

Medicare Advantage Plans

- Health plan options approved by Medicare
- Also called Medicare Part C
- Run by private companies
- Medicare pays amount for each member's care
- May have to use network doctors or hospitals
- Plan may include prescription drug coverage
- May include extra benefits like vision or dental
- Benefits and cost-sharing may be different

Shop Carefully for Private Insurance

- Medigap policies are standardized but premiums vary considerably
 - Choose the policy that offers the coverage you need (A-N)
 - Choose a reputable company offering that policy at the lowest price
 - Make sure your health care provider processes the billing for the company you choose
- Drug plan benefits vary considerably
 - Choose the plan offering the coverage you need for the medicines you take
- Medicare Advantage plans vary considerably
 - Choose the plan offering the coverage you need at a fair price

A Final Word on Health Care Costs in Retirement

What Can Cause Your Health Care Budget to Change in the Future?

- Rising health care costs lead to:
 - Higher insurance premiums
 - Higher out-of-pocket costs for services not covered by Medicare or Medigap
- A change in health status may require:
 - Expensive prescription drugs (donut hole)
 - More services not covered by insurance
 - Dental
 - Vision
 - Hearing
 - Alternative care
 - Long-term care

Planning for Future Health Care Costs

According to this source . . .	You will need to have this much at the start of retirement to pay for future medical expenses, not including long-term care
Fidelity	\$275,000 for couples
Employee Benefit Research Institute	\$124,000 for men \$140,000 for women \$259,000 for couples
Your own customized analysis	???

Planning for Long-term Care

- Long-term care is not covered by Medicare or Medigap
- Skilled nursing care: No coverage after 100 days (average is 28 days)
- Help with activities of daily living: No coverage at all

What Are the Costs of Long-Term Care Today?

Type of Care	Cost (U.S. median)
Homemaker services	\$131 per day
Home health aide services	\$135 per day
Adult day health care	\$70 per day
Assisted living facility	\$3,750 per month
Semi-private room in nursing home	\$235 per day
Private room in nursing home	\$267 per day

Source: Genworth Cost of Care Survey, 2017

Why Plan for Long-Term Care?

- Spare family members the burden of caring for you
- Avoid having to spend down assets to go onto Medicaid
- Be able to direct your own care and obtain the kind and quality of care that you want

Three Reminders

Reminder #1

Enroll in Medicare on time.

Reminder #2

**Shop carefully for private insurance
to go with Medicare.**

Reminder #3

Plan for higher health care costs in retirement.

QUESTIONS AND ANSWERS

The image features the text "Q&A" in a 3D, blocky font. The letters "Q" and "A" are red, while the ampersand "&" is grey. The characters are positioned centrally on a white background, casting soft shadows below them. The overall design is clean and modern.

Q&A



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