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SAVVY MEDICARE PLANNING

Managing Health Care Expenses in Retirement

What Baby Boomers Need to Know About Medicare and Long-Term Care

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James J. Holtzman, CFP[®], CPA *(inactive)*, is the CEO, President and Wealth Advisor with Legend Financial Advisors, Inc.[®] (Legend) and EmergingWealth Investment Management, Inc.[®] He enjoys working with clients to discover their financial goals and develop a plan to help them achieve financial success.

Jim has more than two decades of experience providing financial advice to retirement-focused clients, medical practices and businesses. Jim also serves as the firm's Income Tax and Education Planning Specialist and is also one of the firm's Retirement Planning Specialists.

In addition to being a Certified Financial Planner[™], Jim is also a Certified Public Accountant *(inactive)*. This wealth of expertise supports Jim as he leads Legend's Wealth Advisory Team in serving clients in many areas including: meeting with clients, researching client issues, and preparing and presenting financial planning cases and updates. His expertise includes investment management, income tax planning, estate planning, stock option exercise planning, insurance analysis, retirement planning and education planning.

Mr. Holtzman's previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses. Jim has also provided financial advice to various Fortune 500 and public company executives.

AGENDA:

Part 1

Medicare Enrollment

- ▶ What is Medicare?
- ▶ Who needs to enroll in Medicare—and when?
- ▶ How do you enroll in Medicare?

AGENDA:

Part 2

Medicare and Private Insurance

- ▶ How much does Medicare cost?
- ▶ What does Medicare cover?
- ▶ What does Medicare NOT cover?
- ▶ How does private insurance work with Medicare?

AGENDA:

Part 3

Planning for Higher Health Care Costs

- ▶ Two reasons your health care expenses will be higher in the future
 - Inflation
 - Increased need for services as you age
- ▶ Medicare does not cover long-term care

Part 1

Medicare Enrollment



Who Pays for Health Care in the U.S.?



Before age 65

- ▶ Employer group health insurance
- ▶ Retiree health insurance
- ▶ COBRA
- ▶ Individual health insurance
- ▶ Other

After age 65

- ▶ Medicare pays first
(except employer group plans that cover 20 or more employees if you or spouse is still working)
- ▶ Other insurance pays second



What This Means For You

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.

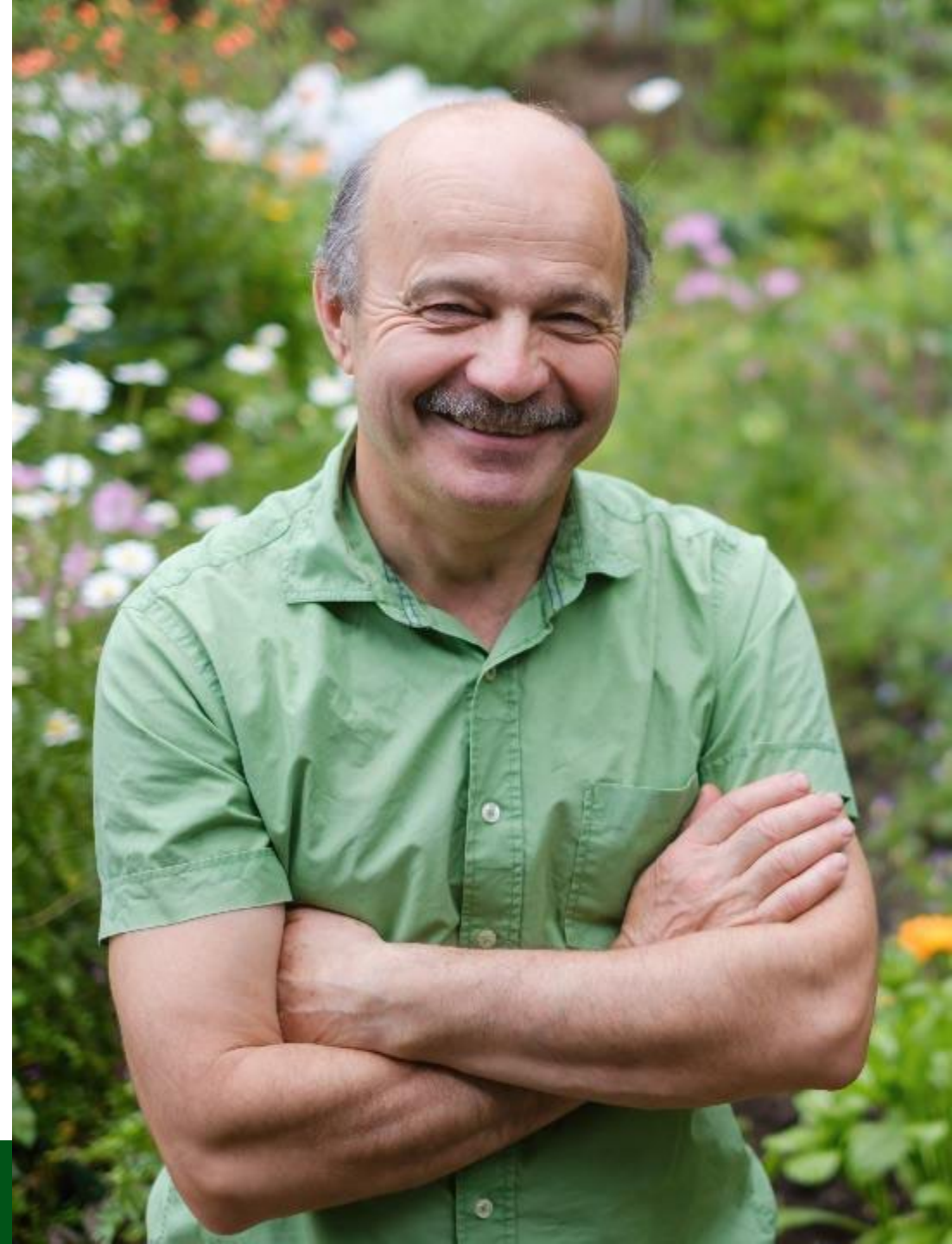
What Is Medicare?

- ▶ 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



Usually



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.)*

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

When Your Coverage Starts

If you sign up:	Coverage starts:
Before the month you turn 65	The month you turn 65
The month you turn 65	The next month
1 month after you turn 65	The next month
2 or 3 months after you turn 65	The next month

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

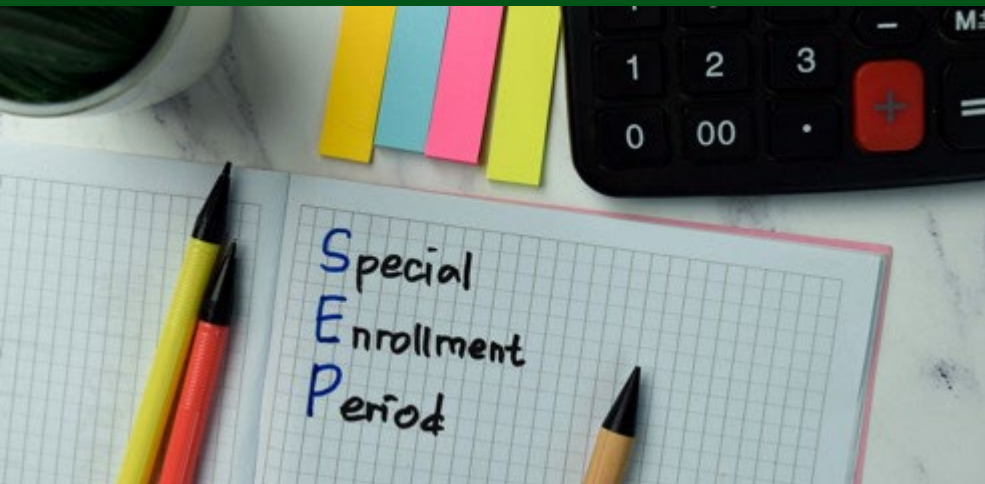
- ▶ For people who did not sign up for Parts B and D during their initial enrollment period because they were covered as a worker or spouse of a current worker by a large (≥ 20 employees) group plan.

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, you can sign up during the general enrollment period, Jan. 1–March 31.
- ▶ Coverage starts the month after you enroll.



If you sign up during these months:	Your coverage will begin:
January	The month after you enroll
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 the month after you enroll

How to Sign Up for Medicare Parts A & B



Go to www.ssa.gov

Apply For Medicare Benefits

OR

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

1 Decide if you want

Original Medicare

(Parts A & B + D)

If original Medicare, **shop for standalone prescription drug plan (PDP)** offered through a private insurer.

OR

Medicare Advantage Plan

(Part C)

If enrolling in **Medicare Advantage plan with drug coverage (MAPD)**, shop for plan.

2 Apply for Part D through the private insurer or through Medicare at www.medicare.gov or 1-800-MEDICARE (633-4227).

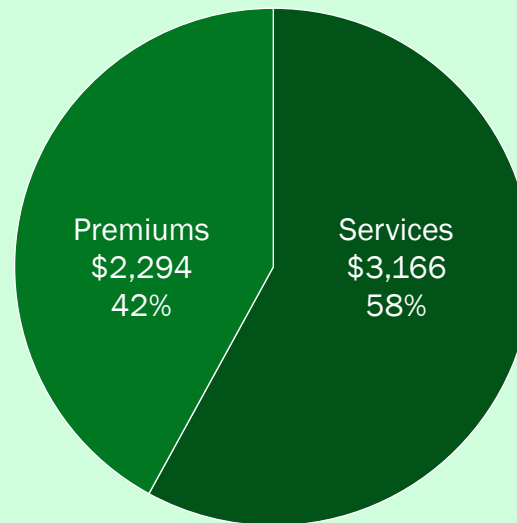
Part 2

Medicare and Private Insurance

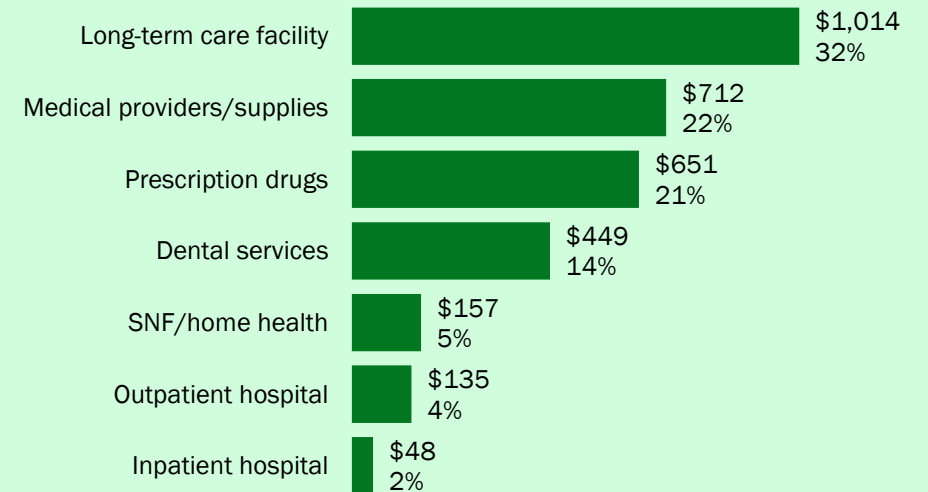


Premiums Are Nearly Half of Medicare Beneficiaries' Out-of-Pocket Health Spending

Average Out-of-Pocket Spending on Services and Premiums Among Traditional Medicare Beneficiaries in 2016



Distribution of Spending on Services by Type of Service:



Average Total Out-of-Pocket, 2016: \$5,460

NOTES: SNF = skilled nursing facility. Analysis includes beneficiaries living in the community and long-term care facility residents, and excludes beneficiaries with Part A only or Part B only for most of the year or Medicare as a Secondary Payer, and beneficiaries in Medicare Advantage.

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)
- ▶ \$278/mo. if 30–39 quarters SS
- ▶ \$505/mo. if < 30 quarters SS

PART B

Paid to Medicare

- ▶ **\$174.70/mo.** in 2024
- ▶ 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 and living with spouse	Part B monthly premium paid to Medicare	Part B IRMAA paid to Medicare	Part D IRMAA paid to Medicare	Total Parts B & D premium
≤\$103,000	≤\$206,000	≤\$103,000	\$174.70	\$0.00	\$0.00	\$174.70
\$103,001–\$129,000	\$206,001–\$258,000		\$174.70	\$69.90	\$12.90	\$257.50
\$129,001–\$161,000	\$258,001–\$322,000		\$174.70	\$174.70	\$33.30	\$382.70
\$161,001–\$193,000	\$322,001–\$386,000		\$174.70	\$279.50	\$53.80	\$508.00
\$193,001–\$500,000	\$386,001–\$750,000	\$103,001–\$396,999	\$174.70	\$384.30	\$74.20	\$633.20
≥\$500,000	≥\$750,000	≥\$397,000	\$174.70	\$419.30	\$81.00	\$675.00

These do not include premiums for Drug Plans, Medicare Supplement, or Medicare Advantage plans

Deductibles (Amount You Pay)

PART
A

\$1,632

per spell of illness

PART
B

\$240

per year

- ▶ Waived for some preventive services such as flu shots, some mammograms and Pap smears, bone mass tests, prostate screening, diabetes tests, some others

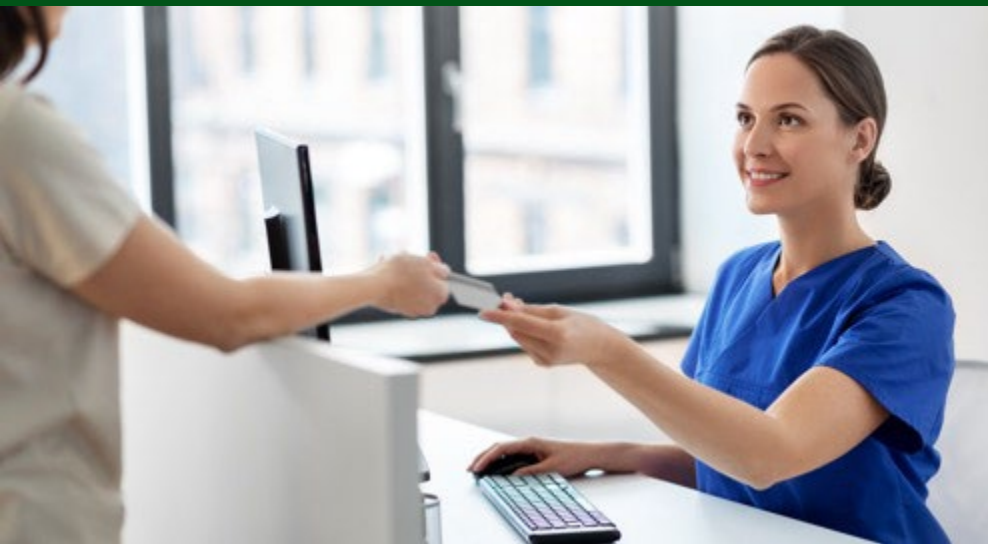
PART
D

\$545

per year

Coinsurance

(Amount You Pay)



PART
A

HOSPITAL:

\$408

for days 61–90

\$816

for days 91–150

SKILLED NURSING:

\$204

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

- ▶ Under standard drug plan design, beneficiary pays:

\$545

deductible

25%

of drug costs after deductible has been paid

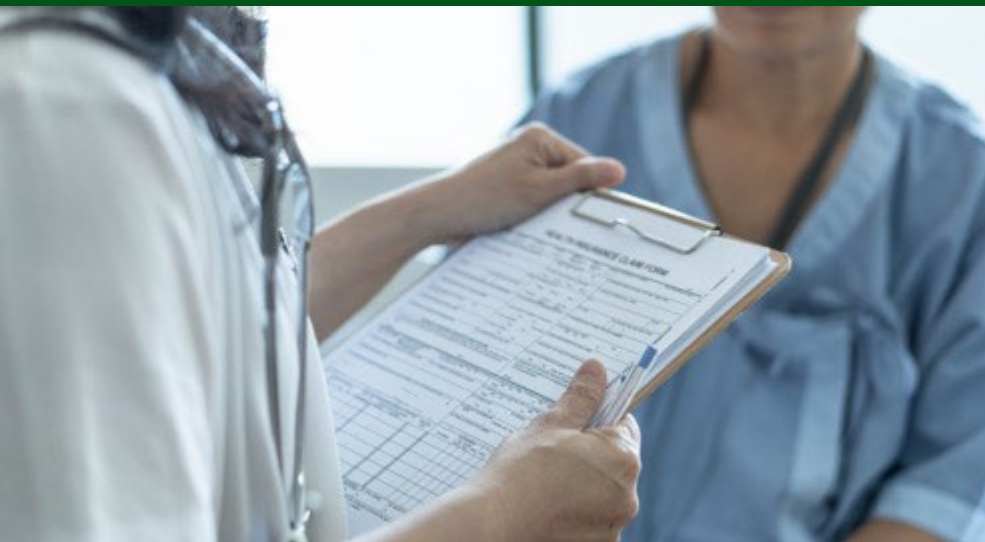
Small copayment

once out-of-pocket spending has reached

\$8,000

- ▶ **But...drug plans vary widely**
 - Some will pay more
 - It will be important to find a plan that covers the drugs YOU take

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

Medigap Plans

Medigap Benefits	A	B	C	D	F	G	K	L	M	N
Medicare Part A coinsurance and hospital costs up to an additional 365 days after Medicare benefits are used up	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Medicare Part B coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Blood (first 3 pints)	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Part A hospice care coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Skilled nursing facility care coinsurance			100%	100%	100%	100%	50%	75%	100%	100%
Medicare Part A deductible		100%	100%	100%	100%	100%	50%	75%		100%
Medicare Part B deductible			100%		100%					
Medicare Part B excess charges					100%	100%				
Foreign travel emergency (up to plan limits)			80%	80%	80%	80%			80%	80%

* Starting in 2020, Plans C and F are not be available to people new to Medicare

* For Plans K and L, after you meet your out-of-pocket yearly limit and Part B deductible, the Medigap plan pays 100% of covered services for the rest of the calendar year. Out-of-pocket limits: Plan K \$7,060; Plan L \$3,530

* Plan N pays 100% of the Part B coinsurance, except for some copayments.

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 for the medicines you take

Part 3

Planning for Higher Health Care Costs in Retirement



Typical Medicare Budget Today

Insurance Premiums

Expenditure	Monthly amount
Part B premium	\$174.70
Medigap premium	\$200.00
Part D drug plan premium	\$40.00
Total	\$414.70

Typical Annual Health Care Budget Today

Insurance Premiums and Out-of-Pocket Costs

Expenditure	Annual amount
Insurance premiums: \$414.70 x 12	\$4,976.40
Prescription drugs: out-of-pocket costs	\$650
Dental out-of-pocket	\$450
Vision out-of-pocket	\$300
Alternative care out-of-pocket	\$200
Total	\$6,576.40

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
 - 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	\$315,000 for couples
Employee Benefit Research Institute	\$142,000 for men \$159,000 for women \$296,000 for couples
Your own customized analysis	???

Q & A

**QUESTIONS
AND
ANSWERS**



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