

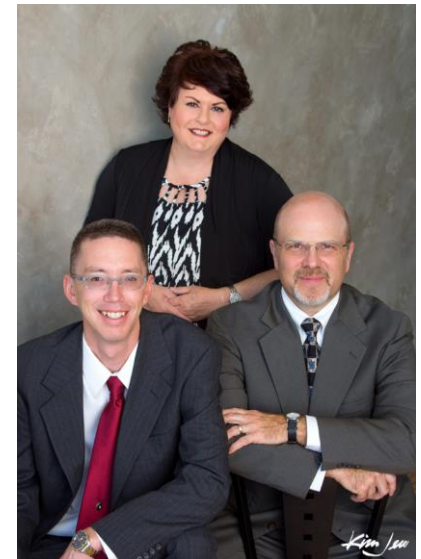
Doug Lindsey, CFP®

MGM, LLC – Albuquerque, NM

505-346-3434

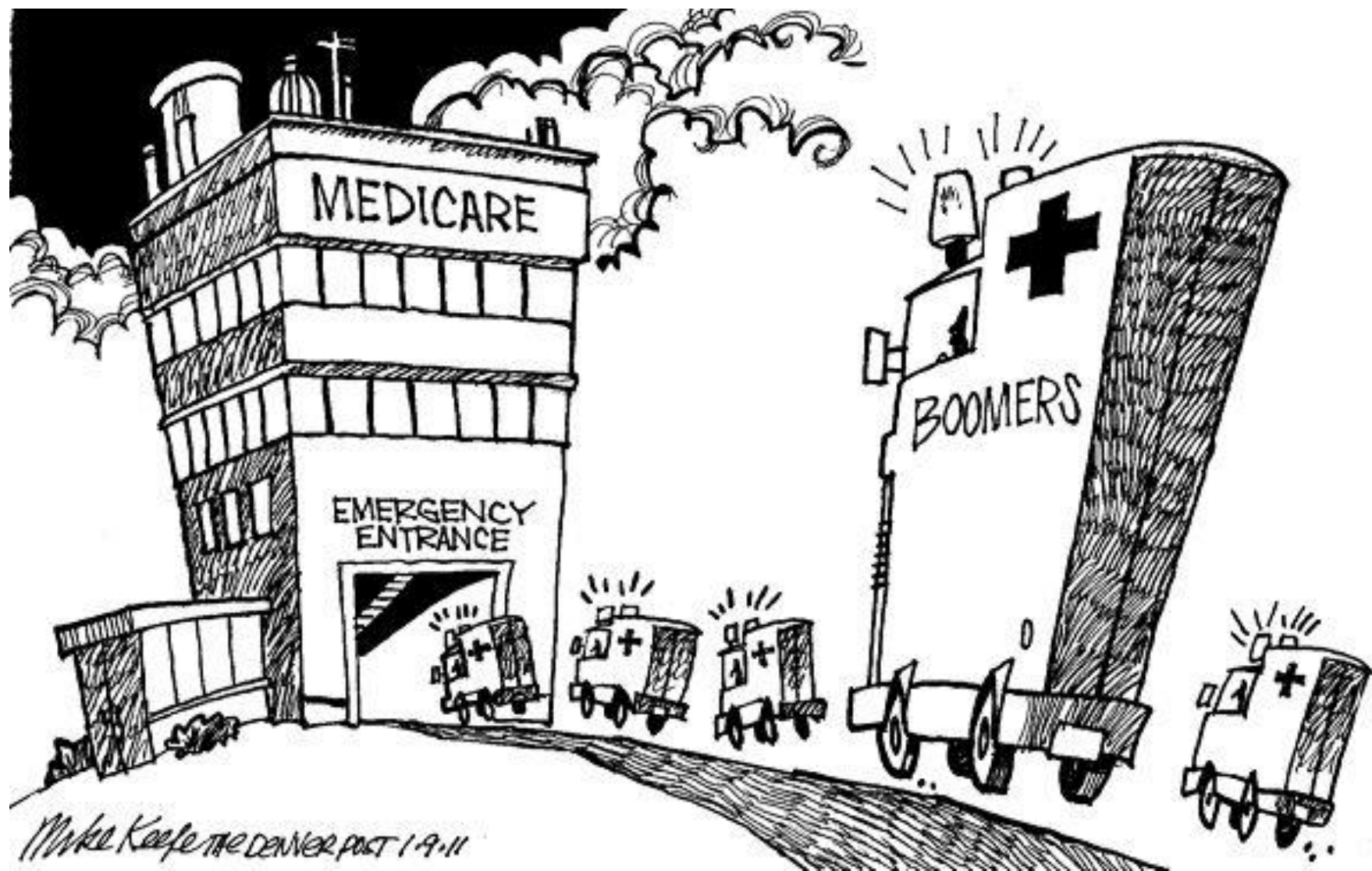
doug@mgm-LLC.com

www.mgm-LLC.com



Medicare for Financial Planners

**Helping Clients Make Sound
Decisions in Retirement**



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)



Medicare

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



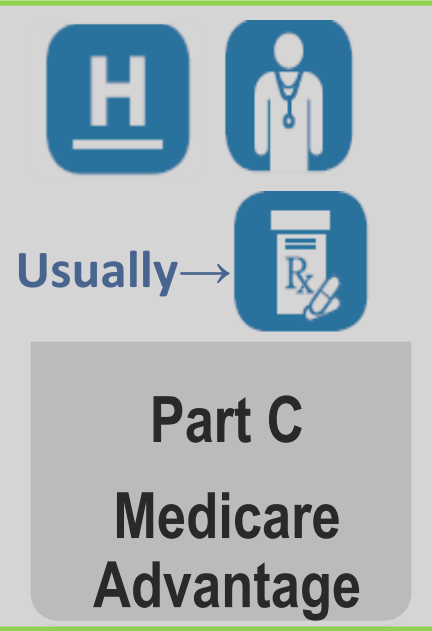
Five Parts of Medicare



Part A
Hospital
Insurance



Part B
Medical
Insurance



Part C
Medicare
Advantage

OR

Medigap
Insurance



Part D
Medicare
Prescription
Drug
Coverage

Provided by Medicare

“OPTIONAL” - 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

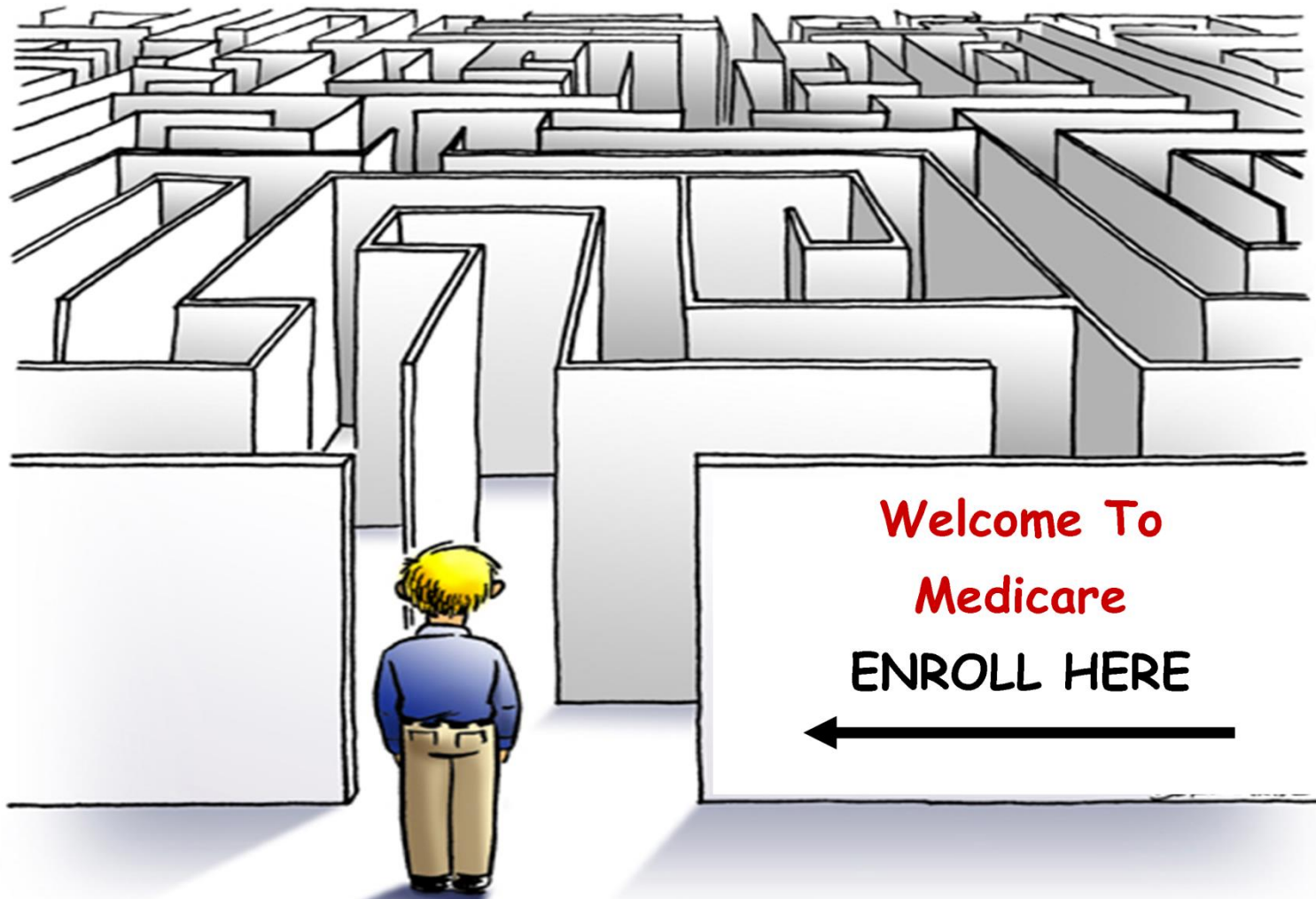


Part B
Medical Insurance



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

Get free & secure access to your Medicare info

Log in / Create Account

Need a 2019 plan?
Find 2019 health & drug plans

Find a plan
Search a plan & find a doctor

Resources

- Apply for Medicare**
- Get 2019 Medicare costs**
- Find local help**
- Medicare card issues**
- Mail you get about Medicare**

Go To [medicare.gov](https://www.medicare.gov) and scroll down
Then click here.

Or go to:
<https://www.ssa.gov/benefits/medicare/>

Or call 1-800-772-1213
Don't be surprised - this is Social Security!

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



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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)
 - \$240/mo. if 30-39 quarters SS
 - \$437/mo. if < 30 quarters SS
- **Part B** – paid to Medicare
 - **\$135.50/month** in 2019
 - 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	\$135.50	\$0.00	\$40.00	\$0.00	\$175.50
\$85,001 - \$107,000	\$170,001 - \$214,000		\$135.50	\$54.10	\$40.00	\$12.40	\$242.00
\$107,001 - \$133,500	\$214,001 - \$267,000		\$135.50	\$135.40	\$40.00	\$31.90	\$342.80
\$133,501 - \$160,000	\$267,001 - \$320,000		\$135.50	\$216.70	\$40.00	\$51.40	\$443.60
\$160,001 - \$499,999	\$320,001 - \$749,999	\$85,001 - \$414,999	\$135.50	\$297.90	\$40.00	\$70.90	\$544.30
≥ \$500,000	≥ \$750,000	≥ \$415,000	\$135.50	\$325.00	\$40.00	\$74.80	\$575.30

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

Deductibles

Amount You Pay

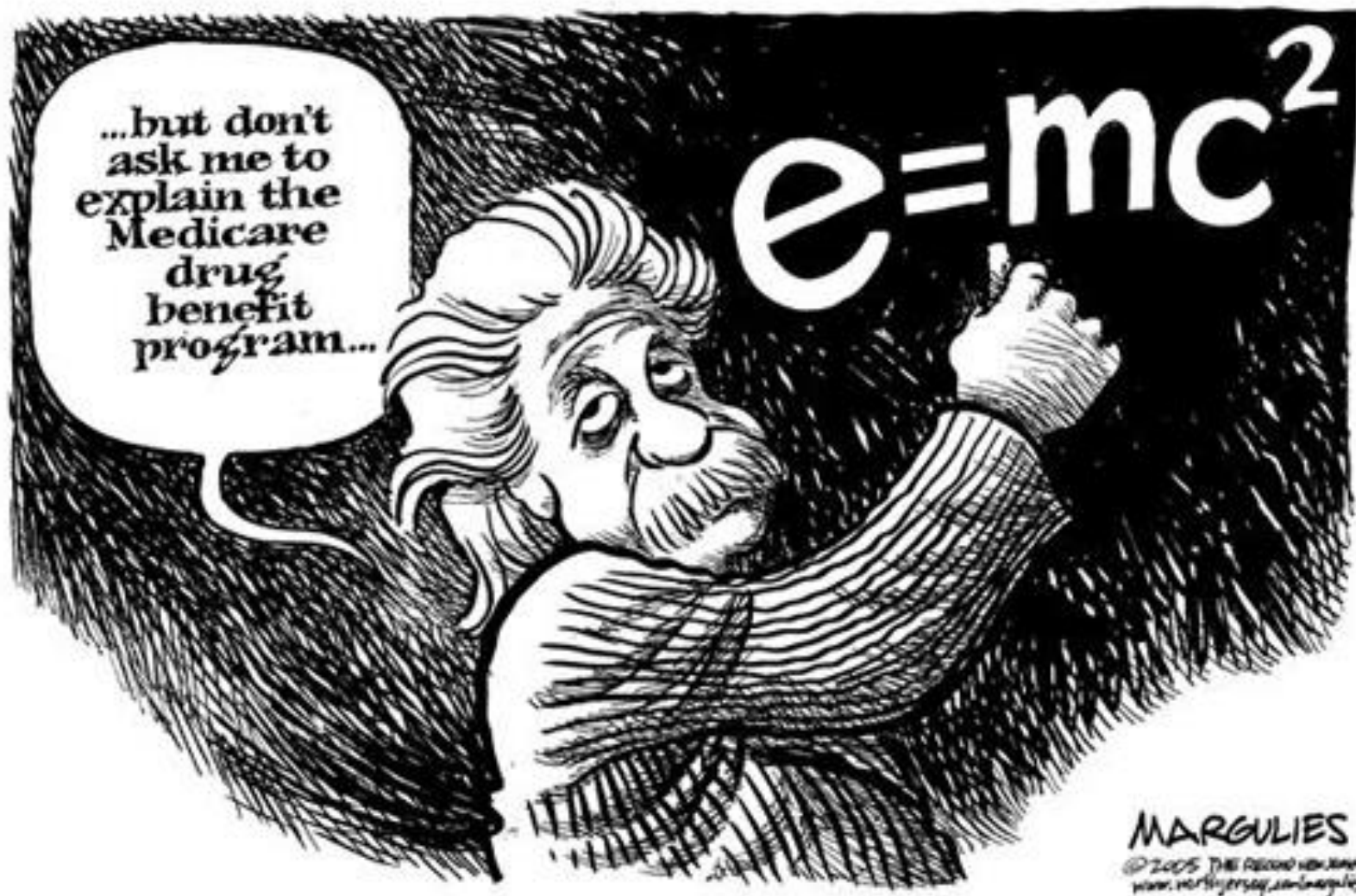
- **Part A - \$1,364** per spell of illness
- **Part B - \$185/year**
 - Waived for some preventive services such as flu shots, some mammograms and Pap smears, bone mass tests, prostate screening, diabetes tests, some others
- **Part D – \$415/year**



Coinsurance

Amount You Pay

- **Part A**
 - Hospital
 - **\$341/day** for days 61-90
 - **\$682/day** for days 91-150
 - Skilled nursing: **\$170.50/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



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Part D coinsurance

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

Coverage	Part D plan pays	You pay
Annual deductible (\$415)	\$0	\$415
Initial coverage period (\$3,405)	75% of \$3,405 (\$2,553)	25% of \$3,405 (\$852)
Coverage gap (donut hole) Starts when total costs exceed \$3,820 (\$415 + \$3,405)	5% of covered name brand drugs, 63% of covered generic drugs	25% of covered brand name drugs plus dispensing fee; 37% of covered generic drugs; 100% of rest.
Catastrophic coverage Starts when total out-of-pocket cost reaches \$5,100	95% or the drug cost minus the copay	Greater of 5% of the drug costs or \$3.40 copay for a generic drug or \$8.50 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

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%

Plan F has a high-deductible option

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 \$5,560; Plan L \$2,780

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

Alternatives

- If you're still working for an employer with 20 or more employees and you're over 65, you don't HAVE to do anything
 - May sign up for part A as recommended by your employer
- If you have a retiree healthcare plan, you can use it instead of buying Gap/Advantage
 - Retired military = TRICARE for life
 - Retired Federal employees = FEHB
 - Private company, for example Sandia Labs = BCBS
 - NOTE: YOU STILL MUST SIGN UP FOR MEDICARE AT AGE 65!
- Considering going without Advantage or Supplemental?
 - No out-of-pocket cap
 - If medical emergency, your expenses may be financially devastating



Medigap Benefits



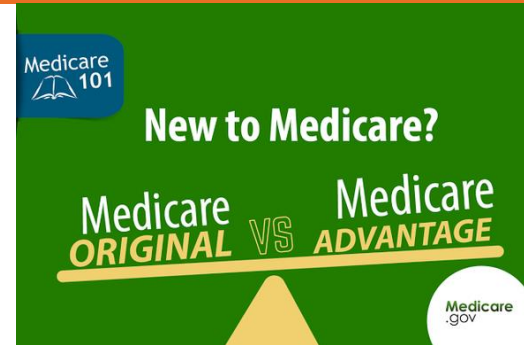
- ❑ Choice of doctors and hospitals (“portable”)
 - See any provider who participates in Medicare (makes US travel easier)
 - Many plans cover foreign travel
- ❑ Out-of-pocket costs **KNOWN**
 - Gap: Once premium is paid, low to none
 - if Plan F costs \$200/month, your max is \$2400/year
 - MA: average limit is \$5257, range \$2500-\$6700
 - If you have an expensive medical event and your out-of-pocket max is \$5000, you pay \$5000 that year

Advantage Plan Benefits

- ☐ Coordinated Care (all-in-one stop shop)
- ☐ Often includes Part D drug coverage
- ☐ May include dental, vision, hearing and other benefits
- ☐ Ratings available
 - NCQA and medicare.gov star ratings
- ☐ Fewer cards in your wallet



How to Decide



- ☐ Will your current doctors still see you?
 - If you like your current doctors, select the plan that includes them
- ☐ How do you like to budget?
 - Known cost per month and done = Gap
 - Lower or \$0 monthly but deductibles/co-pays/out-of-pocket max = Advantage
- ☐ Do you plan on extended travel?
 - If yes, then explore gap plans (or PPO-type advantage plans)
 - If no, then explore HMO-type advantage plans
 - If foreign travel, check with your plan for emergency coverage
- ☐ What health issues do you currently have? Drugs?
 - Which plan best covers your current situation?
- ☐ What extra benefits does the MA plan offer?
 - What rules do you have to follow to get them?

Changing Your Mind

- Switch from one MA plan to another
 - During open enrollment from Oct 15 – Dec 7 (no underwriting, no pre-existing conditions)
- Switch from one Medigap policy provider to another
 - Anytime during your initial 6-month Medigap enrollment period
 - After that, only under select conditions:
 - Your employer group plan (including retiree/COBRA) is ending
 - Your Medigap insurance company goes bankrupt
 - You drop your Medigap policy because the company didn't follow the rules or misled you
 - Easier to switch plans at same provider



Changing Your Mind



- Switch from Medigap to MA
 - During open enrollment Oct 15 – Dec 7
 - CAREFUL – switching back is harder, medical underwriting will likely apply
 - You have a “trial right” if you dropped Medigap to join MA for the first time AND you’ve been in the MA plan for less than a year. Note: you only have the right to buy the same policy from the same company
- Switch from MA to Medigap
 - Underwriting will apply except under certain conditions. See below.
 - Before switching, call your current provider or 1-800-MEDICARE
- You have a “guaranteed issue right,” if you were in MA Plan and
 - MA plan is leaving Medicare or stops service in your area
 - You move out of the plan’s service area
 - You joined MA when you were first eligible for MA at 65 and, within the first year of joining, you want to switch to Original Medicare (“trial right”)
 - You drop MA plan because the company didn’t follow the rules or misled you

A Final Word on Health Care Costs in Retirement



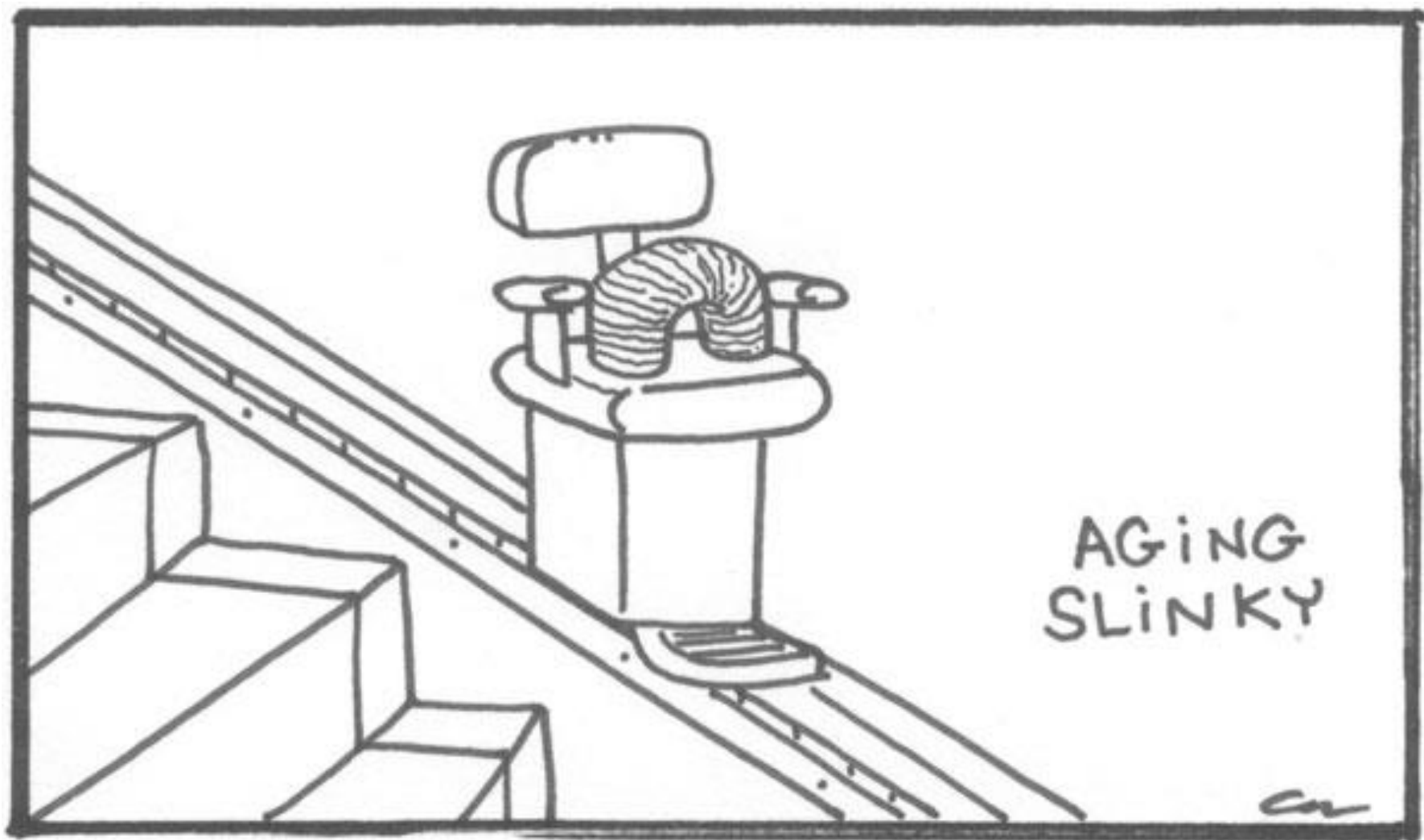
**"I can afford to die or I can afford to be sick,
but I can't afford to be sick and then die."**

Typical Medicare Budget Today

Expenditure	Monthly amount
Part B premium	\$135.50
Medigap Plan F premium	\$200.00
Part D drug plan premium	\$40.00
Total	\$375.50

Expenditure	Annual amount
\$375.50 premiums X 12	\$4,506
Out-of-pocket for prescription drugs	\$800.00
Dental/Vision/Alternative care	\$800.00
Total	\$6,106

For couples: $\$6106 \times 2 = \$12,212$ per year at age 65.



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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

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	\$132 per day
Home health aide services	\$138 per day
Adult day health care	\$72 per day
Assisted living facility	\$4,000 per month
Semi-private room in nursing home	\$245 per day
Private room in nursing home	\$275 per day

Source: Genworth Cost of Care Survey, 2018

Options for LTC?

- Self-insure (Medicaid as back-up)
- Traditional LTC Policy
 - Elimination Period (like 90 or 180 days)
 - Benefit Amount (like 3 years at \$5000/month = \$180k)
 - Inflation Rider
- Hybrid
 - Fixed annuity with LTC benefits
 - Life insurance policy with LTC rider

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.



Getting Help

- ✓ SHIP – State Health Insurance Assistance Program
 - In New Mexico, call 1-800-432-2080
 - <http://www.nmaging.state.nm.us/>
- ✓ Medicare Rights Center, <http://www.medicarerights.org/>
- ✓ Medicare Website
 - <https://www.medicare.gov/sign-up-change-plans/decide-how-to-get-medicare/your-medicare-coverage-choices.html>
- ✓ Kaiser Family Foundation - <http://kff.org/>
- ✓ “Medicare for Dummies” by Patricia Barry
- ✓ <https://www.savvymedicare.net> (horsesmouth)
- ✓ Picking A Plan – Consumer Reports
 - Medicare Advantage
 - <http://www.consumerreports.org/cro/2014/10/how-to-pick-a-medicare-advantage-plan/index.htm>
 - Medicare Supplemental
 - <http://www.consumerreports.org/cro/2014/10/best-medigap-plan-for-you/index.htm>

Thank you!