

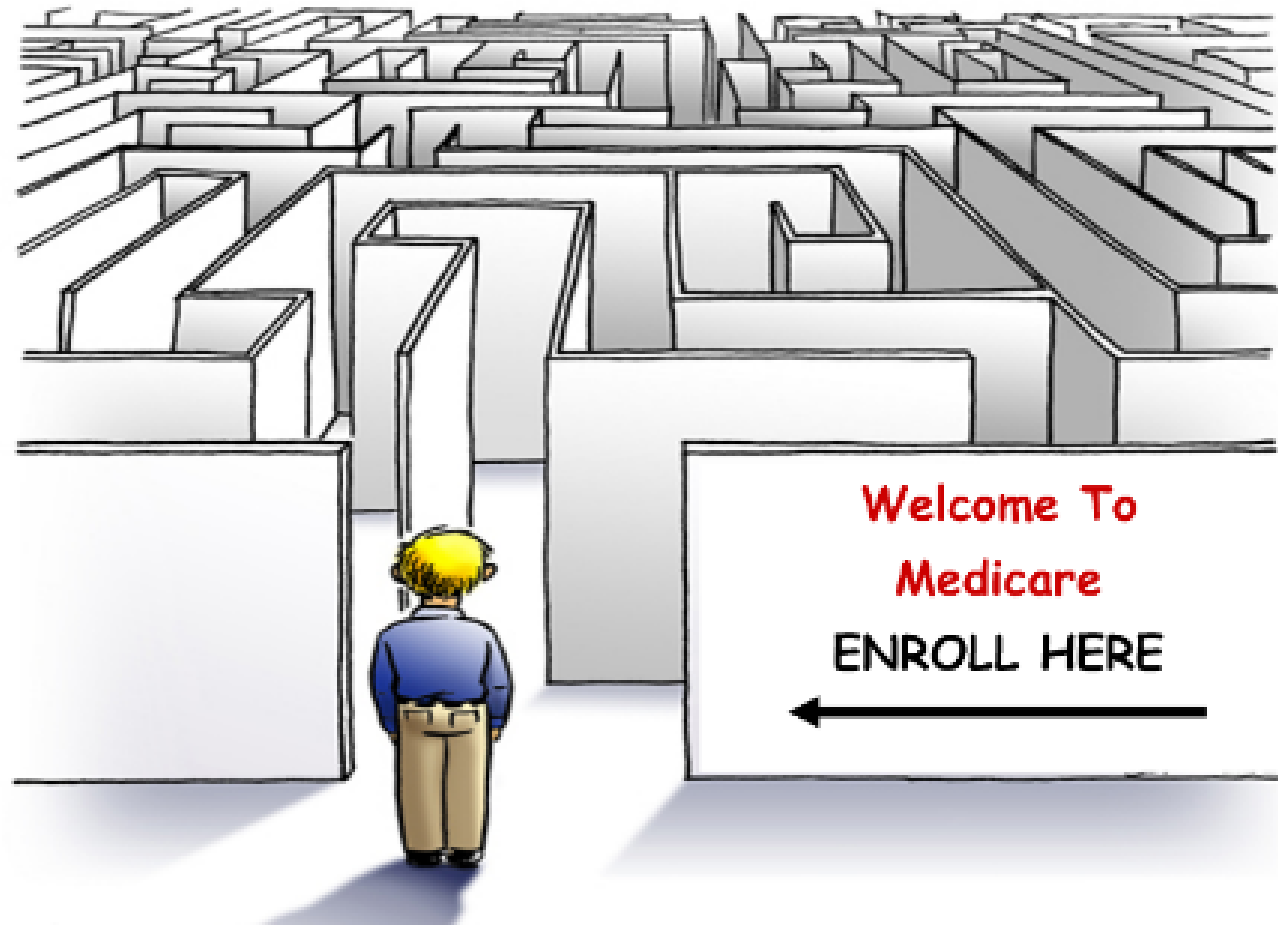
Navigating **Medicare**

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& Benefits



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What is Medicare?

A Government Sponsored 'Major Medical' Health Insurance Plan

for people age 65+

Also for the disabled, and those with end-stage renal disease (ESRD)

Medicare is

Divided into 4 Parts

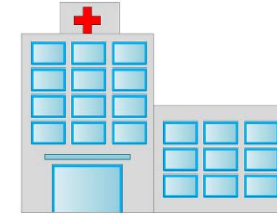


Medicare **4 Parts**



4 Parts of Medicare

Part A Hospital Insurance



Part B Doctor's & Outpatient Services



Part C Medicare Advantage Plans (MA)
or
Medicare Supplemental Ins. ('Medigap')



Part D Prescription Drug Plans



Original Medicare



Part A
Hospital Insurance



Part B
Doctor's &
Outpatient Services

What you need to know:

- Freedom to see any doctor that accepts Medicare
- Coverage for inpatient hospital stays and hospice care
- Coverage for doctor visits and durable medical equipment
- Lots of gaps. No Rx coverage

Part A - Hospitalization

What is covered?

Inpatient Hospital Care

- Semi-private room, meals, general nursing, hospital services and supplies, inpatient rehab facilities

Skilled Nursing Facility (SNF)

- **Only if** medically required, after 3 days in hospital, and within 30 days of discharge.
- This is **NOT** Long-Term Care (LTC) – ‘nursing home’ coverage (No LTC!)

Home Health, Hospice, Durable Medical Equipment (DME), some Psychiatric Care

- Part-time or intermittent skilled nursing care, physical therapy, social services, medical supplies, and some rehab equipment with 20% coinsurance. (Psychiatric stays limited to 190 lifetime days.)

Information reflects 2019 published data.

Part A - Hospitalization

How much does it cost?

Premium Cost

- **Free** for those with 40 Social Security Quarter Credits (QC's), *or their spouses!*
- \$437/month per person (if 0-29 QC's)
- \$240 (if 30-39 QC's)
- Or, \$10,488 per year / per couple.

Inpatient Hospital Care

- Deductible
 - \$1,364 -- for a Hospital visit lasting up to 60 days
- Coinsurance
 - \$341/day – from day 61-90;
 - \$682/day – after 90 days - for up to 60 more life-time reserve days;
 - 100% of cost – after life-time reserve days are exhausted

Information reflects 2019 published data.

Part A - Hospitalization

How much does it cost?

Skilled Nursing Facility Care (SNF)

- No Deductible
- **Free** for the first 20 days
- Coinsurance
 - \$170.50/day for next 80 days
 - No benefits after 100 days

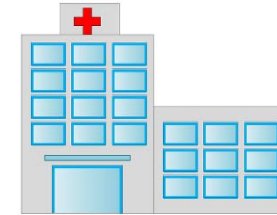
Home Health, Hospice, Durable Medical Equipment, some Psychiatric Care

- \$0 for Home Health Care Services
- DME Coinsurance: 20%

Information reflects 2019 published data.

4 Parts of Medicare

Part A Hospital Insurance



Part B Doctor's & Outpatient Services



Part C Medicare Advantage Plans (MA)
or
Medicare Supplemental Ins. ('Medigap')



Part D Prescription Drug Plans



Part B – Doctors & Outpatient Services

What is covered?

- **Services from Doctors and other Healthcare Providers**
- **Outpatient Services**
- **PT-Skilled Nursing**
- **Durable Medical Equipment (DME)**
- **Some Preventative Services**

Not Covered – *Drugs, Dental, Vision, Hearing (or hearing aid coverage)*

Information reflects 2019 published data.

Part B – Doctors & Outpatient Services

How much does it cost?

Monthly Premium

- \$135.50

Deductible

- \$185/year

Coinsurance

- 20% (Part B generally covers 80% of Medicare-approved amount)

Copay

- Varies (e.g. \$10 or \$20 per doctor visit)

Information reflects 2019 published data.

Part B – Higher Income Surcharges

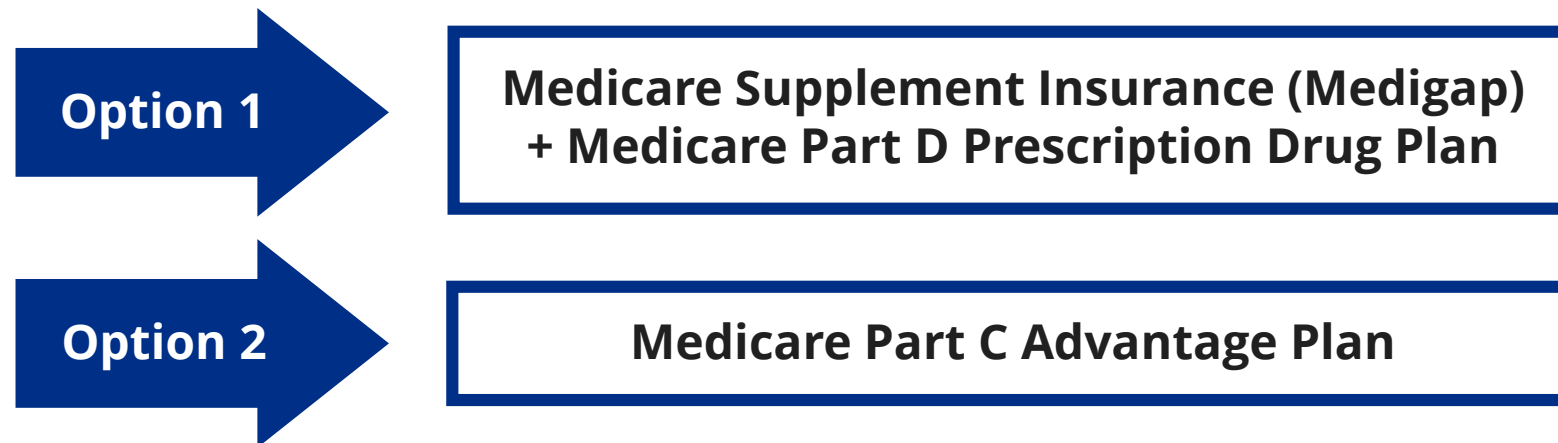
What you'll pay for Medicare in 2019

Income (adjusted gross income plus tax-exempt interest income):		
Single tax return	Married filing jointly	Monthly Part B premium (per person)
\$85,000 or less	\$170,000 or less	\$135.50 (may be less if covered by the hold-harmless provision)
\$85,001 to \$107,000	\$170,001 to \$214,000	\$189.60
\$107,001 to \$133,500	\$214,001 to \$267,000	\$270.90
\$133,501 to \$160,000	\$267,001 to \$320,000	\$352.20
\$160,001 to \$499,999	\$320,001 to \$749,999	\$433.40
\$500,000 or more	\$750,000 or more	\$460.50

Top 3 Problems with Original Medicare

- 1 'Holes' or 'Gaps' in the coverage
- 2 Significant out-of-pocket costs – with no upper limits
- 3 No prescription drug coverage

How can we solve these problems? Sign up for:



Supplement Insurance (Medigap)



Medicare
Supplemental Plan



Part A
Hospital Insurance



Part B
Doctor's &
Outpatient Services

What you need to know:

- Coverage for emergency medical care outside of the United States
- Help with copays, coinsurance and deductibles
- No Rx coverage
- Multiple plans to choose from, each offering different levels of coverage
- Plans are standardized, so the plan you select is the same no matter where you buy it

Supplement Insurance (Medigap)

What is covered?

- **Private Health Insurance policy**
- **Fills 'holes' or 'gaps' in Part A & Part B**
- **Guaranteed Issue**
 - if purchased **within 6 months of enrolling in Part B**
 - Can be denied or charged more for pre-existing conditions after 6 months!
- **10 Standardized Plans**
 - The same benefits are provided by all Carriers

Information reflects 2019 published data.

Medicare Supplement Insurance 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)	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%
Part A deductible		100%	100%	100%	100%	100%	50%	75%	50%	100%
Part B deductible			100%		100%					
Part B excess charges					100%	100%				
Foreign travel emergency (up to plan limits)			80%	80%	80%	80%			80%	80%

*Plans C & F discontinued in 2020.

Out-of-pocket limit in 2019 \$5,560 \$2,780

Supplement Insurance (Medigap)

How much does it cost?

Premiums depends upon...

- Standardized Plan you choose
 - National Avg. for plan: \$143/month (2018; \$109 HI to \$162 MA)
- ZIP Code, Carrier, Gender, Smoker, Discounts, whether Guaranteed Issue
- 'Rating Method' for the plan you choose:
 - Community Rating – same price for everyone. Prices rise with area costs.
 - Issue-age Rating – price based on purchase age. Prices won't rise w/age.
 - Attained-age Rating – price raised each birthday. (Avoid!)

Guaranteed Issue

- if purchased **within 6 months of enrolling in Part B**
- Can be denied, or charged more for pre-existing conditions after 6 months!

Information reflects 2019 published data.

Supplement Insurance (Medigap)

Helpful Hints

Use AARP's United Healthcare Plans to compare

- <https://www.aarpmedicaresupplement.com/find-a-plan.html>

Purchase the best coverage you can

- Upgrading or 'switching' later may be difficult!

Consider the 'g' plan for the best coverage

- \$185 Part B deductible, then provides 100% coverage
- 'F' and 'C' Plan goes away in 2020
- Weigh premiums vs deductibles

Information reflects 2019 published data.



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Part D – Drug Plan



Part D
Prescription drug
coverage



Part A
Hospital Insurance



Part B
Doctor's &
Outpatient Services

What you need to know:

- Prescription drug coverage
- Premiums, cost of prescription drugs and coverage may vary by plan
- Each plan includes a formulary, which is a list of drugs covered by the plan
- 90-day supplies of medicine with some plans
- Mail order delivery with some plans

Part D – Drug Plan

What is covered?

Drug plans are based on Formularies and Tiers

Formularies = List of Covered
Drugs
Lowest Tier = Lowest Copay

Tier 1	Low Cost Generics
Tier 2	Preferred Generics
Tier 3	Preferred Brand
Tier 4	Non-Preferred Drug
Tier 5	High Cost Specialty

Information reflects 2019 published data.

Part D – Drug Plan

How much does it cost?

Consider using AARP's UnitedHealthcare Drug Plans to compare costs/benefits

- <https://www.aarpmedicareplans.com/health-plans/shop/prescription-drug-plans.html>
- Enter the Drugs you currently take into their online system to compare plan costs

When comparing plans enter the Drugs you take into the online Medicare Plan Finder

- <https://www.medicare.gov/find-a-plan/questions/home.aspx>
- Enter the Drugs you currently take into their online system to compare plan costs

Hint: The best way to pick a plan - Since copays vary wildly, estimate the total annual cost (copays) of your *current* prescriptions + the premiums.

Information reflects 2019 published data.

Part D – Drug Plan

What's the Donut Hole about?

PHASE 1: You must pay **\$415** annual deductible, and flat dollar copays per plan

PHASE 2: Then, 25% coinsurance - until you & the plan have spent **\$3,820**

PHASE 3: Then, there's a 'coverage gap' - until you've paid **\$5100** out of pocket

- In the hole, Drug Manufacturers discount drugs. 75% brand name / 63% generic (So, you pay 25% on brand name drugs, and 37% on generic drugs.)
- In the hole, 95% of the 'Total Drug Costs' counts toward out-of-pocket limit
- You exit the hole at **\$5100** out-of-pocket (approx. \$8140 Total Drug Cost)

PHASE 4: This ushers in 'Catastrophic Coverage'

- There's a minor copay for brand name and generic drugs (5% of cost, or \$8.50 brand name or \$3.40 for generics – whichever is greater)

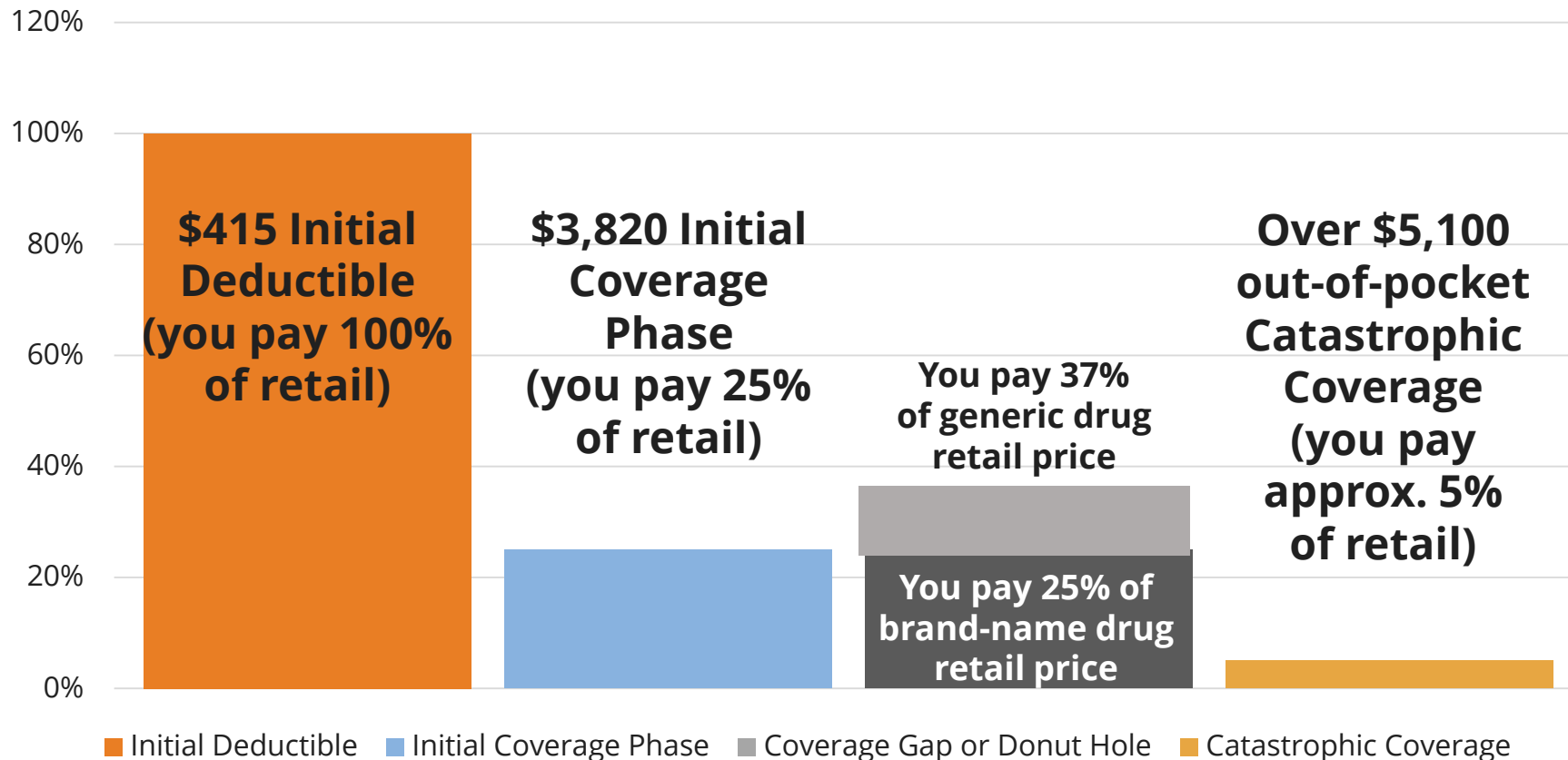
Plans change and limits change annually! Shop and compare plans every fall!

Information reflects 2019 published data.

Part D – Drug Plan

The Four Phases of your 2019 Medicare Part D Plan

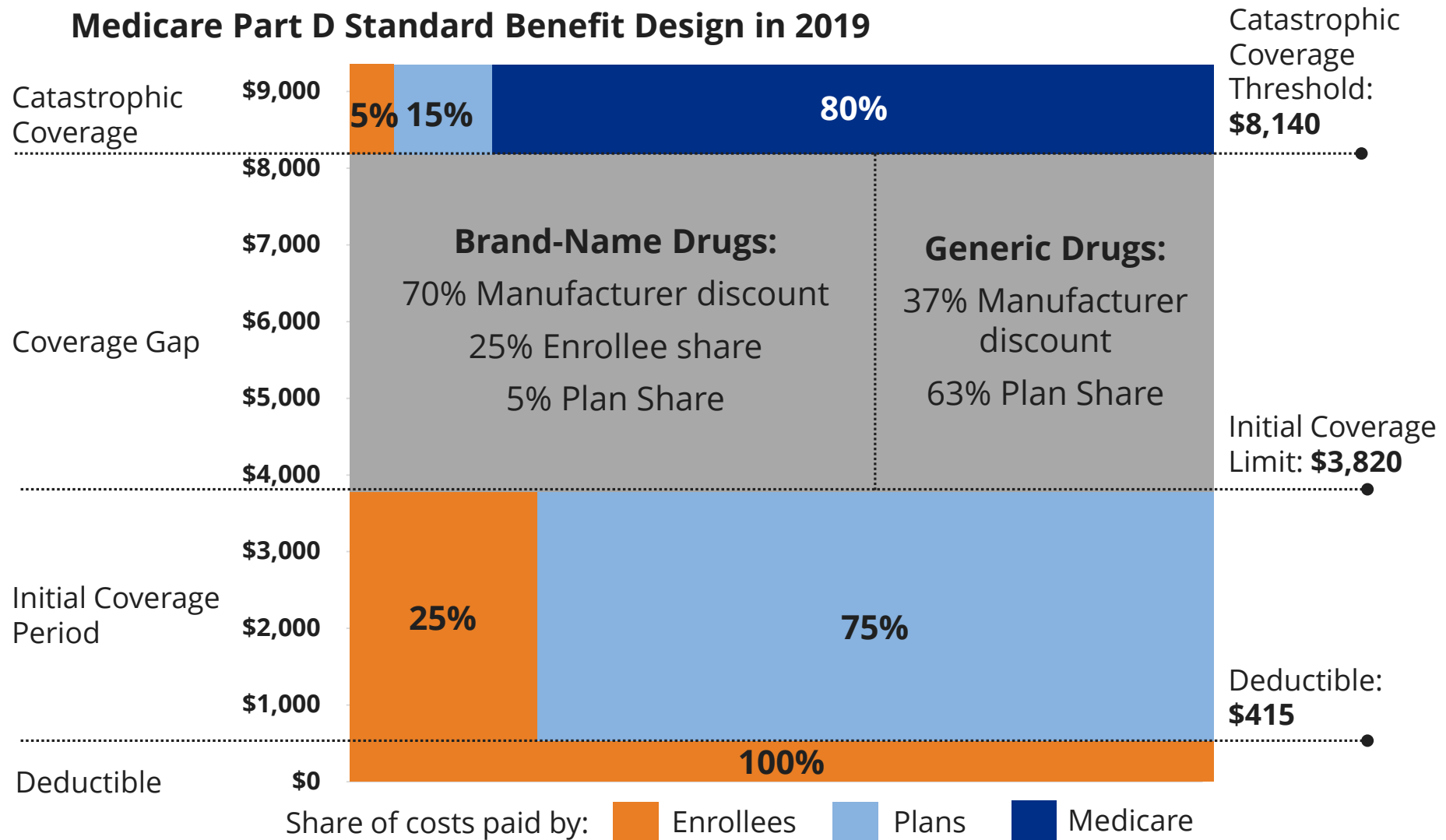
Based on the 2019 CMS defined standard Medicare Part D plan



2019 Donut Hole Discount: 75% of Brand-name cost and 63% of Generic drug cost

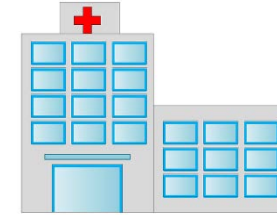
Part D – Drug Plan

Medicare Part D Standard Benefit Design in 2019



4 Parts of Medicare

Part A Hospital Insurance



Part B Doctor's & Outpatient Services



Part C Medicare Advantage Plans (MA)
or
Medicare Supplemental Ins. ('Medigap')



Part D Prescription Drug Plans



Part C – Medicare Advantage



Part C
Medicare Advantage



Part D
Prescription drug
coverage



Part A
Hospital Insurance



Part B
Doctor's & Outpatient
Services

What you need to know:

- Annual out-of-pocket maximum
- Can include Rx coverage
- Often covers dental, vision, hearing and other benefits, such as fitness programs
- Coverage provided through a private insurance company
- Usually comes with a network of doctors and hospitals

Part C – Medicare Advantage Plans

What is covered?

- Must sign up for Part A & B. But it **replaces** Traditional Medicare
- Provided by Private Insurance Companies
- Acts like an 'HMO.' ('managed care')
- Restricted to a local Network (limits access and choice)
- Usually **includes** a Drug Plan.
- May include dental, vision, hearing, and fitness benefits
- Multiple Types of Medicare Advantage (MA) Plans:
 - HMO's, Preferred Provider Organizations, Private Fee-For-Service Plans, Medicare Medical Savings Accounts Plans, Special Needs Plans

Information reflects 2019 published data.

Part C – Medicare Advantage Plans

How much does it cost?

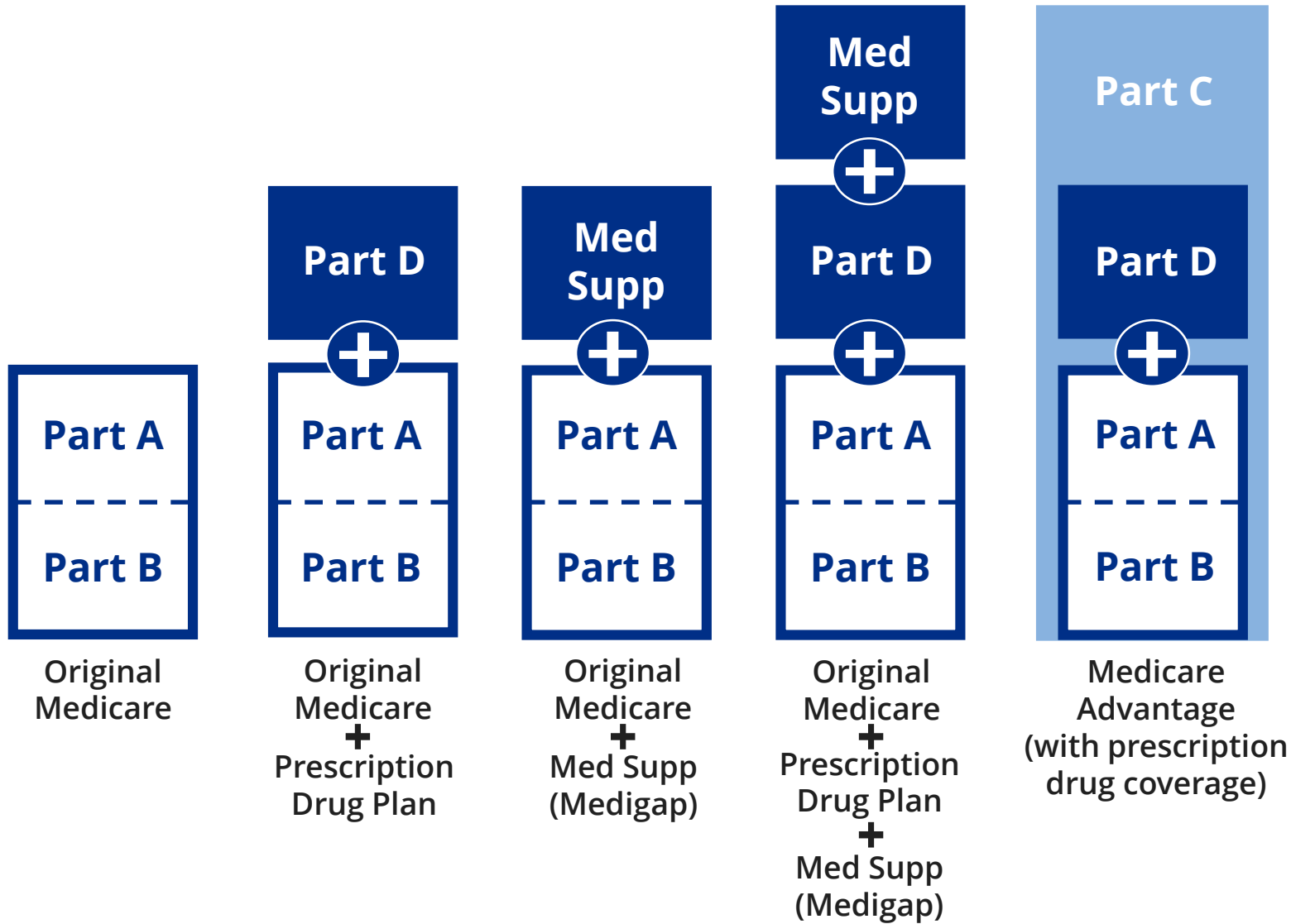
Average Plan premiums are \$28/month (2019 Kiplinger)

- Still must pay Part B premium \$135.50
- Some plans cost nothing - usually very limited networks
- **Co-insurance** - Some charge 20%
- **Co-pays** - Typically a flat charge
- **Out-of-Pocket** limit
 - All plans set a limit
 - Max out-of-pocket limit is \$6700/year

Cost varies depending upon benefit levels, age, geographical location, the particular company. Premiums are usually less. Those with greater healthcare needs could ultimately pay more.

Information reflects 2019 published data.

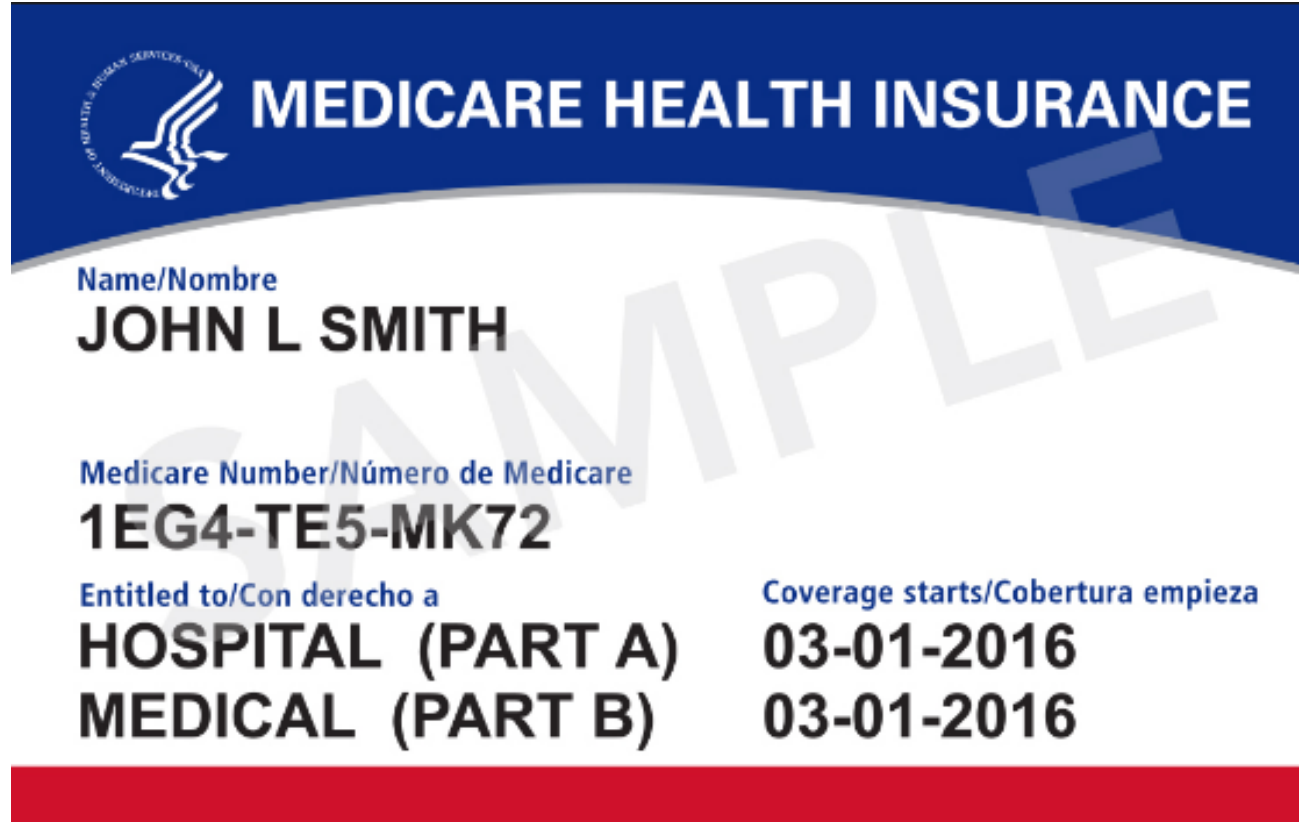
Comparing Coverage




Enrollment Periods



Sample Card



The image shows a sample Medicare Health Insurance card. At the top, there is a blue banner with the Medicare logo on the left and the text "MEDICARE HEALTH INSURANCE" in white. Below the banner, the cardholder's name "JOHN L SMITH" is printed in large black letters. Underneath the name is the Medicare number "1EG4-TE5-MK72". At the bottom, there are two columns of information: "Entitled to/Con derecho a" and "Coverage starts/Cobertura empieza". The first column lists "HOSPITAL (PART A)" and "MEDICAL (PART B)". The second column lists "03-01-2016" for both. A large, light gray "SAMPLE" watermark is visible across the center of the card. The card has a red horizontal bar at the very bottom.

 **MEDICARE HEALTH INSURANCE**

Name/Nombre
JOHN L SMITH

Medicare Number/Número de Medicare
1EG4-TE5-MK72

Entitled to/Con derecho a	Coverage starts/Cobertura empieza
HOSPITAL (PART A)	03-01-2016
MEDICAL (PART B)	03-01-2016

4 Enrollment Periods

1 Initial Enrollment Period (IEP)

When you reach the age of 65 – 3 months before and after

2 Special Enrollment Period (SEP)

If you have Employer Group Healthcare Insurance and enroll after your initial eligibility at age 65

3 General Enrollment Period (GEP)

Each year between January 1 and March 31st
Coverage begins the following July 1st

4 Open Enrollment Period

For enrolled persons to be able to change Medicare coverage for the following year; annually, October 15 – December 7

Initial Enrollment Period

7 Month Period

- 3 months prior to 65th birthday, month of, 3 months after
- IEP for Part A, Part B, and Part D
- Example:
 - Birthday = August 10
 - IEP = May – November

<i>1</i>	<i>2</i>	<i>3</i>	<i>Month of</i>	<i>1</i>	<i>2</i>	<i>3</i>
May	June	July	August	September	October	November
1	2	3	4	5	6	7

Initial Enrollment Period

Coverage Begins

- If sign up during first 3 Months – 1st day of B'day month
- If sign up B'day month – 1st day of following month
- If sign up 5th month – 1st day of 2nd month following enrollment
- If sign up 6th month – 1st day of 3rd month following enrollment
- If sign up 7th month – 1st day of 3rd month following enrollment

<i>1</i>	<i>2</i>	<i>3</i>	<i>Month of</i>	<i>1</i>	<i>2</i>	<i>3</i>
May	June	July	August	September	October	November
1	2	3	4	5	6	7

Special Enrollment Period

- If you, or your spouse work, for an Employer (20 or more employees) through whom you have Group Healthcare Coverage, *you can delay Part A & B.*
- You may enroll in Part A, Part B or both without penalty for up to 8 months following retirement or end of coverage.
- But you may only enroll in Part C, or Part D up to 2 months after.
- For example: If you retire, or healthcare coverage ends in March
 - Then your SEP for Part A & Part B ends in November (8 months)
 - But your SEP for Part C & Part D ends in May (2 months)

1	2	3	4	5	6	7	8
April <i>Month after last month of employment or coverage</i>	May	Jun	Jul	Aug	Sept	Oct	Nov

Special Enrollment Period

Coverage Begins

- If you sign up at any time while covered
 - Coverage begins **1st day of following month**
- If you sign up during 8 month SEP
 - Coverage begins **1st day of following month**

1	2	3	4	5	6	7	8
April <i>Month after last month of employment or coverage</i>	May	Jun	Jul	Aug	Sept	Oct	Nov

General Enrollment Period

If you miss your Initial and Special Enrollment Periods.

3 Month Period

Sign up from January 1st to March 31st every year.

1	2	3
January	February	March

Coverage Begins

1st day the following July

1	2	3	4	5	6	7
Jan	Feb	Mar	Apr	May	Jun	Coverage Begins July 1st

Open Enrollment Period

Only for those already enrolled!

This is the enrollment period for enrolled persons to be able to change Medicare coverage for the following year.

Open Enrollment Period for switching plans:

Annually, from October 15th – December 7th

Hint: Use this time to review changes in Part C or D plans.

Every year in September Part C & D Plans mail annual plan cost/coverage changes for the upcoming year. Review your plan changes, and compare policies. This is your time to switch plans if you need to.

Penalties



Late Penalties Part A

- You 'could' pay a penalty for not enrolling at age 65
- Part A penalty is **10% of the current Part A premium**

Part A premium is currently \$437/month
 $\$437 \times 10\% = \$43.70/\text{month}$

- Lasts for 2 x the number of years you were eligible but did not enroll (It's applied to your bill.)
- For example: Wait 1 year until 66 to enroll, you will receive a 10% penalty for 2 years, or until you are 68

Information reflects 2019 published data.

Late Penalties Part B

- If you miss your Initial or Special Enrollment deadlines, you can still enroll, but you may have to wait, and pay **permanent** penalties.
- You can sign-up during General Enrollment (Jan-Mar). Coverage will not begin until the following July 1
- The Part B penalty is 10% of the current Part B premium for every 'full 12-month' period without coverage.
 - If you should have filed during IEP, then clock starts after 7 month enrollment period ended
 - If you should have filed during SEP, then clock is reset to when group coverage ended
- The penalty will increase annually as Part B premiums increase.
- E.g. If late for 3 'full 12-month periods,' then your Part B premiums are permanently increased by 30%. [2019: **\$176.15** ($\$135.50 \times .30 = \40.65 penalty)]
- Plan to purchase a Medigap Plan? It must be purchased within six months of Part B enrollment. 2019 published data.

Late Penalties Part D

- Part D prescription drug plans are voluntary, however
 - If you miss your deadline, open enrollment is only from October 15 - December 7. Coverage begins Jan.1
 - **Permanently** penalized for every month enrolled in Part A or Part B and not in Part (or without creditable coverage).
 - The penalty = 1% of the annual 'national average premium' (NAP) for every month without coverage.
 - E.g. If you fail to sign up for 24 months, then you will pay an additional 24% of the NAP for life!
- Not need to sign up if:
 - You have 'creditable' coverage (i.e. at least as good as Medicare Part D)
 - NOT enrolled in Part A or Part B *because you have employer group coverage* (>20 employees)
 - Enrolled in State, Federal, TRICARE, VA, or CHAMPVA plans, and have creditable coverage
- You must be enrolled in either Part A or Part B to be eligible for Part D
- Sign up if enrolled in Part A or Part B, and you have: former employer, individual, ACA, cobra, sharing ministry, or non-creditable employer coverage you pay for yourself

Information reflects 2019 published data.

Late Penalties Medigap

If you plan to purchase a Supplemental/Medigap Plan

- You 'could' be penalized by not enrolling within 6 months of enrolling in Part B.
- The penalty? You could lose Federal protection for '*guaranteed issue*' coverage.
- In other words, insurance companies can **deny** coverage, or **refuse to cover pre-existing conditions** (usually for a specified period of time)

Information reflects 2019 published data.

Top 10 **Mistakes**



Top 10 Medicare Mistakes

1. Waiting to sign-up at SS Full Retirement Age vs. age 65
2. Waiting assuming you don't qualify, or haven't worked long enough
3. Failing to enroll on time: delays in coverage, late penalties
4. Believing you don't need Part B if you have Retiree or Cobra Coverage
5. Not signing up for Part D because your not currently taking any prescription drugs

Top 10 Medicare Mistakes

6. Picking a Part D plan for the wrong reasons - Premiums only vs Copays
7. Misunderstanding enrollment periods. Misunderstanding Open Enrollment
8. Late buying Medigap – losing guaranteed issue protection (pre-existing conditions)
9. Failing to read annual notice of changes. (Part C & D – following year coverage/costs)
10. Not realizing you may qualify for lower costs. (Medicaid, or other State [SHIP], and Fed programs.)

Recommendations



Recommendations

Sign up at 65 - **for Medicare Part A, B, & D, and a Medigap Plan**

- If you have an individual healthcare policy; HSA eligibility ends.
- If you are a member of a sharing ministry
- If you have an ACA ('Obamacare') policy; Tax Credits end.
- If you have individual coverage that your church reimburses; HSA eligibility ends.
- If you/spouse have employer group coverage, but < 20 employees

Sign up at 65 - **for Medicare Part A only**

- If you/spouse have Employer Group Coverage, > 20 employees, and desire to remain on your employer's plan. HSA eligibility ends. Consider adding Part B.

Recommendations



Sign up at 65 - **for Medicare Part A & B only**

- If you/spouse have **full** State, Federal, Tricare, VA, or ChampVA coverage that includes permanent prescription drug coverage.



Sign up at retirement or group coverage ends – **for Part A, B, D, Medigap**

- If you/spouse have Employer Group Coverage, > 20 employees, and are leaving your employer's plan or retiring.
- If HDHP, loss of HSA contribution eligibility. Stop HSA contributions 6 months prior.

Issues of **Concern**



History of Public Insurance Programs

Social Security

- **1935** – FDR signed into law the retirement income ‘Social Security Act’ as part of ‘The New Deal.’ The first public insurance program in America.
- **1956** – Eisenhower signed into law several Amendments to the Social Security Act. This established the Social Security disability income program.

Medicare

- **1965** – L.B.J. signed into law ‘Great Society’ legislation creating Medicare to provide healthcare for the elderly. It included the Fed & State funded Medicaid program.
- **2006** – Bush signed into law the ‘Medicare Modernization Act’ creating Part D

History of Public Insurance Programs

Social Security Retirement Income

- Aka: 'OASDI' (Old Age, Survivors, and Disability Income)
- Administered by the Social Security Administration.

Medicare Program

- Administered by CMS (Centers for Medicare & Medicaid Services) which is part of the Dept. of Health & Human Services (HHS).

Insolvency Concerns

Social Security

- **2020** – first year retirement benefits will eclipse receipts
- **2035** – without changes, retirement benefits would be reduced to 80%.

Medicare

- **2026** – first year expenses expected to exceed receipts

These are only projections. But eventually, funding or benefits for both programs will need to be addressed to avert automatic cuts should trust funds run dry.

Possible Fixes

- Increase payroll tax from 7.65% FICA to 8+/-%?
- Increase retirement age. Already moved from 65 to 67. For younger participants, it could be move out to 68-70-72.
- Increase cost sharing: premiums, deductibles, copays, out-of-pockets for Part B, C, D, etc. (essentially a reduction in benefits).
- Find additional ways to 'Means test' participants so those with higher incomes would contribute more.
 - The ACA added an additional 0.9% income tax for those with \$250k+ income.
 - Part B premiums are significantly increased for those with higher incomes.
 - 85% of Social Security benefits are already taxed for higher income retirees.
- There is a bill before Congress now that proposes recalculating 'Cost of Living Adjustments' (COLA's); instead of CPI-W, they would use CPI-E

PCA Retirement
& Benefits



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