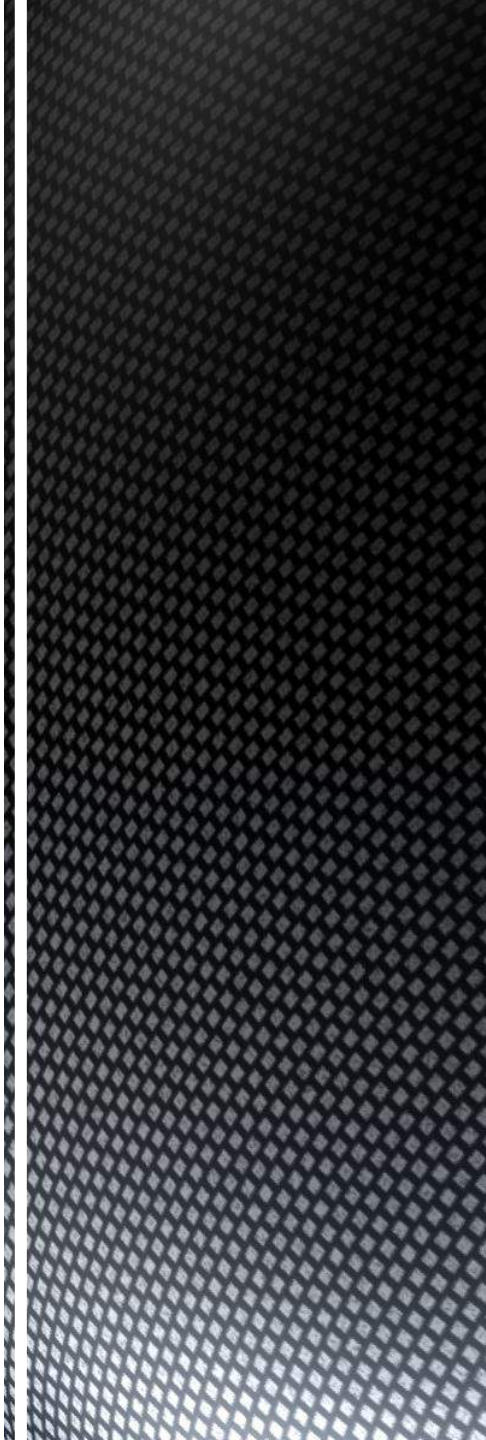
Making Sense Out of Medicare

Presenter: Scott K. Klee

RMS Insurance, LLC.

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What We'll Cover

- When Do I Sign Up? (hint: not always at 65)
- What Will Medicare Cost? (hint: the answer is in your 1040)
- Filling the Gaps: Medigap vs. Advantage
- How to Avoid Penalties

Medicare's Educational Event Ground Rules

Educational vs. Marketing Events

- Could You Be More Specific?
- The Business Card Dance
- The Cheese and Cracker Rule

Putting the Medicare Pieces Together

From the Federal Government

- Part A: Hospital, Inpatient Rehab, Hospice
- Part B: Outpatient and Doctor Charges (Inpatient)

From Private Companies

- Medicare Supplement or Medicare Advantage Plan
- Stand Alone Part D Drug Plans

Part A: Hospital

What It Covers

- Hospital room and ancillary charges (labs, operating rooms, nursing staff, etc. Part A does not cover doctors in the hospital)
- Skilled nursing
- Hospice

What It Costs

- $471, but premium-free for most taxpayers and their spouses
- Deductible of $1,484 per day copays for long stays ($371 to $742)
- $185.50 daily copay for skilled nursing days 21-100, with hospice covered at 100%

Part B: Medical

What It Covers

- Outpatient medical care - excluding drugs. Some exceptions: Diabetic supplies and many injectable meds are Part B.
- Doctors' charges when hospitalized
- $203 Deductible, then 80% with **NO OOP MAXIMUM**

What It Costs

- Full cost of Part B in 2021 is $594
- You pay a percentage of this based on MAGI
- Percentage range is 25% ($148.50) to 85% ($504.90)
- Based on MAGI of 2019 return for 2021 (lines 37 and 8b)

Do You Need to Enroll in Medicare?

No, if you have **active** employer coverage (yours or a spouse) from an employer with 20 or more employees

- In most cases you would not need to take Part B and would not be penalized for delaying
- You should take Part A in most cases - it offers secondary hospital coverage at no cost to you
- Taking any part of Medicare requires not making any further contributions to an HSA plan
- When you leave employer coverage, your employer must attest to your coverage to avoid a Late Enrollment Penalty

Do You Need to Enroll in Medicare?

Yes, if you have **no active** employer coverage (+20 employees)

- Late Enrollment Penalty (LEP) for not taking Part B (10% x number of full years without it)
- Medicare eligibility date - the first day of the month you turn 65 unless birthday is on the 1st
- If you are receiving SS benefits, you **automatically** get a Medicare card 3 ½ months prior to start date
- If you are not receiving SS benefits, you must enroll online or in person at SSA office
- Your IEP is 7 months - birth month and three months on either side

Assessing Whether to Decline Medicare

If you **have active** employer coverage (EGHP) with 20+ employees **and** are getting a **SS check**, you will be double enrolled (most commonly a retiree with a working spouse). You must take action to avoid this.

- Compare cost and coverage for EGHP and Medicare + Supplement + Part D Rx plan
- If Medicare is better course, drop EGHP, keep Medicare card, sign up for Medigap + Rx or MA
- If EGHP is a better course, sign back of Medicare card and return – a new Part A only card will be sent

Assessing Whether to Decline Medicare

If you **have active** employer coverage (EGHP) **and are not getting a SS check**, you will not be auto-enrolled in Medicare. You get to choose between the two options.

- Assess impact of leaving EGHP on family members covered by the plan
- If Medicare is better course, drop EGHP, keep Medicare card, sign up for Medigap + Rx plan or MA
- If EGHP is better course, enroll in Part A only **unless** you're in a Health Savings Account (HSA) type employer plan

Medicare and HSA Plans

- HSA - a high-deductible plan paired with a checking account for tax-free contributions
- You may not have **ANY** part of Medicare and contribute to an HSA plan (withdrawals are allowed)
- If you want to keep your HSA and **are not receiving SS benefits**, you must decline Parts A and B
- If you keep your HSA and **are receiving SS benefits**, you cannot decline Part A, so you **cannot** contribute to the HSA
- HSA plans are subject to a 6% excess contribution penalty and **Part A enrollment is retroactive 6 months**.

Filling the Gaps: Medigap or MA?

- Medigap plans pay after Medicare; MA plans pay instead of Medicare
- Medigap plans have no doctor networks; MA plans do have doctor networks
- Medigap plans usually cost more per month but have little or no out-of-pocket costs
- MA plans cost less per month—as little as $0—but may have thousands in out-of-pocket costs
- Medigap plans do not include Rx coverage; you choose one of several stand-alone Rx plans
- Most MA plans include Rx coverage and you must take the Rx plan it comes with

Filling the Gaps: Medigap

- Pay after Medicare
- No doctor or hospital networks
- Do not include Rx coverage; separately purchased
- 9 standardized plans identified by letters A-N
- Monthly premium that increases over time
- Many have little or no out-of-pocket costs other than the monthly premium
- You have to qualify medically (with some exceptions, such as turning 65 or leaving EGHP)

Resisting Well-Intended Bad Advice

- In 2012, 52% of all Medigap enrollments were Plan F
- "The one that covers everything." "The Cadillac."
- There is **exactly $203 difference** in annual benefits between Plans F/C and G, no matter where you get it
- How much will you pay for $203 in additional benefit?
  - Money Matters client Joyce, 75, paying $253 for Plan F
  - Was approved for Plan G at $141
  - Annual premium down $1344, annual OOP up $203

Plan F's full coverage gives it the illusion of being the best plan. It has never been the best for anyone except the selling agent.

Then came House Resolution 2…

H.R. 2 Enacted 4/16/2015

Excerpt of House Resolution 2 “Medicare Access and CHIP Reauthorization act of 2015” passed by the House of Representatives 3/26/2015
Passed by the Senate 4/14/2015
Signed into law by the President 4/16/2015 as Public Law 114-10

TITLE IV—OFFSETS
Subtitle A—Medicare Beneficiary Reforms
SEC. 401. LIMITATION ON CERTAIN MEDIGAP POLICIES FOR NEWLY ELIGIBLE MEDICARE BENEFICIARIES.
Section 1882 of the Social Security Act (42 U.S.C. 1395ss) is amended by adding at the end the following new subsection:
‘‘(z) LIMITATION ON CERTAIN MEDIGAP POLICIES FOR NEWLY ELIGIBLE MEDICARE BENEFICIARIES.—
‘‘(1) IN GENERAL.—Notwithstanding any other provision of this section, **on or after January 1, 2020, a Medicare supplemental policy that provides coverage of the Part B deductible, including any such policy (or rider to such a policy) issued under a waiver granted under subsection (p)(6), may not be sold or issued to a newly eligible Medicare beneficiary.**

Why Are F and C Being Singled Out for Elimination?

Why does the government care how you cover the things they don't cover?

- People with no out-of-pocket costs (first-dollar Medigap coverage like C and F) use more healthcare services
- Medigap carrier solution: bigger price increases
- Medicare, not Medigap, bears 80% of that added cost for people on Plans C and F. But unlike Medigap plans, they can't raise your price more than others.
- Plans C and F cost beneficiaries more, cost Medicare more than all other Medigap plans
- Medicare's solution: kill them off

Plans C and F Forecast and Recommendations

What's in store for Plans C and F in 2020?

- If you have one of these plans, you can keep it
- They are being eliminated for those new to Medicare ONLY

Recommendations for those in Plans C or F

- You must medically qualify to change Medigap plans in most cases; underwriting varies by carrier
- Plans C and F have always been a poorer value compared to other plans in most states; there are better options and you should consider them while you are still healthy enough to change
- Medigap plans can be changed anytime of year; there is no Annual Enrollment Period for these plans

Medicare Advantage

- Plan pays providers instead of Medicare - you **do not lose** your Medicare
- Most have doctor and hospital networks; some plans do allow you to see out-of-network providers
- Most include Rx coverage
- Service area determined by county of residence
- Annual contract with the federal government
- Copays or coinsurance for most medical services
- All plans have an annual out-of-pocket maximum
- Beware of PPO costs due to higher in- and out-of-network costs for everything - sometimes much higher

How Medicare Prescription Plans Work

Two ways to enroll

- Stand Alone Part D plan
- Medicare Advantage Plan with Rx included

“But I don’t take any medication…”

Two reasons to get a drug plan when you don’t need one:

- Financial Penalties
  - National avg. cost of an Rx plan is about $50/mo
  - Penalty is 1% times the number of **months** you did not have a creditable drug plan
  - Penalty starts small, but grows every month, and is a lifetime assessment
- Time Penalties
  - If you don’t enroll during your IEP, you’re locked out for the next calendar year (in most cases)
  - Penalty accrues while you’re locked out

Prescription Drug Plans

Levels of Rx Coverage

- **Full Cost**: Amount you pay if uninsured - determines when you go in the Coverage Gap (the “donut hole”)
- **Deductible**: Amount you pay before plan pays anything
- **Initial Coverage Level**: Copays and coinsurance based on the drug tier (5 tiers)
- **Coverage Gap Level**: You pay a higher share once the full cost of your drugs reaches $4,130 in 2021
- **Catastrophic Level**: Best coverage - after your OOP reaches $6,550 in 2021

Top 10 Takeaways

1. When you turn 65, if you or a spouse are still working and covered by an employer with 20 or more on payroll, Medicare Part B is an option, not a requirement. You should have the group plan or Part B, but not both.
2. If you have a Health Savings Account (HSA) insurance, you should not contribute to it if you have ANY part of Medicare due to possible IRS excess contribution penalties.
3. Part B premiums are based on your income from two years ago, so thoughtful tax planning may save you thousands.
4. Medicare has unlimited out-of-pocket expenses and is best paired with additional coverage to reduce financial exposure.
5. Medigap benefits are identical no matter what company you get them from; the ONLY difference is price.

Top 10 Takeaways

6. Medigap Plan F is not the best value. It offers a little more coverage than some other plans, but its extra cost is ALWAYS greater than the extra coverage it provides.
7. Medicare Advantage plans are an alternative to Medigap plans and work completely differently. These managed care plans generally have lower premiums, but higher out-of-pocket costs and some restrictions on where you get your care.
8. Changes are coming to Plans F and C in 2020, but they affect only new enrollees. Some agents use any change in Medicare as a scare tactic to sell you something. Resist this.
9. Coverage Gap stage costs are based on the retail cost of your drugs. Changing drug plans will not fix this problem.

Top Ten Takeaways

10. There is no cost to you to get the help of an agent. To get the best help, here is what to look for:
    - Independent over Captive: Look for an agent who can help you with many insurance carriers, not just one.
    - Medigap AND Advantage: Some agents focus only on Medigap to avoid the strict marketing regulations involved with MA plans. Others focus only on MA plans because they pay a higher first year commission. An agent who offers both can help you with whichever fits you best.
    - Helps with Drug Coverage: Rx coverage is the most complicated part of Medicare and can be the most costly, but pay agents poorly. Many agents will have you call Medicare rather than help you. The best agents help their clients with all of their benefits.

RMS Insurance, LLC

By Phone

- 877-380-6566

Online

- WWW.RMS-INS.COM
- sklee@RMS-INS.COM

Thank You

Scott K. Klee, RMS Insurance, LLC.