



*All About Medicare:
Coverage, Costs, and Choices*

Medicare - Coverage, Costs and Choices

Government Medicare costs have soared over the years with expenses initially at \$13BN in 1975 and now at \$546BN according to the Department of Labor. One cost *not borne* by Medicare is long-term care custodial costs, including nursing home and home healthcare. Fidelity Investments estimates that a 65 year old couple retiring in 2015 will spend \$245K over 20 years on health care premiums, deductibles, co-pays, prescription drugs and other health care costs throughout retirement *excluding* the costs of long-term care. To better understand how retiree couples face \$12k+ per year on average in health costs, you need a firm grasp on Medicare costs and coverage.

How to Enroll. **1. Qualification:** see <https://www.medicare.gov/eligibilitypremiumcalc/> **2. Automatic enrollment:** If you are receiving social security benefits before 65 or if you apply for social security benefits at 65, you will automatically be enrolled. Otherwise, you have seven months to enroll during the initial enrollment period. The Social Security Administration notifies you by mail about three months before your 65th birthday beginning your seven-month initial enrollment period. **3. If you retire after age 65:** We recommend enrolling in Medicare Part A and B at 65 because your enrollment won't be automatic and penalties apply if you miss a deadline. If you decline coverage at 65, you can only enroll in later years during annual general enrollment only. If you intend to work past 65 and have employer health insurance, you should check with your employer's benefits specialist for coordination of coverage and confirm your understanding with Medicare and the Social Security Administration. **Note:** If you have retiree health insurance your company may automatically enroll you in a Medicare *Advantage* plan once you are Medicare eligible. You have to opt out or this automatic Medicare Advantage enrollment may *supersede* your Original Medicare enrollment. **4. Penalty:** Unless you are still covered under an employer insurance plan (not COBRA and not retiree health insurance), we do not recommend delaying Part B enrollment. If you miss the deadline to sign up, your monthly premium increases 10 percent for each 12-month period missed and that increased cost *never* goes away. Most people do not choose to delay Part A coverage given no premium cost. **5. Medigap enrollment:** Once you enroll in Part B, your open enrollment period for Medigap starts. If you do not purchase a Medigap policy within six months, you may be denied coverage later or charged a higher premium. If you have employer retiree health insurance, this may replace the need for a Medigap policy but check with your employer's benefits specialist.

Your Choice. **1. Decide** if you want Original Medicare (Part A & Part B) or Medicare Advantage (Part C). **2. Original Medicare:** If you select Original Medicare, many enrollees also select supplemental insurance called Medigap which is private insurance available for additional cost. **Furthermore,** you may want to obtain Part D Drug Coverage as well for additional cost. **3. Medicare Advantage:** Medicare Advantage provides enrollees with all of their Part A and Part B benefits, supplemental insurance and usually Part D Drug Coverage also.

Original Medicare Part A & Part B. **1. Part A Hospital Insurance:** Hospital stays, skilled nursing stays, home health visit and hospice care are included in Part A. This coverage pays for services associated with inpatient hospital care including the costs associated with overnight hospital stays, meal charges, hospital room charges and nursing services. Most recipients of Part A do not pay a premium. Part A benefits are subject to a deductible, co-insurance costs, and all costs beyond lifetime reserve days. **2. Part B Medical Insurance:** Physician visits, outpatient services, and some health visits are covered under Part B. Part B benefits are subject to a premium based on your modified adjusted gross income from *two* year's prior, a yearly deductible and a 20% coinsurance cost (except for certain preventative services and wellness visits). For more information on Part A & B costs see <https://www.medicare.gov/your-medicare->

[costs/costs-at-a-glance/costs-at-a-glance.html](#) **3. Your choice:** With Part A and Part B (also known as Original Medicare), you can choose your doctor, hospital and other providers that accept Medicare. Typically, you do not need a referral to see a specialist. **4. Not covered by Medicare:** Some services not covered by Medicare include eye examinations to prescribe, fit, or change eyeglasses, frames, or lenses and contact lenses, examinations and cost for hearing aids, service connected to the care, treatment, filling, removal or replacement of teeth or structures supporting the teeth.

Optional: Part D Drug Coverage. **1. Premium cost:** This is obtained either through adding Part D plan or through Medicare Advantage. Each Medicare prescription drug plan has its own list of covered drugs. Drugs are placed in tiers and cost varies depending on the tier. Part D costs consists of premiums based on your modified adjusted gross income from two years prior (just like Part B). **2. Late enrollment penalty:** You may also pay a late enrollment penalty if you do not enroll in Part D or Part C or some other Medicare health plan that offers Medicare prescription drug coverage or otherwise go without creditable prescription drug coverage for 63 continuous days or more after your initial enrollment period. The penalty is added to your *monthly* Part D premium for as long as you have Medicare prescription drug coverage. The penalty will likely increase every year since it is calculated based on the national base beneficiary premium. **3. Other costs:** There are also yearly deductibles, copayments/coinsurance, and costs in the coverage gap/donut hole (closing by 2020).

Optional: Medigap. **1. Supplemental insurance:** Medigap insurance is private insurance that is **available for additional cost** to those who have Medicare Part A and B. If you have Medicare Advantage or if you qualify for Medicaid you do not need a Medigap policy. You also do not need a Medigap policy if you are a TRICARE for Life beneficiary. Frontier recommends Plan G for the most robust coverage since Plan F will no longer be offered to new enrollees in 2020. Costs vary greatly depending on the plan selected. **2. Expenses covered:** Medigap insurance helps pay for health care costs not covered by Original Medicare such as co-pays, coinsurance and deductibles. See <https://www.medicare.gov/supplement-other-insurance/compare-medigap/compare-medigap.html>

Alternate Choice: Part C Medicare Advantage. **1. Alternative to Medigap:** Medicare Advantage is also known as Medicare Part C. Medicare enrollees select Original Medicare *or* Medicare Advantage. **2. How it differs:** You must follow plan rules such as getting a referral to see a specialist to avoid higher costs. Providers can join or leave a plan's provider network anytime and your plan can change the providers in the network anytime. Many retirees are not comfortable with this lack of control of accessing preferred physicians.

Specific action items required

- 1) Decide if you want Original Medicare (Part A and Part B) or Medicare Advantage (Part C)
- 2) Sign up for Parts A and B and Medigap and Part D, (or Part C in lieu of A through D) as soon as you are eligible to avoid penalty fees
- 3) Work with your employer to see how your employer health insurance coordinates with Medicare insurance
- 4) Seek professional guidance from a health insurance brokerage specialist in your area

Jessica Cafferata, JD, CFP®
Senior Financial Planner

Securities offered through Hightower Securities, LLC member FINRA/SIPC. Hightower Advisors, LLC is a SEC registered investment advisor.

Hightower Advisors do not provide tax or legal advice. This material was not intended or written to be used or presented to any entity as tax advice or tax information. Tax laws vary based on the client's individual circumstances and can change at any time without notice. Clients are urged to consult their tax or legal advisor for any related questions.