

Medicare is a Mystery: It Doesn't Have to Be

Medicare is enormous, almost 60,000,000 current Medicare enrollees, according to the most recent governmental report. The rules are confusing and frequently misunderstood. Misunderstanding the rules can result in penalties that never expire, and unanticipated bills. Understood correctly, Medicare is the single most valuable component of retirement planning in the United States. For the Medicare beneficiary, the financial security and peace of mind that result cannot be overstated.

Long-running healthcare costs are the #1 cause of household bankruptcy, The out-of-pocket costs of healthcare can overwhelm a pension, Social Security, or investments in financial markets. The positive is that insurance companies are competing aggressively, and that leads to very competitive pricing, from which you can receive better benefits, or will pay less money, or both. The most suitable Medicare setup exists for almost every person, as long as the person is fully-informed.

Maximize Your Medicare will describe how Medicare actually works, how/when/why to enroll, and most importantly, the factors that are most important in choosing the best Medicare configuration for you and your family. After an almost-endless number of presentations and consultations with individuals in public and private, it is not an exaggeration to state that almost no audience understands how Medicare works. Education level, financial wealth, and employment background are all irrelevant: Medicare is a mystery, a maze to the overwhelming majority. That is worrisome, especially because people wrongfully listen to the "advice" of others, including healthcare personnel, who have an incomplete set of information which may be inaccurate, incomplete, or outdated. This book will help you avoid these common errors.

Why Is Medicare Confusing?

- **Enrollment Rules Are Complicated.** There is a huge difference between when you can enroll, and when it is best to enroll. This is complicated, and it is getting more difficult, for many reasons. People are working beyond 65 and this trend is not going to change anytime soon. Social Security Full Retirement Age is now 66, but Medicare eligibility rules are unchanged. Retiree benefits, small employer, large employer, COBRA, spousal coverage: any or all these terms are combining to make it very complicated because each situation will have a different set of alternatives.
- **Medicare Components Are Complicated and Oddly Named.** Unlike health insurance for those prior to becoming eligible for Medicare, original Medicare has specific components, Parts A, B, C, and D. Within Medicare Part C (Medicare Advantage), there are commonly 30 Medicare Advantage plans available, some that include prescription drug benefits, and some that do not. Within Part D (prescription drug plans), there are usually another 30 stand-alone Part D plans available in every location. Medigap also uses a lettering system to describe plans, A-N. It is very easy to become confused.
- **Advertisements and Publications Are Incomplete.** Advertisements from carriers are not intentionally misleading, or inaccurate, every advertisement describing Medicare Advantage and Part D plans are highly regulated. Medicare and You, the annual document published by the CMS, is description of benefits under Medicare. However, the advertisements do not shed light on the factors important when making a decision, and provide no guidance when it comes to how to choose among a wide variety of options. Regulations ban direct comparisons among Medicare Advantage plans and Part D plans, so the advertisements and sales presentations are not wrong, but they do not provide the information required to make decisions.

- **There Are Changes Every Year.** There is a long list of changes, both gradual and sudden, that affect the Medicare-eligible. Premiums and copays for original Medicare (Part A and B), and the late enrollment penalties are recalculated every year. Medicare Advantage continues to expand and retiree plans continue to weaken or be entirely discontinued.

Why? Medicare is enormous today, the CMS (Center for Medicare and Medicaid Services) reports that there are 59,900,000 current Medicare beneficiaries, and 10,000 become newly eligible for Medicare, every single day. How to deal with these changes is vital for you, for employers, for the government. .

It is not only those planning on retirement, it is not only those that are turning 65 years old that are affected. Current Medicare enrollees, the ones that may have been relying on Medicare for years, must stay up to date. That goes against human nature. People would like to 'set and forget, but practical reality has made this approach obsolete. This book will provide a roadmap, a guideline, not only about how Medicare works, but also how to think possible outcomes in the future

How to Use This Book

Maximize Your Medicare will guide you through the Medicare maze. Every Medicare-eligible person requires knowledge of these vital steps.

- Understand the enrollment guidelines. The reason is that if you do not enroll within the rules, then there are late enrollment penalties that never expire. In addition, you will not be able to simply "turn the switch on" on the date that you want. You will have to wait, and during that time, you face the risk of requiring healthcare services or prescriptions. That can be very costly: you may be uninsured, or you may be wasting money.

For those that are eligible for Medicare prior to turning 65 (described later), there are many untold ripple effects. For example, if you do not have a prescription drug plan that is deemed to be "creditable coverage," then the Part D Late Enrollment Penalty has begun. In addition, you may be able to access Medigap (depending on where you live), or Medicare Advantage, which would save you a great deal of money compared to an individual health insurance configuration. In other words, if you are eligible for Medicare prior to 65 years old, there are important ways that can save you a lot of money or you may be able to obtain far better benefits for your money.

- Understand what options are available. Simply understanding the enrollment rules is not sufficient. Why? It is very important to understand that what you choose today can have consequences in the future. Some choices can be changed easily in the future (Medicare Advantage and Part D), and some may not (Medigap).

This is not a suggestion that you "be insurance poor," that is never the advice given here. Premiums and out-of-pocket costs are lower under Medicare than almost any other health insurance setup. However, the plans change, and what is best today may not be best next year, and the difference can be enormous, hundreds or thousands of dollars, a year.

- Get your best Medicare configuration. Your individual situation can vary widely due to your personal history. For example: if you are employed or retired, married or single, have retiree health benefits, then your specific list of "things to understand" is likely to be different from your friend or neighbor. While

there are no barriers to applying by yourself, you may want an expert / agent / advisor to help you confirm that you have given the right amount of thought on the issues you face. In addition, it is important that people have the full set of available information, within reason. Not all experts / agents / advisors have the same amount and access to information of plans in your location. This book will show you how to distinguish one from another.

The bottom line is that you need to keep up to date. Updates, comments on the headlines, and special situations will be provided on the official website for the book: www.maximizeyourmedicare.com.

In addition, there is much more:

- Maximize Your Medicare Facebook page,
- Maximize Your Facebook community (you need to apply),
- Maximize Your Medicare Podcast, and
- YouTube channel.

It cannot be more important: please join and share these. You will help yourself, and you will help a person you know. Someone you know doesn't know what he or she is supposed to, or they have the wrong information. Knowledge of how health insurance is unlike any other, simply because if a person (you or someone else) leaves a medical bill that remains unpaid, it needs to be recouped by the healthcare provider. Who pays? You do.

Medicare is a special case of health insurance: it may look the same as other health insurance, but it works differently, and those differences are vital. If you are the adult aged child of a Medicare eligible parent, then this book will show you how Medicare is notably different from other health insurance. Medicare may look the same as other health insurance, but it works differently, and those differences are vital.

Avoid Mistake #1

People confuse health insurance with health care. They are linked, but they are not the same. Health insurance is a financial contract, a contract where the insurance policyholder receives benefits, if something occurs. Insurance only pays when some event occurs. For example, if your refrigerator breaks, and you have purchased an extended warranty, then you receive a benefit, which is a new refrigerator. In the same way, health insurance is a contract that assists you, the policyholder, reduce the out of pocket costs if you require medical services: the reduction in healthcare costs is your benefit.

When you purchase an extended warranty on a refrigerator, the cost of the extended warranty depends on the value of the refrigerator, right? For health insurance, it is the same. The value of health insurance depends on the value of the benefit received by you. Again, the ripple effect is important to understand: health insurance is the result of the cost of healthcare. That means that health insurance, as a contract, does not address the underlying cost of healthcare, in the same way that the cost of the extended warranty does not fix or address the underlying cost of the refrigerator. And Medicare is simply a very specific type of health insurance.

Medicare benefits, as a starting point, are very well-defined. However, Medicare benefits are also incomplete. The most obvious example is that original Medicare, by itself, has no annual limit on out-of-pocket costs. This single factor alone means that an additional policy (Medigap, Medicare Advantage, retiree health benefits plan) is required, if the sole reason is to put a limit to your financial downside, if you require healthcare services.

if you require medical services or attention from healthcare personnel (physicians or labs, for example). Healthcare is you taking care of yourself to the doctor and receiving medical services and attention.

Health insurance, and the price of health insurance, is determined by probability and statistics, not your physician. Medicare is a very specific type of health insurance, for those who are 65 years old or greater. There will be exceptions to this rule, which we will describe in later chapters.

This misunderstanding is the beginning of a long list of problems. People involved in public policy and the raging political debate wrongly conflate and combine health insurance and healthcare together, when in fact, they should be discussed separately. Solutions to the high cost of healthcare in the United States are not solved by health insurance. Evidence? A health insurance carrier, and the cost of health insurance does not affect the cost of education and time used for training required to become a physician. More evidence? A physician is a scientist, an expert educated in the book, *Grey's Anatomy*. Insurance is priced using financial calculations and statistics. Being an expert in *Gray's Anatomy* does not, by itself, make him an expert in the Black-Scholes formula. When you read these examples, it's obvious.

Very Brief History of Medicare

Medicare was established in 1965, as an amendment to the Social Security Act. There are two separate revenue accounts at the federal government, to fund the different parts of Medicare. There is the Hospital Insurance (HI) Trust Fund, used to fund Medicare Part A. It is funded through federal taxes, and there is an annual Medicare Trustees Report that provides an update on the financial status of the HI Trust Fund.. There is the Supplementary Medical Insurance (SMI) Trust Fund, which funds Medicare Part B and D. The SMI Trust Fund receives its funds from premiums paid by beneficiaries (you), and from the general budget of the U.S. government.

The reason that the separation of these two separate Trust Funds is important? The reason is that groundbreaking reform to the Medicare system will remain difficult to identify and agree upon, because the HI Trust Fund has already been paid over time. That means that current Medicare beneficiaries are the primary recipients of Part A benefits. If you widely expand the number of people enrolled in Medicare, there is no other way around this: much higher taxes will be required, or the existing HI Trust Fund will be diluted.

You can observe in the press and in think-tanks that the U.S. has a more expensive healthcare delivery system than in other nations. There is the endless name-calling, and assignment of blame. Changing the healthcare from an a la carte system (called Fee for Service), to one where there is a singular price introduces a problem. There have been very few proposals on how to deal with the fact that the HI Trust Fund and the SMI Trust Fund are separate "pots." If you try to combine the two Trust Funds (HI and SMI), that will lead to politically-charged salvos that cannot be easily resolved, because existing Medicare beneficiaries' money will be siphoned off to the much larger pool of recipients, unless the shortfall is made up via higher taxes.

An example will make this easier to understand. Let's say you require a joint replacement procedure. You needed an x-ray to determine that this was necessary. There will be some local anesthesia, a surgeon, a location, the support people, and then the rehabilitation. The problem? Under Medicare, each of these stakeholders / healthcare providers are being compensated under different Parts of Medicare (Part A or Part B), and the question will become: if the price is \$50,000, who gets what, and how much of the \$50,000 comes from the HI Trust Fund, and how much comes from the SMI Fund? A complete solution to this has been, and will remain elusive.

Take Control of What You Can

There is a big difference among risks we take. Some risks are truly random, and cannot be controlled, such as being struck by lightning. However, there are other unknown events in the future, but you have special knowledge of certain factors. You have your own health history, and the health history of your extended family members. You have lifestyle factors that you solely understand (weight, diet, etc). You have your own, private priorities and worries, whether they be health, personal, or financial in nature.

The grace of Medicare is that Medicare regulations allow you to pursue your objectives on your terms. None of your private issues prevent you from obtaining a Medicare configuration that fits your individual circumstances. Those that have limited financial resources have a number of alternatives. Those with serious health issues can obtain the same policies as the person that has never been ill. However, a full understanding is required, not only of how the rules work today, but how the choices you make today may affect your ability to change course in the future, if your priorities change.

That is entirely different from unknown “stuff” that isn’t really unknown. What is known? Father Time is undefeated, there are enormous demographic and fiscal challenges that face the government, provider of Medicare benefits to the largest generation in American history. Competition among health insurance carriers to win your business is fierce, in your favor. Ultimately, the goal of *Maximize Your Medicare* is to correctly identify the risks that you can, so that you can pursue your individual priorities.