

Medicare ABCs 2020

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About Me

- Certified Financial Planner™
- Chartered Life Underwriter (CLU®)
- Chartered Financial Consultant (ChFC®)
- Quoted in National Press (USA Today, cnbc, Dow Jones)
- Managing Principal, GH2 Benefits, LLC
- M.B.A., in Accounting and Finance from the University of Chicago
- B. A. in Economics and Political Science from the University of Michigan, Ann Arbor.
- > 10 years in Global financial centers

- Author of top-rated, top-selling *Maximize Your Medicare: Understanding Medicare, Protecting Your Health, and Minimizing Costs*



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Outline

Where We Are Going

- Eligibility & Enrollment
- Part A (Hospital) & Part B (Health)
- Part D (Prescriptions)
- Medicare Advantage
- Medigap
- Common Mistakes / Q&A

Eligibility & Enrollment



MEDICARE HEALTH INSURANCE

Name/Nombre

JOHN L SMITH

Medicare Number/Número de Medicare

1EG4-TE5-MK72

Entitled to/Con derecho a

HOSPITAL (PART A)

MEDICAL (PART B)

Coverage starts/Cobertura empieza

03-01-2016

03-01-2016

Eligibility Guidelines

- When you turn 65
- Medicare runs off the 1st day of the month, *not* your actual date of birth

Exceptions

- End-Stage Renal Disease w Dialysis
- ALS (Lou Gehrig's Disease)
- Social Security Disability Insurance
- Born on the 1st of the month

Enrollment Beyond 65

- Part B enrollment deadline is *technically* 8 months after retirement
- “Can do” is very different from “should do”
- Complicated, and getting more difficult as people work beyond 65

Late Enrollment Penalties

Part A exists (very rare): 10%, for 2x as long as you have not correctly enrolled.

Part B: 20% x Part B premium x years, never expires, recalculated annually.

Part D: 1% x #months x national average, never expires, recalculated annually.

Enrollment Bottom Lines

- Delaying = asking for problems, and tempting luck
- Remember: there are additional steps to take and you/we do not control the timing of execution

Part A: Facilities



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Part A: The Good, The Costly

Hospital Inpatient stay	<p>First 60 Days Cost: You pay \$0.</p> <p>Days 61-100: You pay the first \$352.00 a day. Medicare pays the rest.</p> <p>Days 101-150: You pay the first \$704.00 a day. Medicare pays the rest.</p> <p>Days 150 +: You pay 100%</p>	<p>Deductible: \$1,408.00 per benefit period (See Glossary for definition of benefit period)</p>
Skilled Nursing Facility Care Stay	<p>First 20 Days Cost: Medicare pays 100%</p> <p>Days 21-100: You pay the first \$176.00 a day; Medicare pays for the remainder.</p> <p>Days 101+: You pay 100%</p>	<p>ONLY after a 3-day inpatient stay at a hospital</p> <p>Skilled Nursing Care is a technical term and does not include solely custodial care.</p>
Inpatient Psychiatric Care	<p>190 days lifetime benefit, Medicare pays 100%</p> <p>You pay \$0.</p>	

Part A: The Fine Print

Benefit Period

- Deductible = \$1,408 per Benefit Period
- Benefit Period = “Medical Event”

Observation Status

- Part A Depends on Inpatient Status
- Observation Status Not Covered by Medicare Part A
- *Two-midnight rule now in effect*

Skilled Nursing Facility (SNF)

- Still Requires 3-day Inpatient Status
- Improvement Status waived: a huge positive

Part B: Services



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Part B: Different Setup

Monthly Premium, “unchanged”

Annual Deductible = \$185.00 per year, reset annually

Coinsurance: Medicare pays 80%, you pay 20%

Approved Amount

IRMAA-Adjusted Premiums (2020)

Individual	Joint	Monthly Premium
\$87,000 or less	\$174,000 or less	\$144.60
\$87,000 – \$109,000	\$174,000 – \$218,000	\$202.40
\$109,000 – \$136,000	\$218,000 – \$272,000	\$289.20
\$136,000 – \$163,000	\$272,000 – \$326,000	\$376.00
\$163,000 – \$500,000	\$326,000 – \$750,000	\$462.70
Greater than \$500,000	Greater than \$750,000	\$491.60

Part B: The Fine Print

Part B Excess Charge

- Medicare has a long list of treatments
- Willing to pay \$X for a particular treatment (“approved charge”)
- Actual charge – approved charge = Part B Excess
- Part B Excess can be 15% higher than approved charge

Likely?

- Certain states have laws that disallow this (MOM Law)
- Physicians = \$120,000 debt
- Medicare payments declining (sequester, Obamacare, CMS)
- You can ask providers in advance

Part D: Rx

- **Annual contract** means that everything subject to change
- Complicated combination
 - Premiums
 - Copays
 - Formulary

IRMAA-Adjusted Premiums (2020)

Individual	Joint	Monthly Premium
\$87,000 or less	\$174,000 or less	Plan Premium
\$87,000 – \$109,000	\$174,000 – \$218,000	\$12.40 + Plan Premium
\$109,000 – \$136,000	\$218,000 – \$272,000	\$31.90 + Plan Premium
\$136,000 – \$163,000	\$272,000 – \$326,000	\$51.40 + Plan Premium
\$163,000 – \$500,000	\$326,000 – \$750,000	\$70.90 + Plan Premium
Greater than \$500,000	Greater than \$750,000	\$77.40 + Plan Premium

Part D: Coverage Gap (2020)

Annual Prescription Costs

- \$0-\$435: May/may not be covered in Part D
- \$435-\$4,020: Copay according to schedule
- \$4,020-\$6,350: 75% discount, you pay 25%
- > \$6,350: You pay greater of 5% or \$3.60/\$8.95 (!!!!)

Consumer Hint: Check every year. Premiums, copays, formulary will change on an annual basis

Number of Plans has increased per state: 29 in MI

Original Medicare Summary

Summary

- Part A: No premium, high out-of-pocket expenses
- Part B: Monthly premium, deductibles, and coinsurance
- Problem: *No annual limit on out-of-pocket expenses*

Bottom line: Original Medicare is risky

- Two Choices
 - Medicare Advantage (aka Medicare Part C)
 - Medigap (aka Medicare Supplemental)

Medigap Basics

Plans A-N

- Higher premiums, superior cost-sharing
- Prices usually change with age

January 2020: Plan C & F will no longer be available to new applicants

Medicare Part A deductibles largely covered

Medicare Part B copays covered

Medicare Part B Excess charge covered by F&G

Standardized means coverage same across carriers

Grandfathered means the terms don't change. *In an uncertain world, these are very valuable*

Standardized Medigap Plans

Table 4. Medigap Plans

	A	B	C	D	F*	G*	K	L	M	N
Medicare part A Coinsurance and hospital costs up to an additional 365 days	x	x	x	x	x	x	x	x	x	x
Medicare Part B Coinsurance or Copayment	x	x	x	x	x	x	50%	75%	x	x
Blood (first 3 pints)	x	x	x	x	x	x	50%	75%	x	x
Part A hospice care coinsurance or copayment	x	x	x	x	x	x	50%	75%	x	x
Skilled Nursing Facility (SNF) care coinsurance			x	x	x	x	50%	75%	x	x
Medicare Part A deductible		x	x	x	x	x	50%	75%	50%	x
Medicare Part B deductible			x		x		50%	75%		
Medicare Part B Excess Charges					x	x				
Foreign travel emergency (up to plan limits)			80%	80%	80%	80%			80%	80%
Out of pocket limit							\$5,560	\$2,780		

Medigap Entry Getting Harder

Perfect Health?

- Yes, accepted
- Sellers in Control after you turn 65.5
- Unless you are Guaranteed Issue (there are MANY situations where this IS the case)
- Knowing Exceptions is GH2 Benefits' Job

Imperfect Health?

- The *Seller is in Control* After Medigap Open Enrollment and Guaranteed Issue Rights Expire
- Acceptance is getting more difficult as price competition becomes more fierce
- Mid-MI: 65 yr old female >> 5 sellers within \$10/month

Medicare Advantage Basics

Also Known as Medicare Part C

- Approved Annually by the CMS
- Everything handled by private company
- Must be at least as good as original Medicare...on average

Combines Part A, Part B, & Part D (mostly)

- Annual Contract
- Separate cost-sharing
- Network

Cost vs Moving Target

- In certain cases, no additional premium
- Annual contract means that it changes every year

Future of Medicare Advantage

Medicare Advantage is Expanding Rapidly

- Currently > 30% market share
- CEOs of health insurance carriers predict 50%
- New carriers are ENTERING, not exiting
- Mergers occurring nationwide

Sellers are Not Gamblers

- 2% - 5% Profit Margin

Superiority of Medigap is Declining

- MAPD: Health deductible declining
- MAPD: Open networks
- Added benefits will be included in 2020

When You Can Change

•Annual Election Period (AEP)

- October 15 – December
- Medicare Advantage and PDP
- Can make unlimited changes

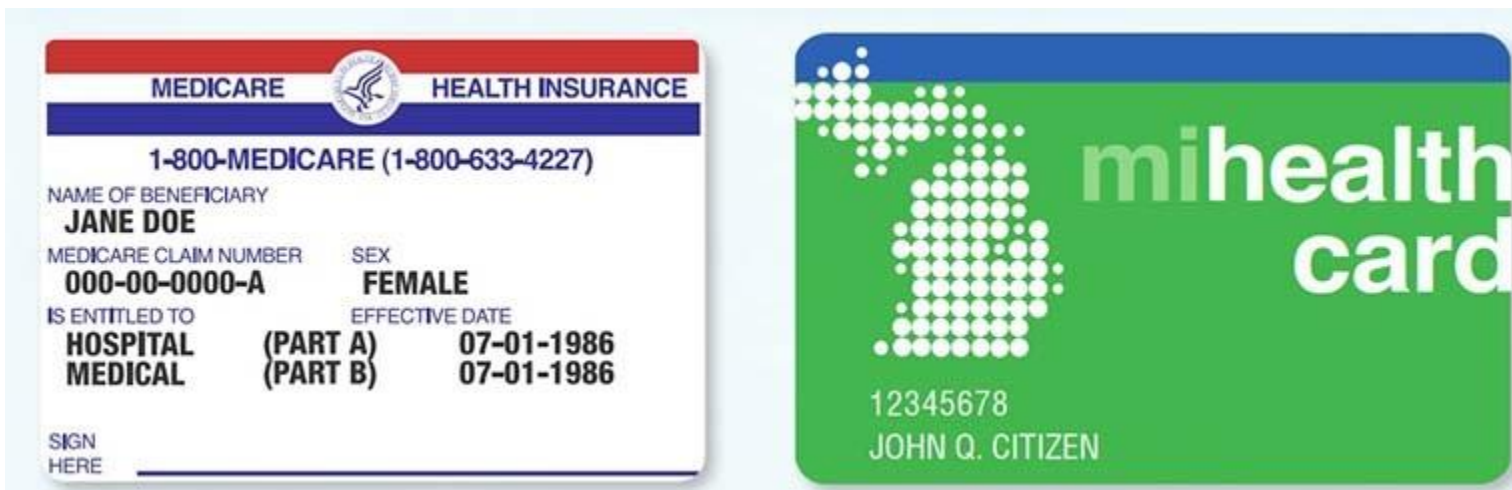
•Open Enrollment Period (OEP)

- January 1 – March 31
- Medicare Advantage and PDP
- Can make ONE change
- ALSO: If you have missed original Medicare enrollment, NOW is the chance to enroll in Part A and Part B

•Exceptions

- Extra Help: 1x per quarter and AEP
- Lose Medicaid or Extra Help
- Five-Star: anytime during year into a Five-Star plan

Medicare & Medicaid



EVERY COUNTY in lower peninsula

Examples of additional benefits:

- Transportation
- Dental & vision
- Care coordinator to help you manage Rx
- OTC vouchers

Common Medicare Mistakes

• Mistake #1: Late Preparation

- People give away free options to enroll in Medigap
- People are unintentionally assessed IRMAA
- People don't understand that Part A is backdated when you begin receiving Social Security benefits
- COBRA can only really be used for 7 months

• Mistake #2: Set It and Forget It

- Doesn't make practical sense: competition fierce
- Prescription drug costs can vary > \$1000 / year
- Medicare Advantage mergers
- Medigap has competition

Common Medicare Mistakes

• **Mistake #3: Blindly Believing in Employer Benefits**

- People working beyond 65 stay on employer-provided plans: why?
- Employer-provided plans: high premiums & cost-sharing
- Spouse or dependents? Check the ACA (and the APTC)
- Employees at small-employers should check with the employer

• **Mistake #4: Blindly Believing In Retiree Benefits**

- Doesn't make practical sense: competition fierce
- Prescription drug costs can vary > \$1000 / year
- Medicare Advantage mergers
- Medigap has competition
- Even the Sacred Cows are endangered

Medicare is Step #1A

More Important than Social Security

- Many options now restricted
- Outcomes Affect Finances & Your Healthcare Providers

Investments / Financial Products

- Annuities
- Long-Term Care
- Medicare's language is regulated and standardized
- Other financial contracts are not

Language More Complicated

- Written by Rooms of "Me"
- Complicated Calculations, Written by "Me"
- Not standardized, at all

MAXIMIZE YOUR MEDICARE

UNDERSTANDING MEDICARE, PROTECTING YOUR HEALTH, AND MINIMIZING COSTS

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