Medicare
Planning for the Future
What You Need to Know

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Benefit Advocates, Inc.
Medicare Overview

Medicare is a federal health insurance program, signed into law in 1965 for:

– People age 65 and older
– People under age 65 with certain disabilities
– People of all ages with End-stage Renal Disease (ESRD-permanent kidney failure requiring dialysis or transplant)
Medicare Review

• Part A-hospital, skilled nursing care, hospice and home care
• Part B-outpatient services and doctor visits
• Part C-Medicare Advantage Plans (Humana, AARP, BC/BS)
• Part D-prescription drugs
Medicare Premiums

• Medicare A is free.

• For newly eligible beneficiaries, the standard Medicare Part B monthly premium is $104.90 in 2013.

• Higher income beneficiaries will pay higher premiums for Part B and Part D.*

*This rule affects less than 5 percent of Medicare recipients.
Your Modified Adjusted Gross Income from Your Most Recent Tax Return Determines Part B and D Premiums

<table>
<thead>
<tr>
<th>File Individual Tax Return</th>
<th>File Joint Tax Return</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>$85,000 or below</td>
<td>$170,000 or below</td>
<td>$104.90</td>
</tr>
<tr>
<td>$85,001-$107,000</td>
<td>$170,001-$214,000</td>
<td>$146.90</td>
</tr>
<tr>
<td>$107,001-$160,000</td>
<td>$214,001-$320,000</td>
<td>$209.80</td>
</tr>
<tr>
<td>$160,001-$214,000</td>
<td>$320,001-$428,000</td>
<td>$272.70</td>
</tr>
<tr>
<td>above $214,000</td>
<td>above $428,000</td>
<td>$335.70</td>
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</tbody>
</table>

- Generally, your modified adjusted gross income (MAGI) is the total of your adjusted gross income and tax-exempt interest income.
- Part D premiums vary by plan, but high income seniors will pay from $11.60-$66.40 more per month for Part D premiums.
Enrollment in Medicare

• **Initial** enrollment period: 3 months before and 3 months after your 65th birthday

• **General** enrollment period: for people who missed the initial period.

• **Special** enrollment period: 8 months following job end date.
Initial Enrollment in Medicare

• Medicare cards are automatically sent to persons receiving Social Security benefits three months before the person’s 65th birthday; otherwise one must contact Social Security to enroll.
• You may enroll online www.socialsecurity.gov
• By phone at 800-772-1213
• Or you can make an appointment to visit any Social Security office.
• Cards will show both A&B and the date of eligibility.
Medicare Card

NAME OF BENEFICIARY
JANE DOE

MEDICARE CLAIM NUMBER
000-00-0000-A

SEX
FEMALE

IS ENTITLED TO
HOSPITAL (PART A)
MEDICAL (PART B)

EFFECTIVE DATE
07-01-1986

SIGN HERE → Jane Doe
General Enrollment Period

• January – March 31 of each year

• Coverage begins July 1\textsuperscript{st}. 
Employer Size Dictates When to Apply for Medicare B

• If your company has more than 20 employees, like Davidson, working seniors can delay enrolling in Part B because your employer insurance is primary.
Special Enrollment Period

• This special enrollment period is for anyone Medicare eligible who waited to enroll (usually for B) because they were an active employee or the spouse of an active employee with group coverage from an employer with more than 20 employees.
Special Enrollment Period

- Special enrollment period: 8 months following job end or coverage end date, whichever comes first. Seniors must apply during this time for Medicare B or penalties will apply. And coverage will not be available until July of the next year.

- If you retire or lose your job, you are eligible for the 8 month special enrollment period and will not be penalized for enrolling in Medicare after your initial enrollment.
Special Enrollment Period

• The Special Enrollment Period is based on the “current employment status” of the employee/equity partner or spouse.

• You are not considered to be currently employed if you receive Social Security Disability for more than 6 months or if you are on COBRA.
Late Enrollment Penalties

Example: You delayed enrolling in for Medicare Part B for 24 months

$104.90 base premium in 2013
+ $10.49 (10% of $104.90) for the first 12 month delay
+ $10.49 (10% of $104.90) for the second 12 month delay
= $125.88 will be your Medicare Part B premium for 2013

Penalties for late Medicare D enrollment
1% of base rate of $31.17 for every month you delayed
.24 x 31.17=$7.48 monthly enrollment penalty for 2013
Medicare and HSA Plans

• Working seniors cannot contribute to an HSA and be enrolled in Medicare A or B. You can use the HSA funds in your account to pay for out-of-pocket medical expenses (including Medicare B premiums) but you can no longer contribute.
Medicare and HSA Plans

• In order for a working senior to continue to contribute to an HSA plan, one must opt out of both Medicare A & B.

• You may not opt out of Medicare if you have been receiving Social Security benefits, unless you are willing to pay back all benefits received to date.
Medigap Plans

• When you retire and enroll in Medicare, you may want to consider purchasing a health plan to supplement Medicare and a Part D plan that covers prescription drugs.

• You must enroll in both A&B to buy a Medigap plan.
Medigap/Supplements

• A Medicare Supplement policy (also called Medigap) is health insurance that’s designed to supplement Original Medicare. This means it helps pay some of the “gaps” that Original Medicare doesn’t cover (like copayments, coinsurance, and deductibles).

• AmWINS Group Benefits/NEBCO is the administrator for the Davidson College retiree plan.

• The retiree medical plan is a Group Medicare supplement underwritten by Monumental Life Insurance.
What are the Gaps in Medicare?

In 2013:

• Medicare A deductible is $1,184.
• Medicare B deductible is $147.
• In addition, Medicare B pays doctors, labs and other outpatient providers 80% of an allowable charge, leaving you to pay at least 20% coinsurance.
When Should I Buy A Medigap Plan?

• The best time to buy a Medigap policy is during your 6-month Medigap open enrollment period because you can buy any Medigap policy, even if you have health problems. This period starts once you turn 65 and enroll in Medicare Part B, and once it's over, you can't get it again.

• When you turn age 65, you may enroll in the AmWINS Group Benefits/NEBCO plan.
Medigap Plans

• Every Medigap policy must follow federal and state laws and be clearly identified as “Medicare Supplement Insurance.”

• Usually, cost is the only difference between policies with the same letter sold by different insurance companies. Average cost is $120-$200 per month. Costs can vary considerably by location.
Can I Change Plans?

• There are specific times when you can sign up for these plans or make changes to coverage you already have. You don’t need to sign up for Medicare each year. However, each year you’ll have a chance to review your coverage and change plans. You may be subject to underwriting.

• You will have annual enrollment each year if enrolled in a Davidson retiree health plan.
Resources for Medicare Plans

• [www.medicare.gov](http://www.medicare.gov) to compare plans
• AARP
• Blue Cross/Blue Shield of NC
• Aetna, United Health Care, Humana and Cigna all offer Medicare plans
• [www.extendhealth.com](http://www.extendhealth.com)
Medicare Myth #1
Medicare offers Free or Inexpensive Care

False

• Medicare pays for an annual wellness visit and does cover preventive screenings at 100% e.g. mammograms and colonoscopies.

• However, most care requires cost sharing, deductibles, copays and coinsurance.
Medicare Myth #2
Medicare Pays for Everything

False

• Medicare does not cover:
  ✓ Dental care
  ✓ Hearing Aids
  ✓ Eye glasses
  ✓ Custodial Long-Term Care
  ✓ Travel outside the U.S.A. (AmwINS Group Benefits/NEBCO covers this)
Medicare Myth #3
You Can Delay Enrolling in Medicare B if you have COBRA or Retiree Health Benefits

False

• Medicare does not consider COBRA or retiree health benefits as part of “current employment.” Therefore, you must enroll in Medicare B during the Special Enrollment period which is 8 months following your job end date or group coverage end date (whichever comes first).
A Few Words About Social Security

• Social Security replaces a percentage of your earnings when you retire, become disabled or die. You can visit the Social Security web site to get an estimate of your future earnings. www.ssa.gov/estimator
## Full Retirement Age

<table>
<thead>
<tr>
<th>Year of Birth</th>
<th>Full Retirement Age</th>
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<tbody>
<tr>
<td>1937 or earlier</td>
<td>65</td>
</tr>
<tr>
<td>1943-1954</td>
<td>66</td>
</tr>
<tr>
<td>1955</td>
<td>66 and 2 months</td>
</tr>
<tr>
<td>1956</td>
<td>66 and 4 months</td>
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<tr>
<td>1957</td>
<td>66 and 6 months</td>
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<tr>
<td>1958</td>
<td>66 and 8 months</td>
</tr>
<tr>
<td>1959</td>
<td>66 and 10 months</td>
</tr>
<tr>
<td>1960 or later</td>
<td>67</td>
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</table>
## Average Social Security Benefits

- **Retired Worker**: $1262
- **Retired Worker w/aged spouse**: $2051
- **Disabled Worker**: $1130
- **Disabled Worker w/spouse/child**: $1915
- **Widow/Widower (must be age 60)**: $1215
- **Young widow w/two children**: $2551
Social Security Income

• Social Security Benefits are not reduced or affected by any other income you receive in retirement such as 403(b) income.
• Having a 403(b) won't reduce your Social Security benefits -- but distributions from your 403(b) taken during retirement may make your Social Security benefits subject to federal income tax, especially if you have significant other income.
Resources

- [www.medicare.gov](http://www.medicare.gov)
- [www.socialsecurity.gov](http://www.socialsecurity.gov)

“Medicare Premiums: Rules for Higher-Income Beneficiaries” SSA No. 05-10536

“Medicare” SSA No. 05-10043

“Medicare and You”

“Retirement Benefits” SSA No. 05-10035
THANK YOU!

QUESTIONS or COMMENTS