

FREE GUIDE TO MEDICARE INSURANCE

THE
TOP TEN
THINGS
YOU NEED
TO KNOW
ABOUT
MEDICARE



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YOUR LOCAL MEDICARE INSURANCE EXPERTS!

THE **TOP TEN** THINGS YOU NEED TO KNOW ABOUT MEDICARE

THE PROSPECT OF ENROLLING IN MEDICARE MAY SEEM DAUNTING, so if you are feeling stressed, you are not alone! Allow me to set your mind at ease. Medicare is a fantastic program that as an American taxpayer you and your employer(s) have been paying into for a long time. If it is your turn to benefit, that is a positive thing, and the vast majority of people we've worked with, once they made the transition, are much happier with their coverage than they were prior to enrolling. The purpose of this guide is to tell you what you need to know about Medicare – how it works, terminology, coverage options, and more, so you can make good decisions with confidence – without the anxiety!

1 MEDICARE PART A AND MEDICARE PART B ARE THE FOUNDATION OF YOUR COVERAGE. They are the two main parts making up your hospitalization (Part A) and your routine care such as doctor visits, testing and outpatient therapy (Part B). If you only had part A and Part B coverage and no supplement, you would be covered for about 80% of your medical care, excluding prescription drugs. It's the other 20% and the prescription drug coverage offered by private insurance carriers that generally cause the greatest confusion for people approaching Medicare age or retiring.

2 PART A MEDICARE FOR MOST PEOPLE DOES NOT HAVE A COST, BUT IT COULD FOR SOME. Having said that, I would not say it is "free." It is paid for through a tax withheld from payroll. If you have not qualified yourself or do not qualify under a spouse, Part A can cost up to \$407/month. The majority of Americans will easily qualify for the benefit by age 65 or qualify under a current or former spouse.

Who would not qualify for Part A Medicare? If a person has immigrated to the United States or they or their spouse have not met the 40 quarters of work which make up the minimum eligibility requirement for both Social Security and Medicare, they are not yet eligible for full benefits. If you are unsure, it is best to consult with the Social Security Administration by either calling 1-800-772-1213 or going in to your local office.

3 PART B MEDICARE HAS A COST. That cost for the vast majority of people in 2015 is \$104.90/month. Part B premiums generally do increase each year.

Your cost could be higher if your income exceeds certain levels, called an "Income Related Monthly Adjustment". Bullet six below explains the details on the IRMA. Also, if a person's income falls below a certain threshold; they may qualify for "extra help" – lower Part B and Part D premiums.



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4 **THERE IS NO GOVERNMENT ADMINISTERED PRESCRIPTION DRUG**

PLAN. The prescription drug benefit is called Part D Medicare, but all plans are offered through private insurance companies. There are typically around 40 plans offered in any given area through a variety of different insurance companies. In essence, the insurance companies act as contractors for the federal government. Once a person picks a plan and signs up, that company will receive a federal subsidy on behalf of the Medicare beneficiary. The insurance company will charge a monthly premium for the plan. Those premiums vary, but the national average is about \$32/month. The plans are regulated by the Centers for Medicare and Medicaid Services (CMS). Each company and company representative is held to very strict guidelines for marketing plans and enrolling Medicare beneficiaries. These guidelines and standards have been established for the protection of the Medicare beneficiary and also to help reduce fraud, waste, and abuse pertaining to Medicare.

5 WHAT IS THE COVERAGE GAP OR DONUT HOLE? Keeping in mind the fact that Part D plans are subsidized by the government, the coverage gap is the term used to explain the point at which your drug benefit may be reduced, resulting in higher out of pocket costs for you. Like drawing a line across a donut, the government provides “sweet” benefits until total retail drug costs in a calendar year hit \$2,960 (in 2015). At that point, there is a gap, referred to as the “donut hole”.

Each time you fill a prescription, the drug plan buys the drug from the manufacturer for X and you pay a co-pay of Y. The coverage gap begins when your prescriptions of X total \$2,960. At that point, instead of paying a co-pay of Y, you will pay 45% of the retail cost of the drug (X). Let's say for example the retail cost of your drug is \$300 for a one month supply. The prescription plan pays \$300 to the manufacturer and you pay a co-pay of \$40. If you order that drug each month starting in January, you will hit the coverage gap by October. In October when you fill your prescription, instead of the \$40 co-pay, your prescription will cost \$135 which is 45% of the retail cost.

Once you've spent \$4,700 out-of-pocket, you're out of the coverage gap. Once you get out of the coverage gap, you automatically get “catastrophic coverage”. It assures you only pay a small coinsurance amount or copayment for covered drugs the rest of the year.

In our experience, prescription drug plans can be the single most perplexing part of Medicare for people who take more than a couple of prescriptions. Finding the right plan can be difficult. The best resource is the “Plan Finder” on www.medicare.gov. This is a tool available to the public which allows you to enter your zip code, specific medications, and up to two pharmacies. It will then calculate results based on the plans available in your area and present it back to you in order of the most economical plan. It's a tremendous tool designed to make your decision much easier. That being said, we still find it difficult for the layperson to wade through the information due to all of the unfamiliar terms and industry jargon.



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As independent agents, we run these calculations on a daily basis in an effort to connect people to the best plan possible. Signing up for the wrong plan can literally mean a difference in hundreds of dollars per year depending on the medications you take.

6 INCOME RELATED MONTHLY ADJUSTMENT. If your Modified Adjusted Gross Income exceeds \$85,000 per year filing single, or \$170,000, married filing jointly, you will pay higher premiums on both Medicare Part B and Part D. Medicare will automatically pull your tax return from two years prior to get this information. Each year, they will check and adjust your costs accordingly. I want to emphasize the fact that the adjustment is on BOTH your Part B and Part D premium. People are often confused by this because Part B is paid through the federal government and Part D plans are issued through private insurance carriers. What you need to keep in mind is that even though prescription plans are offered and sold through private insurance carriers, they are subsidized by the federal government, regulated by the Centers for Medicaid and Medicare Services, and administered in cooperation with Social Security.

7 PART C: MEDICARE ADVANTAGE PLANS ARE NOT SUPPLEMENTS. Medicare Part C is a private insurance plan that replaces Medicare when you sign up for it. Typically HMO or PPO plans, these comprehensive plans combine Medicare Parts A and B, and in most cases include Part D prescription drug coverage. If you sign up for one of these plans, all of your claims go straight to the insurance provider and you are responsible for any cost sharing in the plan. They do not supplement Medicare because they become your primary coverage and the provider bills your plan directly, therefore by definition, they are not a supplement. Medicare Advantage (Part C) Plans typically require members to use the network of doctors and hospitals offered by the insurance company.

It is important to understand that Medicare Advantage plans are the alternative to having Medicare as your primary coverage and adding a Medicare supplement plan. This is an important distinction because a true Medicare supplement is very different in the way it operates. A true Medicare supplement or “Medi-Gap” plan is secondary to Medicare. Medicare pays the claim first, and then the supplement carrier is billed for the balance due. The supplement will pay according to your particular plan. If you have any deductible, co-insurance or co-pay, you are then sent a bill accordingly.

8 TRADITIONAL MEDICARE SUPPLEMENTS OR MEDIGAP PLANS GENERALLY DO NOT INCLUDE COVERAGE FOR DENTAL, VISION AND HEARING. If you have a true Medicare supplement plan, chances are you will have to purchase your dental, vision and hearing coverage as a separate plan. There are some plans that include it in the plan however the cost of the plan is generally about 30-40% higher. I am not a big fan of this because your rate increases each year are based on the higher premium and compound. This means you would usually be better off in the long run to have purchased it separately.



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9 CAPTIVE AGENT VS. INDEPENDENT AGENT. It is very important to understand that insurance companies may have two different types of representatives selling their products.

The “**Captive Agent**” is an employee of one company who can only provide options from one insurance carrier – their employer. Usually they are under contract with that company, and typically get paid a salary and bonus.

People end up working with captive agents for various reasons but the most common are the following:

- a. They called the insurance company they had when they were working or were insured under through their spouse’s employer. For most this seems like a logical way to get information. Sometimes people are happy with the insurance they had when working and just assume they will be happy with that same company under Medicare.
- b. Some of the larger companies offer seminars which can be a great source of information. The only caveat is this information can be biased toward that company. I have been to these seminars and found them to be informative but at the same time the presenter often puts a slant on their presentation in favor of the company they represent.

The “**Independent Agent**” typically represents many different companies and therefore can provide multiple options. They are typically paid a commission from the carrier a customer enrolls with. The advantage to you is that the independent agent will provide many options and help find the plan best suited for your needs and budget. If you decide to work with and purchase insurance through that agent, the cost of your plan will be no different than if you called the insurance company and signed up directly yourself.

10 MEDICARE SUPPLEMENT PLANS ARE STANDARDIZED BY THE FEDERAL GOVERNMENT. RATES MAY VARY SIGNIFICANTLY FROM COMPANY TO COMPANY FOR THE EXACT SAME COVERAGE DEPENDING ON THE COMPANY YOU CHOOSE. For that reason it is important to work with an independent agent, who can offer multiple carriers and competitive pricing. We find rates can vary as much as 40% from one company to the next.

At Senior Insurance Sales., we are independent agents. We give our clients the ability to choose how to work with us: face to face, on the phone, or via email or mail. Most like to meet face to face!

We hope you found this guide useful as you research your options for Medicare coverage. Once you decide it’s time to meet, we are just a phone call away or feel free to use our contact form on the website for your convenience. We look forward to hearing from you!

