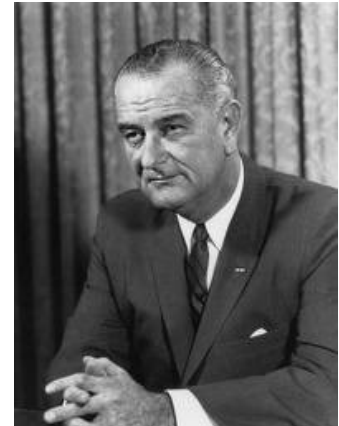


# Medicare 101

Presented by John Pak, CFP®

# Brief History

- July 30<sup>th</sup>, 1965, under President Lyndon Johnson, congress created Medicare to provide health insurance to people age 65 and older, regardless of income or medical history (prior to the signing of the amendment, older adults carried private insurance and paid 3X more than younger people).
- Medicare is a national social insurance program, administered by the US federal government since 1966, using about 30 private insurance companies across the US.




# Eligibility

- All persons 65 years of age or older who have been legal residents of the US for at least 5 years are eligible for Medicare.
- People with disabilities under 65 may also be eligible if they receive Social Security Disability Insurance (SSDI) benefits.
- People who get continuing dialysis for end stage renal disease or need a kidney transplant (ALS included as well).

# You will get a Medicare Card

- You will need to present this card when obtaining health care services and supplies
- You will have a claim number that shows 9 digits and 1 letter

**MEDICARE**  **HEALTH INSURANCE**

1-800-MEDICARE (1-800-633-4227)

NAME OF BENEFICIARY  
**JANE DOE**

MEDICARE CLAIM NUMBER SEX  
**000-00-0000**

IS ENTITLED TO EFFECTIVE DATE  
**HOSPITAL (PART A) 07-01-1986**  
**MEDICAL (PART B) 07-01-1986**

SIGN HERE → \_\_\_\_\_

Notice the letter T next to your identification? It signifies that the recipient chose to delay Social Security benefits



# Medicare broken down to Parts (eligibility and covered services)

- Medicare A – Hospital Insurance
- Medicare B – Medical Insurance (Doctor's services and outpatient care)
- Medicare C – Medicare Advantage (circa 1997)
- Medicare D – Prescription Drugs (circa 2006)

# Enrollment Period Example

- John turned 65 on June 15, 2015. He will have group health coverage from his employer until he stops working on December 2015.
- Part B enrollment opportunities:

Enrollment Period	Begins	Ends
<ul style="list-style-type: none"><li>• Initial</li><li>• Special</li><li>• General</li></ul>	<ul style="list-style-type: none"><li>• 3/2015</li><li>• 1/2016</li><li>• 1/1/2016</li></ul>	<ul style="list-style-type: none"><li>• 9/2015</li><li>• 8/2016</li><li>• 3/30/2016</li></ul>

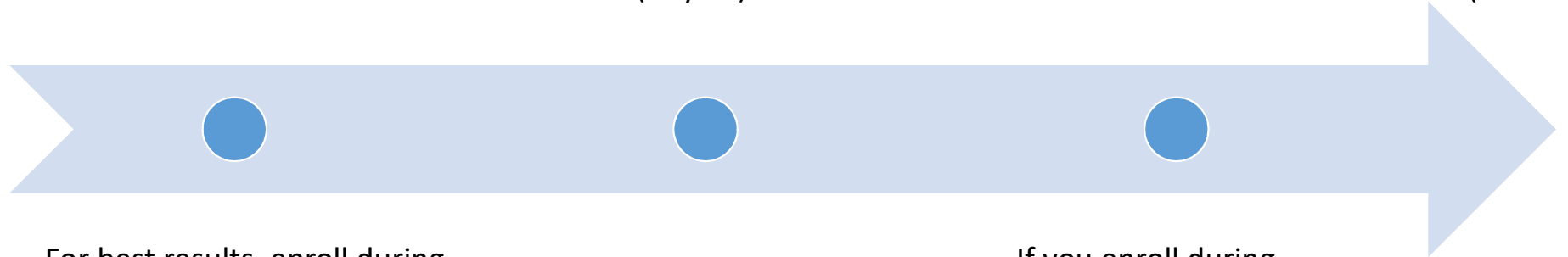
# A closer look at the enrollment period

## March

If you enroll during your Birthday month, coverage Starts on the first day next month (July 1<sup>st</sup>)

## July

\*If you enroll two or three Months after your Birthday Month, coverage starts three Months later (Nov or Dec 1)



For best results, enroll during The three months prior to Your 65<sup>th</sup> B-day. Coverage Starts on the first day of your Birthday month

## June

If you enroll during The month after your Birthday Month, coverage starts two Months later (November 1<sup>st</sup>)





# Medicare A covered services

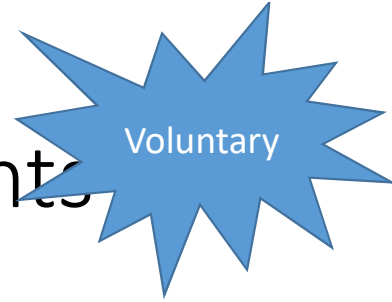
- Diagnosis or treatment of illness and will improve the functioning of a malformed body member
- Preventive Services (starting in 2011) you are entitled to an annual wellness visit in addition to 'welcome to medicare' physical exam (we can thank ACA for this)
- Inpatient hospital (not outpatient! – in this case, Part B)
- Hospice – terminal illness certified by Doctor (6 months or less)
- Skilled Nursing Facility – covered if medically necessary following a 3 day minimum inpatient hospital stay for a related illness or injury (full time nursing care)

# Medicare A – Deductibles and copayments (2018)

- Day 1 to 60: \$1340 deductible for each benefit period
- Day 61 to 90: \$335 per day copayment (Medicare pays the rest) each benefit period
- Day 91 to 150: \$670 co-payment per day (Medicare pays the rest) using “lifetime reserve” (60) days
- Enrollee must pay all costs beyond the lifetime reserve days

# Medicare B – covered services

- Doctor services
- Tests
- Outpatient care – observational vs admitted will cause the stay to become Part B claim
- Home health services – overflow if 14 day requirement is not satisfied
- Durable medical equipment
- Ambulance service
- Second surgical opinions
- Lab tests
- Urgent care
- Transplants



## Medicare B – Deductibles and copayments

- Part B has both an annual deductible of \$183 and coinsurance of 20% of covered expenses (no out of pocket limit) when it comes to the 20% coinsurance
- **Penalty for late enrollment – 10% added to premium for each full year (each full 12 month period) of late enrollment. (Once applied, it is stuck with you forever)**
- Higher income participants will pay more for their monthly premiums:
- Single (\$85K or less) and MFJ (\$170K or less) = \$134 (2018)

# Following expenses not covered by A nor B

- Custodial and long term care
- Routine dental, hearing, or vision care
- Dentures
- Cosmetic surgery
- Acupuncture
- Hearing aids





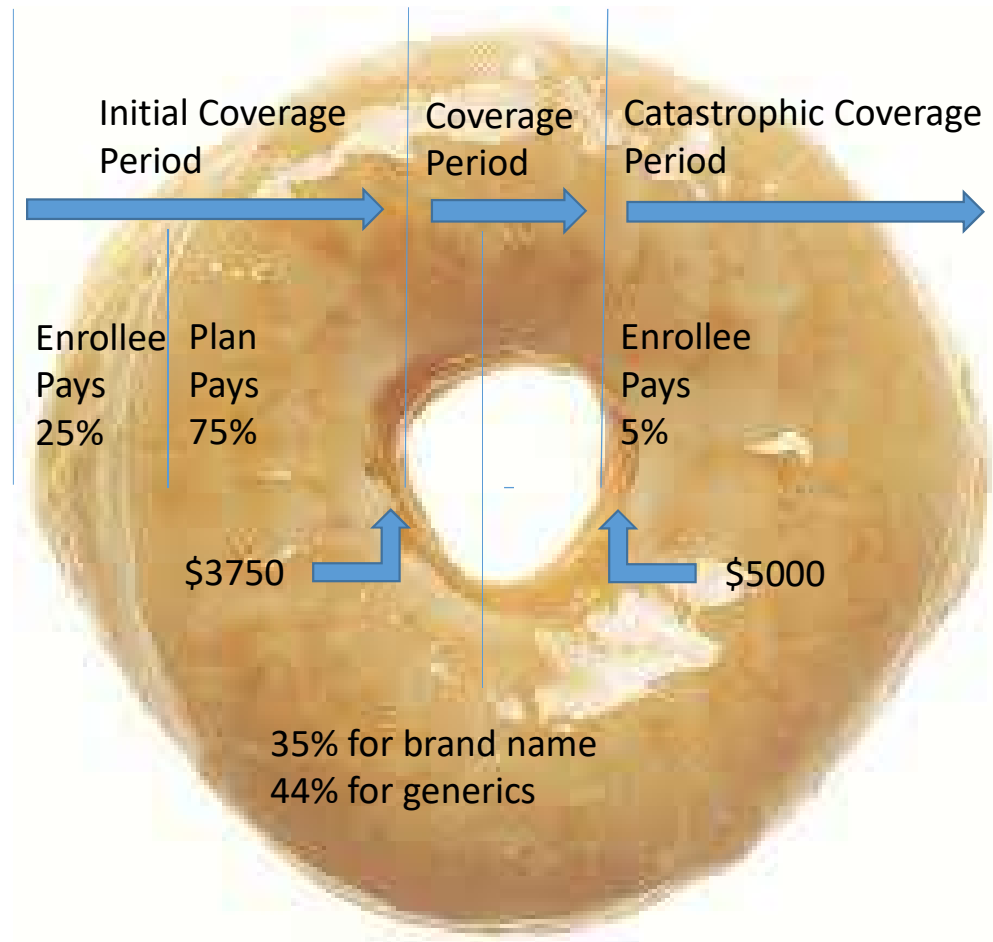
## Part D

- You are not required to enroll in Part D, however, if you fail to enroll, you may be left with large out of pocket costs (so enroll!)
- Enrollment is the same as Part A and B (7 month window)
- Open enrollment period annually runs from October 15 through December 7 (to change plans)
- **Penalty for not enrolling – Take national base rate premium(2018: \$35.02) X .01 (1%) X number of months lapsed**

## Part D – Payment Structure

- Participant pays up to the first \$405 (Max Deductible in 2018) \*not all plans have an annual deductible
- After the deductible, the participant pays 25% coinsurance on cost of medications. The plan pays 75%. This continues until the participant and the plan together have paid \$ 3750 (the initial coverage limit + deductible)
- Coverage gap (AKA Donut hole) – At this stage, there is a gap in coverage until the participant has paid a total out of pocket of \$5000 (this includes deductibles, copayments, coinsurance, but not including premiums)
- Beneficiary then pays coinsurance amount for additional covered expenses
- Premiums (just like Part B) – Single (\$85K or less) MFJ (\$170K or less) you pay plan premium (Average cost is about \$33/month)

# What is the donut hole?





# Medi-GAP (Medicare supplements) Overview

- Sold by Private insurance policy
- There are 10 different Medi-gap policies that are available. They are referred to as policies A, B, C, D, F, G, K,L, M and N
- Medicare rules require that during certain periods, a participant has the right to guaranteed issue within 6 months of enrolling in Part B (meaning there is no medical underwriting during certain time frames regardless of pre-existing medical condition). If missed the window of opportunity, you could be medically underwritten and pay higher premiums
- Open enrollment period – begins on the 1<sup>st</sup> day of the month in which the applicant is age 65 or older and enrolled in Medicare part B and lasts for 6 months
- Disenrollment in Medicare Advantage – If enrolled in Medicare Advantage and would like to drop it for Medicare gap within 12 months, you are guaranteed issuance of any Medigap policy offered for sale in your state

Medigap Benefits	A	B	C	D	F	G	K	L	M	N
Core Benefit – 61 to 90 days	X	X	X	X	X	X	X	X	X	X
Core Benefit – 91-150 days	X	X	X	X	X	X	X	X	X	X
Core Benefit – up to 365 additional days	X	X	X	X	X	X	X	X	X	X
Core Benefit – Part B coinsurance	X	X	X	X	X	X			X	X
Core Benefit – Blood first 3 pints	X	X	X	X	X	X			X	X
SNF 21-100 days			X	X	X	X			X	X
Medicare A - deductible		X	X	X	X	X			X	X
Medicare B – deductible		X		X	X					
Medicare Excess					X	X				
Foreign Travel			X	X	X	X			X	X




# Medigap pricing

- Community Rated – same price for all policyholders regardless of age (best pricing as you get older)
- Issue age rated – premium based on the age of policyholder when policy is purchased (advantage goes to younger buyers and will not increase as you age)
- Attained age rated- premium based on the policyholder's current age (premiums are lower for younger buyers but increase as the policyholder ages)

# Medicare Advantage

- All in one coverage (alternative to traditional Medicare)
- Available (sold by insurance companies) are generally available through HMOs and PPOs
- Initial enrollment is the same as Medicare Part A and B during the year in which you will turn 65
- YOU STILL PAY PART B PREMIUMS
- Annual (or the FALL) election period is Oct 15 to Dec 7 (April 1<sup>st</sup> to June 30<sup>th</sup> if using General enrollment period for Part B)
- You can drop a MA plan (January 1<sup>st</sup> to February 14<sup>th</sup>)
- Typical plan costs \$37/month (HMO) and \$55/month (PPO)
- Should be a cheaper option than having a combination of Medicare +Medigap (max out of pocket is \$6700 per year).



**BlueCross BlueShield  
of Texas**

**Blue Cross Medicare Advantage (PPO)**

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<b>Name:</b> John Sample	<b>Office Visit:</b> \$# Network
<b>ID:</b> ZGD804xxxxxx	(= % OON)
<b>Plan (S0840):</b> 9101000260	<b>Specialist:</b> \$# Network
<b>Plan:</b> Blue Cross Medicare	(= % OON)
<b>Advantage Choice Premier (PPO)</b>	<b>Emergency Room:</b> \$#

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<b>RxBin:</b> 011552	<b>BS Plan Code:</b> 401
<b>RxPCN:</b> MAPDTX	<b>BC Plan Code:</b> 401
<b>RxGrp:</b> 0001	
<b>RxID:</b> 804xxxxxx	

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CMS H1666 001

