

The Wrong Medicare Choice Can Cost You Thousands (or More)

Did you know every day about 10,000 Americans turn 65 and are faced with the Medicare decision with, what seems, an unnecessarily complicated range of options? Even worse, each person must somehow gaze into a crystal ball and foresee their future medical coverage needs.

Making the wrong choice can cost you thousands of dollars or more. Further, it may impact your quality of care for the rest of your life.

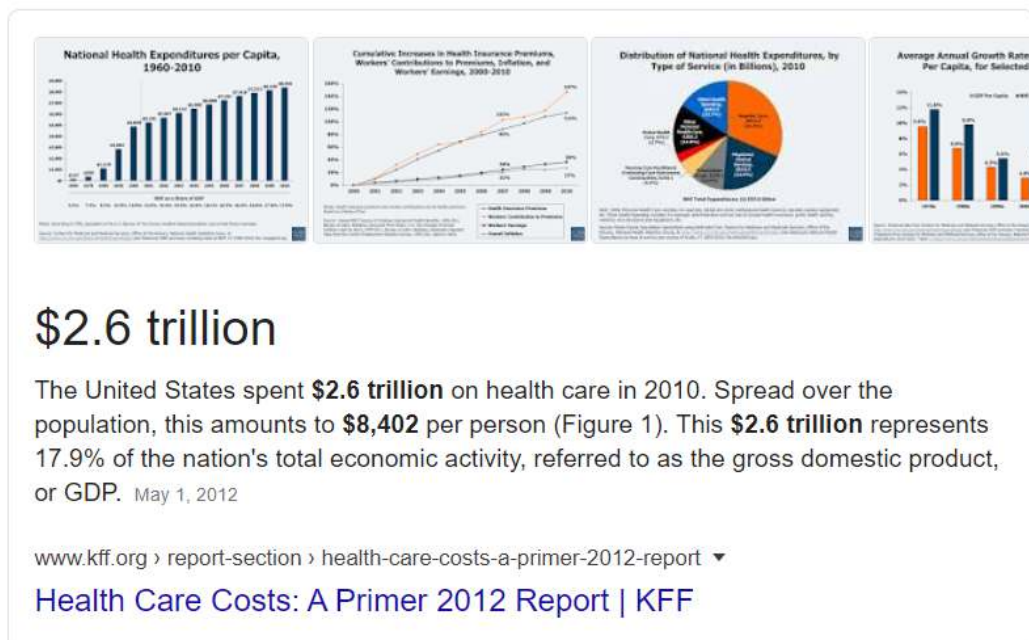
Making the right choices not only saves you money, it could very well extend your life. Unfortunately, what should be a simple and straightforward, is anything but.

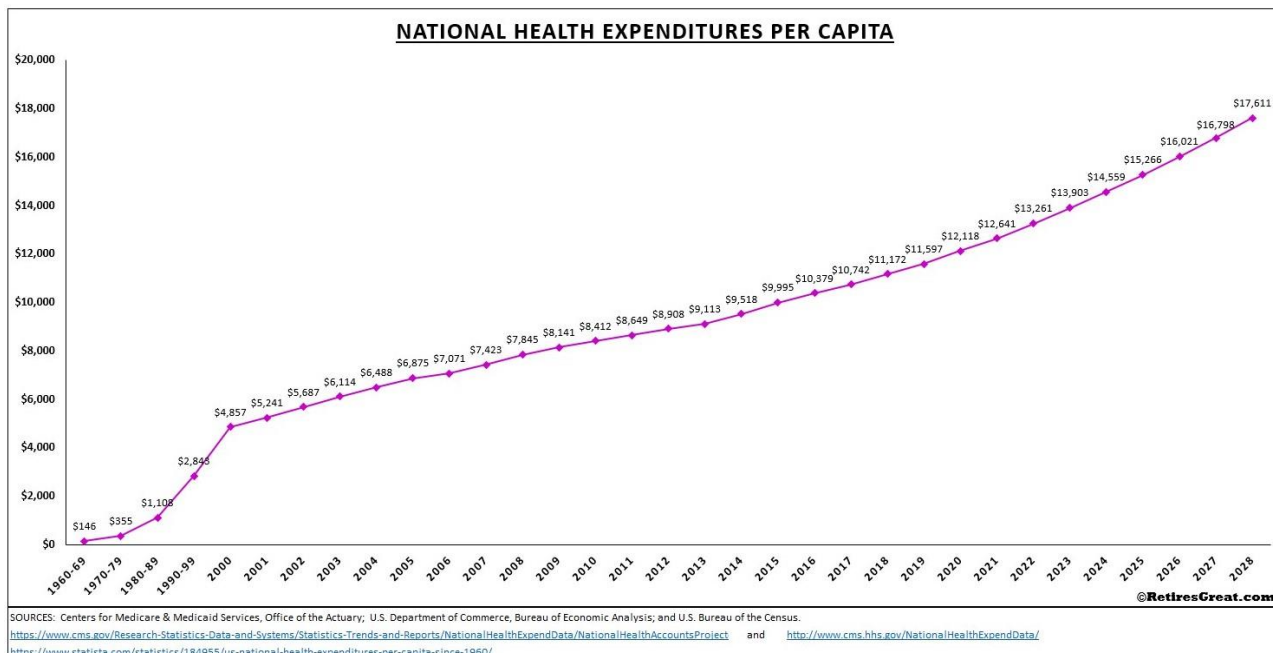
Skyrocketing Healthcare Costs

The cost of healthcare has almost doubled over the past decade!

The U.S. spent \$2.6 trillion on healthcare in 2010. In a report from the Center for Medicare and Medicaid Services (CMS), they forecast \$4.01 trillion in 2020. By 2028, their projections estimate spending \$6.19 trillion!

And, that was before COVID-19.





According to [Fidelity](#), as of 2019 **the average 65-year-old American couple can expect to pay \$285,000** during their retired years. And that’s an average, which means about half of the population will spend even more.

And, this does not include long-term care facilities, if required.

Thoughts to Consider Before Making Any Decisions

It doesn’t bode well for us with rising healthcare costs and increased longevity. Several thoughts to consider before making any choices include:

- ◆ How healthy are you? Do you have any conditions or require medications?
- ◆ Are there any concerns about family medical history?
- ◆ Lifestyle choices such as diet, remaining active (physical and mental health), and any bad habits will all become increasing important.
- ◆ Maintaining regular check ups and preventative measures (such as dental hygiene).

In short, how long do you expect to be around?

9 Questions to Ask Yourself During Medicare Open Enrollment

- Did you have problems with your plan last year? ...
- Can you afford your current plan? ...
- Do you want supplemental coverage? ...
- How much traveling will you do next year? ...
- Were you recently diagnosed with a new illness? ...
- Will you need dental or vision coverage? ...
- Do you need a separate prescription drug plan?

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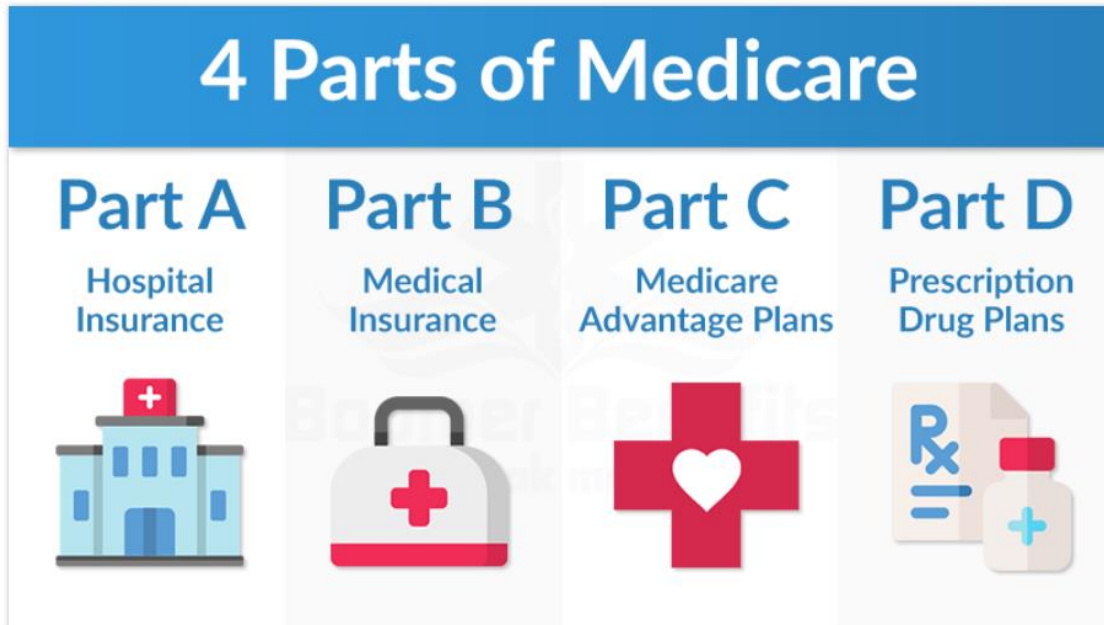
Ironically, the longer we live, the more related healthcare expenses will be incurred.

What is Medicare?

First created in 1966, the US federal government created Medicare to provide a nation-wide health insurance for seniors. The program was implemented to address the growing issue of older citizens with no healthcare coverage.

Initially implemented by the Social Security Administration (SSA), it's now administrated by the [Centers for Medicare and Medicaid Services](#) (CMS).

According to the 2019 Medicare Trustees Report, coverage includes over 52 Million Americans over the age of 65 and about 8 Million younger people with specific disability status.



There are four parts to Medicare referred to as Parts A, B, C, and D. In addition, Medigap plans provide supplemental coverage through private insurers to fill any gaps. All these options create confusion which is why it becomes important to understand your needs and the coverage you'll receive.

What is the difference between Medicare and Medicaid?

While both programs are administered by the same agency, CMS, Medicare is a **federal** insurance program for Americans 65 or older.

Medicaid is a **federal and state** plan intended for low income recipients.

Original Medicare (Part A & B)

The "Original Medicare" included basic coverage for hospital and medical expenses, which are referred to as Parts A & B. These don't cover all costs. It's estimated as much as half of medical expenses could be incurred in "out-of-pocket" costs.

Part A is often considered "free" to eligible Americans over the age of 65 as they pay no monthly premium. This is hospital insurance covering your stay for up to 60 days. Your deductible (annual) will be \$1,408. If you remain longer in the hospital, from the 61st to the 90th days, you'll be charged \$352 per day.

Part B covers doctor's and medical fees for both in and outpatient treatment. The monthly premium depends upon your income, the average retiree pays \$144.60 per month. The deductible is \$198 with Medicare covering up to 80% of the costs.

Some examples of what's covered includes:

- ◆ A doctor's appointment
- ◆ Surgery
- ◆ Lab testing
- ◆ Preventative care
- ◆ Ambulance rides
- ◆ Chemotherapy
- ◆ Any necessary care

Examples of what Original Medicare doesn't include:

- ◆ Long-term care (this is the greatest expense)
- ◆ Hearing aids
- ◆ Dental care and dentures
- ◆ Vision care
- ◆ Cosmetic surgery

If you're injured or your health is failing, the out-of-pocket medical expenses can quickly add up.

Cost of Original Medicare

Original Medicare doesn't cover everything and there are deductibles, coinsurance, and services not covered. [Retire Guide's](#) table below summarizes some of these out of pocket costs.

Out-of-Pocket Medicare Costs in 2020

Part A Premium	<ul style="list-style-type: none"> • Most people pay no premium • \$458/month (in 2020) if you buy Part A coverage • \$458/month if you worked and paid Medicare taxes for fewer than 30 quarters (7.5 years) • \$252/month if you worked and paid Medicare taxes for 30 to 39 quarters (7.5 to 9.75 years)
Part A Hospital Inpatient Deductible and Coinsurance	<ul style="list-style-type: none"> • \$1,408 deductible per year • \$0 coinsurance for first 60 days you're hospitalized • \$352 coinsurance for days 61 to 90 of your hospitalization • \$704/day coinsurance per each lifetime-reserve day after day 90 in the hospital • All costs for anything beyond all remaining lifetime-reserve days (you have 60)
Part B Premium	<ul style="list-style-type: none"> • \$144.60 – It may be higher if you have a higher income
Part B Deductible and Coinsurance	<ul style="list-style-type: none"> • \$198 deductible • 20 percent of all costs after your deductible is met
Part C Premium	<ul style="list-style-type: none"> • Monthly premiums vary by plan
Part D Premium	<ul style="list-style-type: none"> • Monthly premiums vary by plan • People with higher incomes pay higher premiums

Chart Provided by [RetireGuide.com](https://www.RetireGuide.com)

To address these “out-of-pocket” costs, optional insurance programs such as Medicare Advantage or Part D (prescription drugs), and Medigap plans should be considered.

Another thing to keep in mind, if you retire at 65, your working income will generally be higher than your retired income. This could result in a higher monthly premium. If this occurs to you, submit a claim with the Social Security Administration updating your retirement income.

Who Should Choose Medicare Original?

Keep in mind this is only basic healthcare insurance and may only cover about half of your medical expenses. **For those with good health**, this may be a cost-effective option. For additional protection, Part D or Medigap are often added.

The reality is, as we age, the probability of health issues increases. For instance, a condition might develop requiring costly medications to manage. In such a situation, the additional coverage not only provides peace of mind, it may also reduce costs.



Tip

Carefully consider your current and future needs before making your decision.

Unfortunately, there are **people who cannot afford additional coverage**. Social security may be their primary source of income and will need to deal with future medical expenses as best as they can.

Medicare Eligibility

There are several criteria to determine Medicare eligibility. These include:

- ◆ You are an American citizen or permanent legal resident living in the U.S. for at least five years.
- ◆ Have worked and paid taxes over the past ten years.
- ◆ Are 65 years of age or older.

Note: Individuals with certain medical conditions or disabilities may also qualify.

Enrollment


If you're receiving Social Security benefits, enrollment into Parts A & B are done automatically when you turn 65. You'll receive your card in the mail and the premium will be deducted from your benefit.

Alternatively, your options include:

- ◆ Online through the [Social Security Administration](#) website.
- ◆ Toll-free 1-800-772-1213. Business hours are 7 am to 7 pm Monday through Friday.
- ◆ Call ahead (toll free number above) to make an appointment at your local office.

The enrollment window extends three months before and after your 65th birthday. Even if you're still working and have employee sponsored benefits, it's necessary to contact them to avoid penalties. In these situations, you'll want to apply for the special enrollment period (SEP).

The penalty for late enrollment in Part B is a 10% increase in the monthly premium. For every 12-month period late, this penalty is applied increasing the premium the rest of your life!



Penalty

If you fail to enroll in Part B when you turn 65, a late enrollment penalty will be charged. An exception can be made by applying for a special enrollment period.

Medicare Advantage (Part C)

In 1997, Advantage was introduced as an alternative to Original Medicare. In addition to including Parts A & B, it offers optional coverage for other medical expenses such as vision, dental, hearing, and prescription drug plans.

Medicare Advantage is offered through private companies contracting with Medicare. There are numerous providers offering their customizable menus of options. According to the AARP, changes have been made [expanding the benefits](#) for 2020. For instance, coverage for hearing aids are now an option.

Who Should Choose Medicare Advantage (Part C)?

There are several benefits of Medicare Advantage over the basic plan. Dealing with one insurance carrier is more convenient (than dealing with multiple entities) and monthly costs are, generally, lower.

You may have been with a private insurer over the years and prefer remaining with them.

There are also potential drawbacks which should be evaluated such as:

- ◆ In-network limitations. Your costs will increase when healthcare providers outside of their preferred network are used.
- ◆ The need for additional coverage when traveling. In some cases, even out of state.
- ◆ You might be faced with higher deductibles, copays, or restrictions on drug formularies.
- ◆ Different rules for receiving care. For example, one company may require a referral while another doesn't.

Is Original Medicare better than an Advantage plan? ^

There is one very important difference between **Original Medicare vs Medicare Advantage**, however. **Medicare Advantage plans** have a maximum out-of-pocket limit or MOOP. ... In 2020, the mandatory MOOP for **Medicare Advantage** is \$6,700, although many **plans** choose to set theirs much lower. Jan 6, 2020

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[Original Medicare vs Medicare Advantage 2020 | Boomer Benefits](#)

Enrollment

To be able to join a Medicare Advantage (MA) plan you have to meet three conditions:

- ◆ You currently have (or will be enrolled) Part A and Part B.
- ◆ You reside in the service area of the plan.
- ◆ You are not diagnosed with ESRD – End-Stage Renal Disease

Even if you have any pre-existing conditions (other than the one above), you can enroll in Part C.

The most critical aspect is finding a plan and provider that meets your needs, both today and in the future. There are different types of available plans:

- ◆ HMO – Health Maintenance Organization Plan
- ◆ PPO – Preferred Provider Organization Plan
- ◆ PFFS – Private Fee-for-Service Plan
- ◆ SNP – Special Needs Plan

- ◆ HMOPOS – Health Maintenance Organization Point of -Service Plan
- ◆ MSA – Medical Savings Account Plan

Top 10 Medicare Supplement Insurance Companies in 2020

- Aetna Medicare Supplements.
- **Cigna** Medicare Supplements.
- **Mutual of Omaha** Medicare Supplements.
- Manhattan Life Medicare Supplements.
- Bankers Fidelity Medicare Supplements.
- Blue Cross Blue Shield Medicare Supplements.
- Transamerica Medicare Supplements.

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The difficulty lies in that, each year, providers can change their plans or even opt out of providing Medicare Advantage. There is the risk you might be changing providers if this occurs.

You can only join, switch or drop a MA plan during the time period of October 15 – December 7. If you are joining, your request must be received by December 7 for the coverage to begin on the January 1.

There is an open enrollment period between January 1 and March 31 each year. During this time, you can switch one MA plan with another if it better suits your needs. If you're finding this is not the best option for you, it can be dropped during this time. You will, then, return to original Medicare (Parts A & B). You have the option of enrolling in a drug coverage program (Part D) as well.

Medicare Prescription Drug Coverage (Part D)

Part D is optional insurance for prescription drugs. No one can be denied access to this plan. Also, there is no physical exam requirement for acceptance.

These are available through approved private insurance companies, each charging a monthly premium. The appropriate plan will reduce out-of-pocket cost for your prescribed medicines.

Enrolling in Medicare Prescription Drug Coverage (Part D)?

First, you need to take stock of your particular situation.

- ◆ Are you, already, taking medication? If so, you will have to check that your specific ones are listed in the plan you are choosing.
- ◆ Do you need to have specific prescriptions or can you go with generic ones? If you can, check into the companies that offer tiered pricing. The generic brands, normally, fall into the lower range and cost less overall.
- ◆ If you don't take any medications right now, it is still a good idea to sign up when you become eligible. Choose the plan with the lowest premium to minimize the costs. Now, you have coverage if your needs change.

If your needs change and you decide to enroll months or years later, a late enrollment penalty will be incurred. You will, most likely, be paying it for as long as you have this plan.



Penalty

If you fail to enroll in Part D when you turn 65, you'll face a late enrollment penalty. You will pay this as long as you have Part D.

A [KFF study](#) found the price for Part D can range from as low as \$12 to a high of \$192 in 2020. Also, payments will vary based on earnings. If you have a higher household income, an adjustment will be made raising your premium cost.

Even with drug coverage, there might still be some sort of deductible or copay that you will be responsible for handling.

When you are comparing company plans, it's important to have some criteria for making the best choice for you.

- ◆ Which drugs does the plan cover? Which ones are not?
- ◆ How much of the prescription cost do they cover? What are you responsible for?
- ◆ How often do the rates change? Monthly, yearly or are they static?

Medigap Plans

Medigap is optional insurance to fill in the gaps of Medicare Original. The policies provided by independent insurance companies augment your desired coverage. They can also minimize out of pocket costs of co-payments, deductibles, and co-insurance.

The various plans are standardized by the government. This makes them easier to compare and understand what you're getting. The only real differences are their track record and how they price their policy.

It's important to note that they don't cover long term care, hearing aids, eyeglasses, vision or dental care or private duty nursing.

How do I compare Medigap policies?

The chart below shows basic information about the different benefits that Medigap policies cover for 2020. If a percentage appears, the Medigap plan covers that percentage of the benefit, and you're responsible for the rest.

Benefits	Medicare Supplement Insurance (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 after Medicare benefits are used)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Medicare Part B coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%***
Blood (first 3 pints)	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Part A hospice care coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Skilled nursing facility care coinsurance			100%	100%	100%	100%	50%	75%	100%	100%
Part A deductible		100%	100%	100%	100%	100%	50%	75%	50%	100%
Part B deductible			100%		100%					
Part B excess charges					100%	100%				
Foreign travel emergency (up to plan limits)			80%	80%	80%	80%			80%	80%
Chart Provided by Medicare.gov							Out-of-pocket limit in 2020**			
https://www.medicare.gov/medicare-and-you							\$5,880	\$2,940		

Enrollment

After receiving your Medicare card, you are able to proceed with your chosen provider. Within six months of turning 65, you have guaranteed acceptance. After this time, the insurance company gains discretionary control.

For More Information

This guide is but an overview of the complex health insurance system called Medicare. Besides being one of your major costs in retirement, making the wrong choices can impact your future health care. For more information, go to the [Medicare.gov](https://www.Medicare.gov) website which also has a downloadable 120 page guide.