

What Is Your Plan?

Health Care in Retirement

2023

Timothy Ripp
Associates of Clifton Park

Securities and Investment Advisory Services are offered through LPL, Inc., a Broker/Dealer, Member FINRA/SIPC and Federally Registered Investment Advisor. • Insurance products are offered through insurance companies with which Associates of Clifton Park has sales arrangements. • LPL is not affiliated with Associates of Clifton Park.

**Medicare 2023
&
Long Term Care**

Thought for the Day

Growing older is Mandatory!

Doing it well is optional!

Health Care In Retirement

Two Concerns for Health Care

Acute Care – Medical Care

- Medicare Planning
- Entitlement Benefit
- Earliest age is 65
- Government or
- Government and Private
- **Purpose:** to improve you, make you better, recover
- **Type of Care:** Skilled Care

Chronic Care – Long Term Care

- Planning is available prior to age 65
- Minimal Government support for Home Care – **MACRA 2019?**
- Medicaid available for Facility Care – Nursing Home
 - Qualify – spend down assets
- Private Insurance available
- **Purpose:** to assist and sustain you
- **Type of Care:** Custodial Care

Medicare 2023*

* The following information used in this presentation was obtained from “Medicare & You 2023”. The official U.S. government published Medicare handbook. Available to download or review online at www.Medicare.gov.

Medicare History

Established – 1965

- Part of the “Great Society Act”
- Federal Health Insurance program
- Why was it created?
- Designed to look like?
- Originally a fee-for-service program; referred to as “Original Medicare”
- Evolution since 1965
 - Evolved (2006) to give beneficiaries an option of receiving benefits and care through managed care plans that maintain contracts with networks of providers.

Medicare Defined

- **Four different PARTS:**
 - **Part A:** pays in-patient hospital bills. (*Hospital Insurance*)
 - Usually, premium free. Paid by payroll taxes during working years.
 - Automatic at age 65.
 - **Part B:** pays for doctor and surgeon services. (*Medical Insurance*)
 - You must pay a premium: \$163.90 per month for most in 2023
 - Higher Income Beneficiaries (HIB) pay a higher premium based on an increasing scale
 - » Single Filer – Income \$95K to 500K+ Premium is \$238 to \$560/month
 - » Married Filer – Income \$194k to \$750K+ Premium is \$238 to \$560/month
 - » Medicare will look back 2 years for income, so a new retiree will pay
 - Voluntary. You can opt out of coverage.
 - With Original Medicare, Part B Services are based on a “Fee Schedule” paid at 80/20; 80% of the fee is paid by Medicare, 20% is the patients responsibility. Specialty Care facilities and providers are allowed up to a 15% “Excess Charge”.
 - **Part D:** pays for out-patient Rx drugs.
 - Voluntary. You must actively enroll.
 - Average premium is about \$48 per month in 2022; surcharge for HIB

Where is **Part C**?

Medicare Part C

- Private Insurance plans from private companies...
- That bundle Medicare Parts A, B, and sometimes D.
- Called *Medicare Advantage Plans* or MA-PDs.
- Control costs by **restricting** access to care through...
 - Limited provider networks, or requiring ...
 - Referral and/or prior authorization requirements, and ...
 - Imposing cost sharing requirements that cannot be curtailed through the purchase of a Medigap policy.
 - Do have a maximum out-of-pocket limit per year

Original Medicare vs Part C – Medicare Advantage Plans

Original Medicare

- Medicare beneficiaries (patients) contract with doctors & hospitals directly: fee-for-service.
- The gvt. pays the providers based on pre-set rates.
 - The rates are called *allowable* charges.
- Allowable Charges subject to deductibles and co-insurance.
 - These may be paid by private insurance called Medicare Supplements or “Medigap” plans.

Medicare Advantage Plans

- Managed Care: Medicare beneficiaries (patients) contract with a private insurance company (HMO or PPO) to provide hospital, outpatient, & Rx care.
- The government pays the insurance company a per capita annual fee.
- Subject to deductibles and co-payments.
 - No additional private plans to fill in the gaps.

Part B Enrollment

- Automatic if you are collecting Social Security benefits (retirement, disability, survivorship).
 - You can opt-out of Part B.
 - The premium is deducted from your monthly Social Security check.
- Otherwise, you must apply through the local Social Security office.
 - You will be billed quarterly by Social Security.

Part B Enrollment periods

- **Initial Enrollment Period (IEP):**

- The three months before your 65th birthday month, the birthday month, and the following three months. (7 months)
 - For administrative convenience coverage begins on the first of the month in which you turn 65. (You may still be 64 years old).

- **Special Enrollment Period (SEP):**

- For persons covered under an *employer group plan*, based on his own or his spouse's current active employment (not COBRA).
- The SEP lasts for eight months following the loss of employer coverage.

Part B Enrollment continued

- **General Enrollment Period (GEP)**
 - For people who want to wait until they get sick, before they enroll.
 - Rules Changed in 2022.
 - Coverage begins the first of the month following your application.
 - You will pay a Part B premium penalty for the rest of your life equal to 10% for every year and fraction of a year you delayed.

“What’s the Annual Enrollment Period I hear about every Fall?”

- **Annual Enrollment Period (AEP):**
 - Every Oct. 15th to Dec. 7th
 - Only for Medicare Parts C & D
 - Can change Medicare Advantage Plans (Part C) and/or prescription drug plans (Part D).
 - One can also dis-enroll from a Medicare Advantage Plan and go back to original Medicare.
 - Does **not** affect Original Medicare or Medigap enrollments

Medigap Plans

- Designed to pay the deductibles, co-insurance, and co-pays not paid by Original Medicare.
 - 8 Plans available; A, B, C, D, F, G, K, L, M, & N
 - Plan C & F are closed to New Enrollees as of 1/1/2020
 - Different plans pay different combinations of deductibles and co-insurance.
 - No extra benefits, except some plans add a foreign travel emergency benefit.
 - Two plans pay 100% of the excess charges (Medigap plans F & G).

Medigap Benefits	Medigap Plans 2023									
	A	B	C	D	F	G*	K**	L**	M	N
Part A Coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Up to 365 Days	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Part B Coinsurance	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Blood	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Hospice Care Coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Skilled Nursing Coinsurance			✓	✓	✓	✓	50%	75%	✓	✓
Part A Deductible		✓	✓	✓	✓	✓	50%	75%	50%	✓
Part B Deductible			✓		✓					
Part B Excess Charges					✓	✓				
Foreign Travel Emergency (Up to Plan Limits)			✓	✓	✓	✓			✓	✓

*Plan G has a high-deductible option : \$2,700 of cost sharing by the insured, then plan pays 100%

** Plans K and L have out-of-pocket limits of \$6,940 and \$3,470 respectively

Guaranteed Enrollment Medicare Plans

Guaranteed Enrollment: For 6 months following your enrollment into Medicare Part B you have a guaranteed acceptance into the following Medicare Supplement Insurance Plans:

- Plans A, B, D, G, High Deductible G, K, L, & N

Who is the Ideal Medicare Supplement Client?

- Someone who:
 - Wants to control their Health Care, not their Health Care control them
 - Wants to be able to have maximum choice in providers, especially in case of a bad diagnosis.
 - A planner/budgeter who wants predictable out-of-pocket costs.
 - Higher income or asset individual.
 - Good saver.
 - Has multiple residences or travels.
 - Lives in a rural area.
 - Prefers State to Federal regulation.
- Does this sound like you?

Medicare Advantage Care Costs

- The enrollee's share of the costs through a Medicare Advantage plan typically ranges from 20% to 40% or more, depending on the care received. A Medicare Advantage enrollee is currently capped in 2022 at **\$7,550* In-Network** and **\$11,300* Out-of-Network** for out-of-pocket costs above their plan's premium per calendar year.

*Please note: These costs went up in 2021 from \$6,700 & \$10,000 respectively. They had held steady at these rates for multiple years

Is Medicare Mandatory?

- Medicare isn't mandatory at 65 but;
 - Are you retired at 65?
 - If retired, most likely need to enroll – delaying without credible coverage - **penalties**
 - Buying Marketplace Insurance after turning 65 is costly, once Medicare eligible, you lose your subsidy. So, Medicare makes the most financial sense.
 - Enrolling in Medicare Part A is mandatory to keep your Social Security Benefits.
 - Are you still employed?
 - Depends on company size. If the company has less than 20 employees, you should enroll as soon as possible.
 - Over 20 employees and you are happy with your group coverage, can keep using it as your primary insurance and use Medicare as secondary insurance.

Is Medicare Mandatory for Government Employees?

- Medicare is mandatory for those hired or rehired as state or local government employees after March 31, 1986.
- Those under a Section 218 Agreement already receive coverage for Medicare.
- Medicare Qualified Government Employees don't receive Social Security coverage for their services, but they must pay FICA's Medicare-only portion payroll tax.

Is Medicare Mandatory for Veterans?

- If you're a veteran receiving Veterans benefits, Part B isn't necessary. But, the Veterans Affairs suggests both Part A and Part B
- Veterans have a more extensive network of doctors and services when they have [Medicare and Veterans Association](#). By choosing to opt-out or delay benefits, veterans may potentially have penalties when they need Medicare.
- Veterans qualifying for [TRICARE](#) must have Part B to keep their benefits. To enroll in Part B, you need Part A or at least a Part A effective date. Also, it's essential to keep your information in DEERS current.
- Active duty members and family members can have Part A and TRICARE, and delay Part B. Then, once active duty status ends, you need Part B to keep TRICARE.

How Does the Inflation Reduction Act impact Medicare Beneficiaries?

- **December 31st, 2022:** Medicare Part B Re-Bates for Drug Price Tracking System
- **January 1st, 2023:** Medicare Part D Drug Plan Cost-Sharing for Recommended Adult Vaccines
- **January 1st, 2023:** Medicare Part D Insulin Co-Payment Rules -\$35 co-pay
- **January 1st, 2024:** Medicare Part D Premium increases will be limited.
- **February 1st, 2024:** Selected Drug Publication Date for the Medicare Drug Price Negotiation Program
- **March 1st, 2024:** Joining a Medicare Part D Drug Manufacturers Discount Program
- **2025:** The \$2,000 Maximum Out-of-Pocket Drug Cap for Medicare Part D Enrollees
- **2026:** Medicare will start negotiating prices with drug companies.

Does Medicare Cover Nursing Home Expenses?

- Yes, for a Short-Term stay based on the following:
 - Medicare is for Acute Care – expectation is care will improve your health
 - Following a 3 Day hospital stay not including the discharge day
 - Must be under a “Plan-of-Care” with an expectation of improvement
 - Must enter a facility within 30 days of discharge from the hospital for the same condition for which you were in the hospital.
- Coverage –
 - First 20 days covered at 100%
 - From Day 21 to 100 daily co-pay \$200.00
 - Original Medicare with a Medicare Supplement (C, D, G, F, M, & N) – covered
 - Medicare Advantage – may be subject to daily co-pays, deductibles.
 - Medicare recertifies – average length of coverage is around 20 days.

Commonly Asked Questions about Medicare

- **How much does Medicare cost?**

- **Medicare Part A:** is free for most –

- Worked 40 quarters – 10 years and paid FICA
- Paid in more than 30 quarters but less than 40 quarters – \$274/month
- Paid in less than 30 quarters - \$499/month

- **Medicare Part B**

- Determined each year – estimate of 25% of expected costs for the year
- For 2023 Medicare Part B premium is \$163.90 per month deducted from your SS check or billed quarterly if not collecting SS.
- Premiums are higher for Singles (\$95k) or couples (\$194k) incomes on a graded basis. Medicare looks at income from 2 years ago.

- Cost of your Medicare Supplement or your Medicare Advantage premium

Commonly Asked Questions about Medicare

- **When do I need a Drug Plan?**
 - You should enroll when first eligible if not in a Medicare Advantage plan that offers drug coverage
 - Eligibility is based on your enrollment into Medicare Part B
 - Lifetime penalty of 1% per month for every month not enrolled when eligible
 - Premium surcharge applies for high income individuals.
 - Enroll at Medicare.gov, premiums are withheld from your Social Security check or billed quarterly (**not recommended**).

Commonly Asked Questions about Medicare

- How can I get dental and vision coverage with Medicare?
 - Most Medicare Advantage plans provide dental and vision in their base coverage
 - Original Medicare enrollees with a Medicare Supplement can purchase a stand-alone Dental Vision plan, approximately \$50/month
- Do I have to apply for Medicare and Social Security at the same time?
 - No; but you can if you retire at age 65 or later; may be accomplished in one phone call.
 - You may enroll in Medicare at 65, pay your Medicare Part B Premiums quarterly, defer Social Security either because you continue working or you want to receive higher benefits.

Long Term Care

**What is your first thought when
you hear**

LONG TERM CARE?

Who is the Buyer?

Any client who when asked, hopes to or expects to

“Live a Long Life”

The problem is if they are successful

Client Motivation

THE NAPKIN PRESENTATION

Step One: *Acceptance & Acknowledgement*

Step Two: *What is your plan*

Step Three: *What is the economics of your plan*

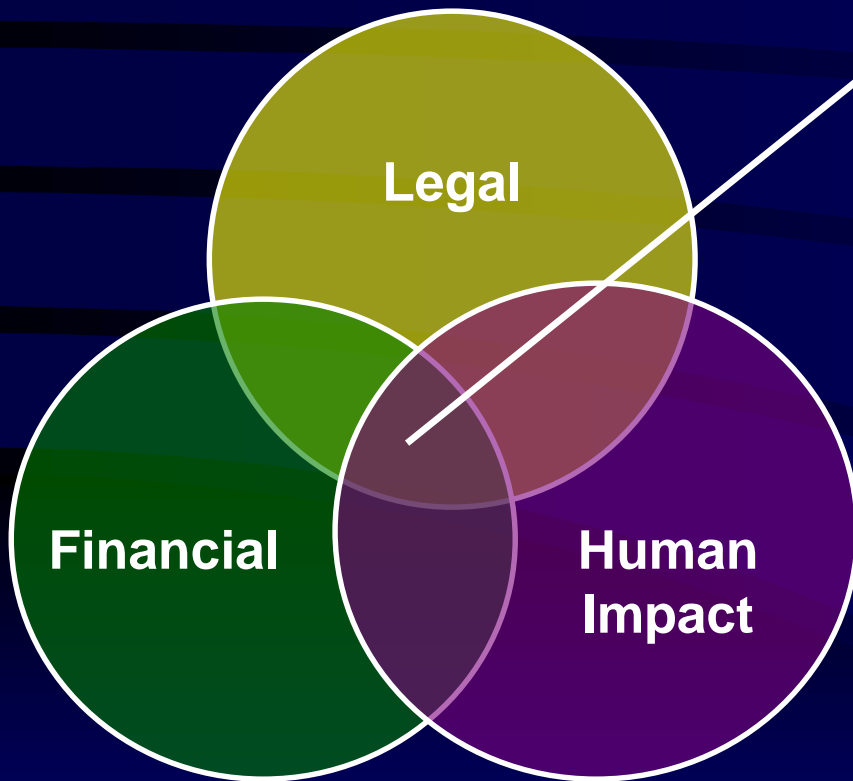
Step Four: *What is most efficient way to fund your plan*

So What is Our Plan

For too many of us, it is the plan of

HOPE

The Three Issues for LTC



**Motivation for LTC
Planning**

Two Options

1. **Commit to planning** – shift the risk
2. **Assume the Risk** – “Okay, lets us map out how we are going to spend down, liquidate your assets in a logical order to pay for your future care if needed. Which assets do you like the least – emotional attachment to almost all your assets.

What is Your Plan Now?

- **Ways to Pay for LTC when needed**
 - Liquid and Non-Liquid Assets
 - Retirement Income
 - Government - Medicaid
 - Traditional LTC Policy
 - Life Insurance Based LTC Plans
 - Annuity Based LTC Plans

4 Key Decision Points

- **Daily Benefit**
 - \$50 to \$500 Per Day
- **Benefit Period**
 - 2yrs to 10 years, select few carriers offer Unlimited Benefits
- **Elimination Period**
 - 0 to 365 days; Service or Calendar Day
- **Inflation Factor**
 - Optional Future Purchase, Fixed Compound Annual Credit; 1 to 5%

Types of Policies Available

- **Traditional Plans**

- Expense Incurred – pay as you go; ie Auto or Home Insurance
 - State & National Partnership Plans for Asset Protection

- **Linked Policies – Asset Based**

- Combination of Life Insurance & LTCi
 - Single Premium or Flexible Annual Guaranteed Premium
 - Single Life or Joint Second-to-Die; Unlimited Lifetime LTC Benefits
- Combination of Annuities & LTCi

- **Universal Life with LTC or Chronic Illness Rider**

- Usually paid as Indemnity – cash
- Allowance is 2% of Death Benefit up to IRS allowance
 - 2023 allowance is \$12,600 per month - \$630,000 DB

So What are the Planning Options

Client's Options for funding a LTC Occurrence

Hope

*I don't get old
I don't get sick
Sure Hope if I
do get old &
sick, someone
will take care
of me for free
or figure this
out!*

Most Popular

Self Pay

*Will you be
able to
spend the
money
when
needed?*

**Default
Method**

UL with LTC

*For that person
who has a
need for Life
Insurance with
a future need
for LTC. Dual
purpose.
Younger age
create a base
of LTC
planning, 2%
acceleration of
DB. There are
concerns here,
cash value
access,
indemnity
benefit...*

Traditional LTC

*For that person or couple
who anticipates having
less than \$700K in
liquidity in retirement or
any client who believes in
being invested. Under
age 62 is the best time to
purchase based on health
and affordability of
premiums. Only product
which provides
Partnership Asset
protection if state
approved.*

Asset Based LTC – Life Ins

*For that person or couple
who will have over \$1M in liquidity
in retirement and do not plan
on spending it all or need it all
for income. Shift low yield
taxable assets into a low yield
tax deferred arena with
leverage for LTC if needed.
Available as a single or
flexible premium with
guarantees. Over age 60
usually a single premium,
under 60 a Flexible Premium*

Asset Based – Annuity

*Single Premium
into a Deferred
NQ Annuity which
offers multiples of
the annuity or
Lifetime Benefits
for LTC. Usually
for clients over
age 70 up to 85 or
for clients under
70 with health
qualifying issues.*

Best Outcome for the Family & Financial Plan

Remember

Growing older is Mandatory!

Doing it well is optional!

Thank You

Securities and Investment Advisory Services are offered through LPL, Inc., a Broker/Dealer, Member FINRA/SIPC and Federally Registered Investment Advisor. • Insurance products are offered through insurance companies with which Associates of Clifton Park has sales arrangements. • LPL is not affiliated with Associates of Clifton Park.