

MEDICARE

10 Common Medicare Questions Answered

By Elaine Floyd, CFP®

Medicare is more complicated than most people think. Here are ten of the most common questions that come up on Medicare.

With the baby boom generation entering retirement, many pre-retirees have questions about Medicare. People are confused—both about how the system works, and how these inner workings affect their retirement decisions. These ten questions address some of the most common sources of confusion around Medicare: When to sign up, what to do if you are still working, how much it costs, and more.

1. WHEN SHOULD I SIGN UP FOR MEDICARE?

You become eligible for Medicare beginning at age 65. If you are receiving Social Security, you will automatically be enrolled in Medicare. Part A will be free. Part B costs \$164.90 per month in 2023, plus an additional amount if your income is over the threshold for the income related monthly adjustment amount (IRMAA), which is \$97,000 for single filers, \$194,000 for joint filers in 2023. If you do not want Part B (say you have employer insurance that pays primary to Medicare), you can decline it.

Jacques Lucchesi, CPFA
Financial Advisor
WestGate Wealth Strategies

62 Court Street
Newton, MA 02458

(857) 524-2637

jlucchesi@Westgate-Wealth.com
www.WestGate-Wealth.com



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If you are not receiving Social Security when you turn 65, you have a choice. Whether you should sign up for Medicare at 65 depends on the insurance you have at that time. Some insurance plans stop when Medicare eligibility begins—that is, when you turn 65. Other plans are designed to work with Medicare—and you must enroll in Medicare at 65 in order for the two plans to work together. Still other plans pay primary to Medicare and you do not need to enroll in Medicare because the plan will cover your bills. But most insurance plans don't cover 100% of the bills.

Enrolling in Medicare can give you extra coverage even if you have other insurance that pays primary to Medicare. You would need to decide if it's worth it to pay the Part B premium (including the income-related monthly adjustment amount if applicable) in order to have the extra coverage.

Before turning 65 do two things: (1) Call your insurance provider, tell them you are about to turn 65, ask how their insurance works with Medicare, and ask if you should enroll in any part of Medicare; and (2) Call the Social Security Administration at 800-772-1213, describe your current plan, and ask if you should enroll in any part of Medicare. Make a record of both conversations, including the date, the person you talked to, and the advice you were given. This will allow you to seek equitable relief from possible late-enrollment penalties arising from incorrect advice given by SSA representatives.

2. CAN I KEEP MY SAME DOCTOR?

Probably. Most doctors do accept Medicare. But sometime before your 65th birthday you should ask your doctor if he or she accepts Medicare. If not, you will probably need to find another doctor because at some point—when your employer insurance ends if not before—you will be going onto Medicare. When planning for Medicare in the months and years before turning 65, it's a good idea to develop a relationship with a doctor who accepts Medicare. The reason is that some doctors who accept Medicare don't accept new Medicare patients. But they will continue to treat existing patients who go onto Medicare.

One of the decisions you will make before going onto Medicare is whether to have Original Medicare or a Medicare Advantage plan. Under Original Medicare, you can go to any doctor in any location who accepts Medicare (good for people who travel or have more than one residence). Under Medicare Advantage you will be signing on with a private insurance company that provides benefits and services under Medicare Parts A and B. (You still have to enroll in Parts A and B and pay the Part B premiums.)

Most Medicare Advantage plans require you to obtain care from a provider within their network. If you are concerned about keeping your doctor, this is one of the factors that will inform your decision about going with Original Medicare versus Medicare Advantage. Some Medicare Advantage plans have rather narrow provider networks and those networks can change, meaning your doctor could always leave the network. If you go with Original Medicare you would have more choice and stability as far as providers are concerned.

3. WHAT IF I'M STILL WORKING WHEN I TURN 65?

If you are still working when you turn 65, you may be able to keep your employer insurance. But you still may be required to enroll in Medicare. If your employer plan covers 20 or more employees, that plan will pay primary to Medicare and you are not required to enroll in Medicare. You may continue the same as before, keeping your employer plan and delaying Medicare enrollment. But talk to your benefits administrator. You may be advised to enroll in Medicare Part A. Part A is free and offers better hospital coverage than most employer plans.

However, if your employer plan is a high-deductible health plan (HDHP) paired with a health savings account (HSA), you may not enroll in any part of Medicare. That's just a rule. If your employer plan is not an HDHP/HSA and you choose to enroll in Part A, you may also wish to enroll in Part B, which covers doctor visits and medical services. When you incur a medical bill, your employer plan will pay first up to plan limits, then Medicare will pay up to its limits. Because Part B involves a monthly premium, you would have to

decide if you want to pay for the extra coverage. If your employer plan is very comprehensive, you may want to delay enrolling in Part B until you stop working.

As noted, if your employer plan is an HDHP/HSA, and if you want to keep contributing to that plan, you should not enroll in any part of Medicare. HSA contributions cannot be made by or on behalf of anyone enrolled in Medicare. If you decide to go off that plan and onto Medicare, you can still use the HSA for qualified medical expenses, including Medicare premiums; you just can't make continued contributions to the HSA. Please note that if you take Social Security benefits, including spousal and survivor benefits, you are required to enroll in Medicare. This means that if you are contributing to an HSA, contributions would have to stop.

If you are working and covered by an employer plan that covers fewer than 20 employees, you must enroll in Medicare. These smaller employer plans pay secondary to Medicare, and in order for Medicare to pay primary you must be enrolled. Sometimes employees of under-20 companies are not told that they need to enroll in Medicare at 65. And sometimes these employer plans don't notice when a person turns 65. What can happen in this case is that you incur a medical bill and the plan denies it because Medicare is the primary payer.

But if you are not enrolled in Medicare, Medicare won't pay either. So you get left holding the bill. Even worse, sometimes the employer plan will pay the bill not realizing the person is over 65; when they discover it they may revoke payment, again leaving you stuck with the bill. Some under-20 employer plans do voluntarily pay primary to Medicare. But they are not required to. If you call your insurance company at age 65 and they tell you that you don't need to enroll in Medicare because they will keep paying your medical bills, get this in writing. You may want to keep your employer plan as supplemental insurance after enrolling in Medicare. But it would be a different type of plan. Talk to your insurance company or benefits coordinator.

4. WHAT ABOUT MY SPOUSE?

If you and your spouse are both covered under your employer plan when you turn 65, and if you go off the employer plan in order to have Medicare and

outside supplemental insurance, your spouse may or may not be able to stay on the plan. Talk to your insurance company or benefits administrator and make sure your spouse is squared away before you go off the plan. If it is not possible for your spouse to stay on your employer plan after you go onto Medicare, your spouse can look to his or her own employer for insurance, or else purchase individual insurance through the ACA marketplace.

5. WHAT IF I SIGN UP FOR MEDICARE AND THEN GET A JOB THAT OFFERS HEALTH BENEFITS?

If your new employer plan offers better benefits than Medicare, you can disenroll from Part B and re-enroll later, when you retire and go off the plan. Remember, though, that if you are receiving Social Security, you must be enrolled in Part A. This is the law. Since Part A is free, there is usually no downside to having Part A. But if your new employer plan is an HSA, you would not be able to make (or have your employer make) contributions to the HSA.

6. I RETIRED AT AGE 60 AND WENT ONTO MY FORMER EMPLOYER'S RETIREE PLAN. DO I HAVE TO ENROLL IN MEDICARE AT 65?

Yes. Most retiree plans are designed to work with Medicare once a person turns 65, and you must be enrolled in Medicare in order for the plan to pay. You may be able to keep the retiree plan as supplemental insurance if it provides benefits Medicare doesn't cover (such as vision and dental) and covers some of the gaps left by Medicare (such as the 20% coinsurance for Part B services). Upon turning 65 you should re-evaluate your retiree plan. If it's a good plan and your former employer is subsidizing the premiums, you may wish to stay on it. But if you are paying the premiums yourself, you may be better off going into the open market for Medicare supplemental insurance, either a Medigap policy paired with a standalone Part D drug plan, or a Medicare Advantage plan.

7. I RETIRED AND WENT ONTO COBRA. CAN I WAIT UNTIL THE COBRA EXPIRES BEFORE ENROLLING IN MEDICARE?

No. COBRA generally lasts for 18 months. When you go off the COBRA you will be outside your

Medicare special enrollment period, which ends the eighth month after you retire. This means you can't enroll in Medicare until the next general enrollment period, which starts January 1 and ends March 31 of each year, with coverage starting the month after enrollment. If you wait until the COBRA ends, you will have a gap in coverage, between the end of COBRA and the beginning of Medicare. You may also face late-enrollment penalties.

Can you have COBRA and Medicare at the same time? It depends on your timing. If you enrolled in Medicare first, you can go onto COBRA and keep it as supplemental insurance. But if you went on COBRA before enrolling in Medicare, the COBRA must stop when the Medicare starts. As mentioned, you really can't delay enrolling in Medicare until the COBRA ends because it would cause a gap in coverage and possible late-enrollment penalties. COBRA is primarily for people who retire before age 65 and aren't eligible for Medicare yet. But HR people often recommend it, not knowing that it could lead to coverage gaps and penalties.

Also, COBRA is expensive. When you go onto COBRA you are paying the full premium, which may be more than you would pay for Medicare plus a good supplemental policy with drug coverage.

8. HOW MUCH DOES MEDICARE COST?

Some people think Medicare is a free government benefit. It's not. Only Part A, which covers part of the cost of hospitalizations, is free if you or your spouse paid into Social Security for at least 10 years. Part B costs \$164.90 per month in 2023—more if your income is over \$97,000 (single) or \$194,000 (joint). Those are the monthly premiums. There are also deductibles and coinsurance amounts. This is why most people get supplemental insurance.

You could get a comprehensive Medigap policy for around \$200 a month, plus a drug plan for about \$40. This would provide fairly comprehensive coverage that would cover all of your deductibles and the 20% coinsurance. It would not, however, cover dental, vision, or hearing care. And if you are on an expensive drug regimen, you may pay more for your prescriptions.

Alternatively, you could go into a Medicare Advantage plan with premiums ranging from zero to \$200 per month. Some Medicare Advantage plans offer benefits beyond Medicare, such as dental, vision, and hearing. Some even offer gym memberships. But there would likely be some cost sharing for your doctor visits and prescriptions.

The main point is that people should not retire until they know how much their health care will cost in retirement. Medicare is a good government benefit, but it is not free, and it does not cover all out-of-pocket costs.

9. HOW MUCH DOES MEDICARE COVER?

If you download the latest Medicare and You book you will see all the items Medicare covers. Part A helps cover inpatient hospital costs, skilled nursing care for a limited time, hospice care, and home health care. Part B helps cover doctor visits and other medical services, plus a range of preventive services, such as flu shots, mammograms, colonoscopies, and more. Drug coverage is provided by private insurance companies in association with Medicare. If you choose Original Medicare, you can enroll in a standalone prescription drug plan. If you choose Medicare Advantage, you can enroll in a plan that includes drug benefits. It is important to go shopping for these additional plans before you enroll in Medicare.

It's also important to understand what Medicare does not cover: Dental, vision, hearing, cosmetic surgery, alternative care such as chiropractic, and care delivered outside the United States. When you go onto Medicare it will be important to plan for these events, either by taking out additional insurance, or by self-insuring—that is, setting aside your own savings to cover them. Dental care can be a big expense as people grow older, and dental insurance policies tend to offer limited benefits. Dental tourism is becoming popular as people go overseas for their dental implants, saving money on dental care and getting a vacation as part of the deal.

10. DOES MEDICARE COVER LONG-TERM CARE?

No. Medicare covers up to 100 days of skilled nursing care only, and that's following a hospitalization and based on doctor's orders. Medicare does not cover

custodial care at all. This is the type of care older people need when they have trouble bathing and dressing themselves. Medicare won't pay for it.

Elaine Floyd, CFP® is Director of Retirement and Life Planning for Horseshmouth, LLC, where she helps people understand the practical and technical aspects of retirement income planning.

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