Understanding Medicare

The ins and outs of Medicare coverage



A company of Manulife Investment Management

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Is this how “understanding Medicare” makes you feel?



Agenda

- ✓ History of Medicare
- ✓ Medicare parts and when to enroll
- ✓ Medicare costs
- ✓ Medigap
- ✓ Medicare Advantage
- ✓ Working past 65

History of Medicare

The big day
Medicare begins

July 30, 1965: LBJ signed Medicare into law

Truman was the first recipient, he and his wife Bess received **cards 1 and 2**

19 million beneficiaries initially enrolled



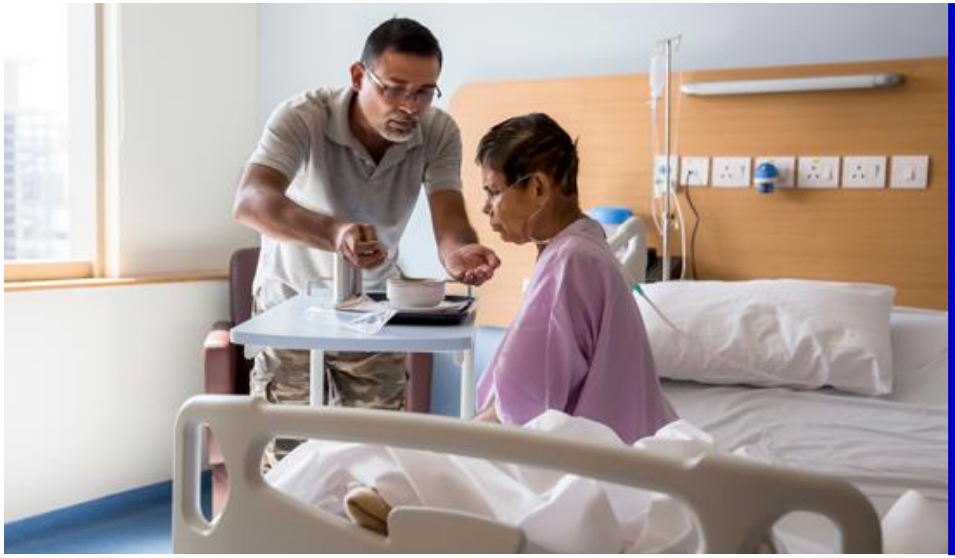
Medicare starts with the parts

Part A: hospital coverage

Coverage for:

- Inpatient hospital stay
- Skilled nursing (up to 100 days)
- Inpatient meds
- Blood transfusions
- Hospice

Think of this as **room and board**.

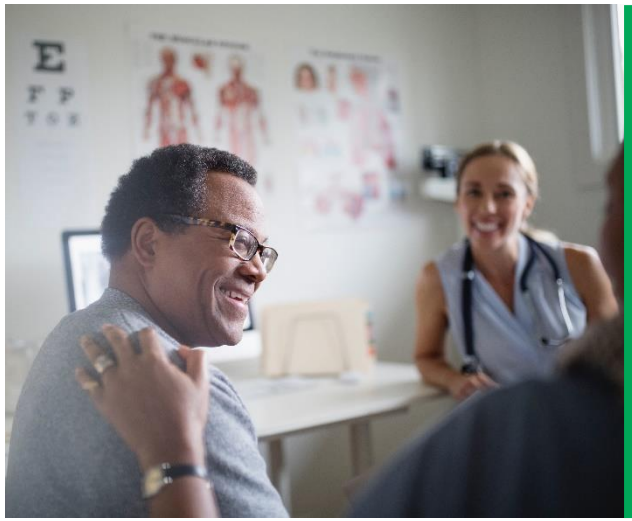


Part B: outpatient coverage

Coverage for:

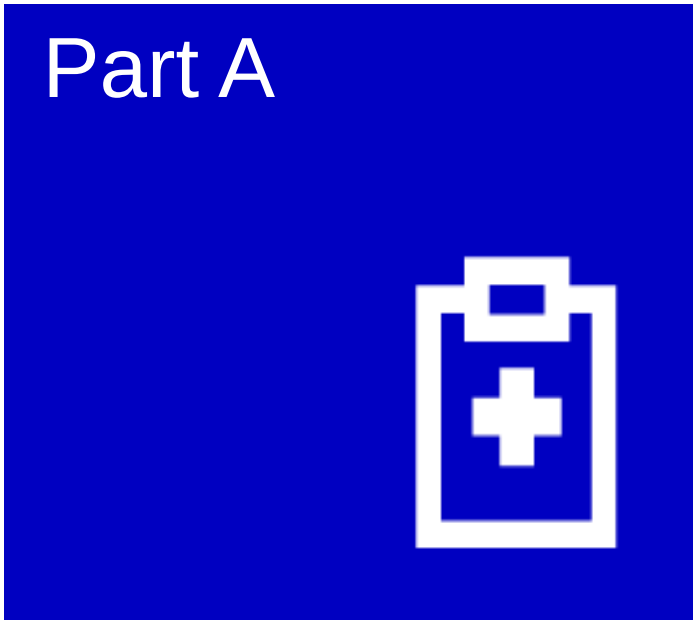
- Doctor visits
- Lab work
- Preventive care
- Outpatient surgeries
- Physical therapy
- Home health care
- Durable medical equipment
- Dialysis
- Chemotherapy

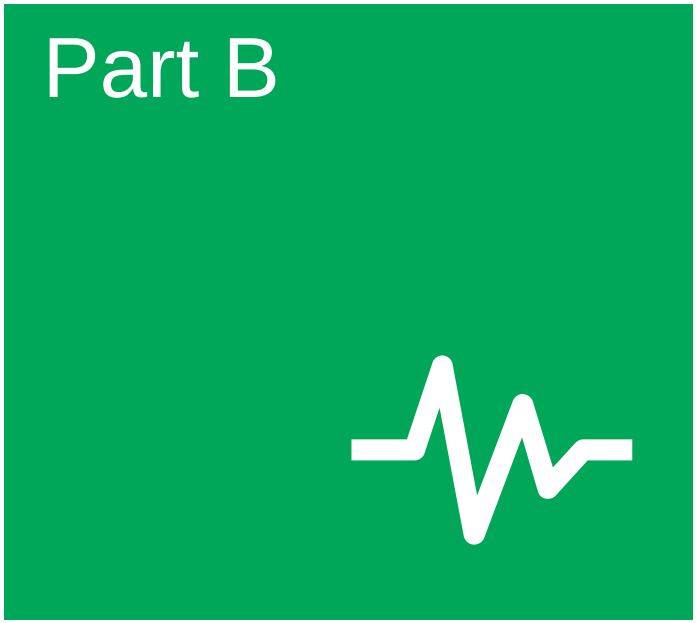
Part B covers **100% of some preventive care** and **80% of all other outpatient care**



Original Medicare

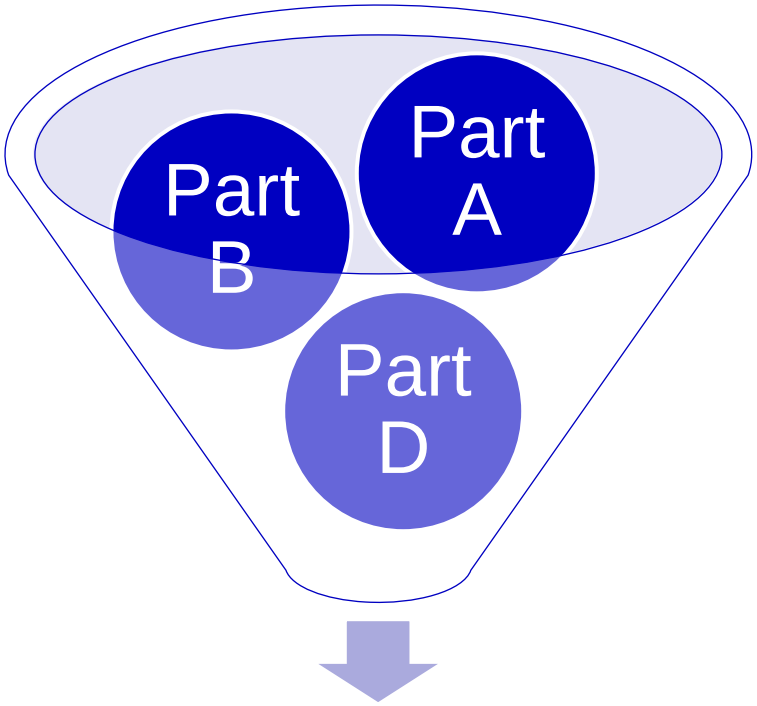
Under Original Medicare, you get your benefits directly from the federal government.





Part C: Medicare Advantage

Private insurance plans that pay instead of Medicare.



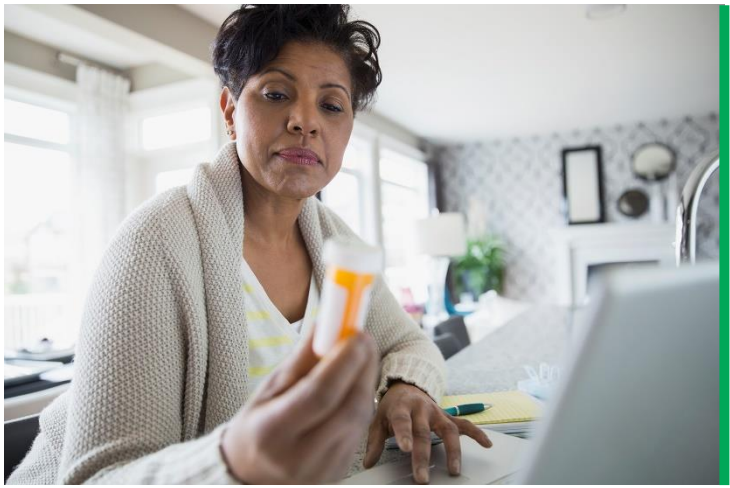
Part C: Medicare Advantage

Part D: voluntary drug program

Think of this as your pharmacy card.

How it works:

1. Pick your plan through a private insurance carrier in your area
2. Pick up your prescriptions from an in-network pharmacy
3. Shop your Part D plan each year during the fall open enrollment



Enrolling in original Medicare
Parts A and B

1 **You enroll for Parts A and B through Social Security or Railroad Retirement Board (RRB)**

2 **If already receiving Social Security benefits: your enrollment is *automatic***

Initial enrollment period (IEP)

7-month window

Begins **3 months before** and ends **3 months after** your 65th birth month for a total of 7 months



65th Birthday

EXAMPLE:

If you turn 65 on <u>May 20</u>, your Medicare IEP would run from February 1 to August 31.

Medicare start date

Depends on when you enroll

Enroll prior to birthday month:

- Medicare starts 1st of the month of your 65th birthday
- Unless you're born on the 1st

Enroll in or after your birthday month:

- Medicare start date is delayed

Medicare cost sharing

Think about your current insurance

You pay a premium, often through paycheck deduction

- This is the cost of the insurance
- We call it a monthly premium

You pay co-pays and/or co-insurance when you use medical services, and you likely have an annual deductible

- This is the cost-sharing

Medicare's costs

Out-of-pocket expenses

Part A hospital

- Part A costs nothing if you have worked and paid FICA taxes for at least 40 quarters (10 years.)
- You're considered paid up so Part A will cost $0.
- You can qualify for this free Part A under your own work history or a spouse's work history if you have been married at least 1 year. Spouse must be eligible for SS benefits.
- You can qualify under a divorced spouse's work history if married at least 10 years and spouse is eligible for SS and you are single.
- You can qualify if you are widowed and were married for at least 9 months before spouse died and you are single.

Medicare's costs

Out-of-pocket expenses

Part B and Part D

You pay monthly premiums.

The Monthly Premiums

Part B

- Monthly premium is **$164.90/month** in 2023 for new enrollees
- Deduction monthly from SS check, or billed quarterly if not taking SS yet

IRMAA for high-earners

- Individuals earning more than $97K (individual) $194K (joint) have a sliding scale for Parts B and D based on modified, adjusted gross income on your tax returns



Monthly premiums for Part B new enrollees

Based on your 2021 modified adjusted gross household income, your 2023 Part B premium will be (2-year lookback):

Individual Tax Return	Joint Tax Return	Married & Separate Tax Return	You Pay (in 2022)
$97,000 or less	$194,000 or less	$91,000 or less	**$164.90**
$97,001 - $123,001	$194,001 - $246,000	not applicable	**$230.80**
$123,001 - $153,000	$246,001 - $306,000	not applicable	**$329.70**
$153,001 - $183,000	$306,001 - $366,000	not applicable	**$428.60**
$183,001 - $500,000	$366,001 - $749,999	$97,001 - $403,000	**$527.50**
Greater than $500,000	Greater than $750,000	Greater than $403,000	**$560.50**

IRMAA

Medicare recalculates these rates annually based on your IRS tax returns.

Part D premiums

What to expect

Each insurance company sets its own premiums, which range from as low as $7/month to over $205/month

Average is **$31.50/month**

People with **higher incomes** pay more on a sliding scale

Medicare **tracks your enrollment**

Monthly premiums for Part D new enrollees

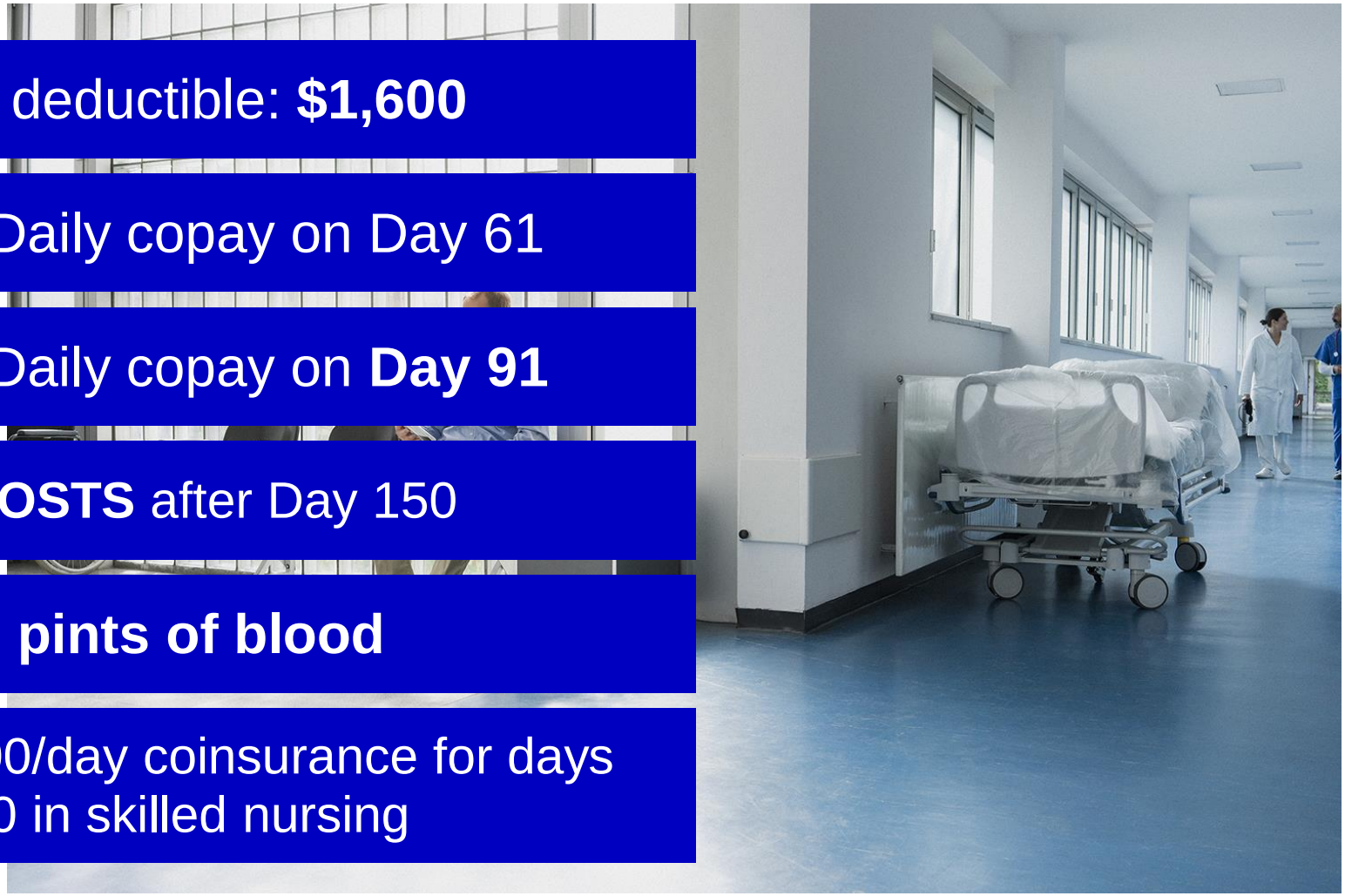
Based on your 2021 modified adjusted gross household income, your 2023 Part D premium will be (2-year lookback):

Individual Tax Return	Joint Tax Return	Married & Separate Tax Return	You Pay (in 2022)
$97,000 or less	$194,000 or less	$97,000 or less	Just your plan premium
$97,001 - $123,001	$194,001 - $246,000	not applicable	Plan premium plus **$12.20**
$123,001 - $153,000	$246,001 - $306,000	not applicable	Plan premium plus **$31.50**
$153,001 - $183,000	$306,001 - $366,000	not applicable	Plan premium plus **$50.70**
$183,001 - $500,000	$366,001 - $749,999	$97,001 - $403,000	Plan premium plus **$70.00**
Greater than $500,000	Greater than $750,000	Greater than $403,000	Plan premium plus **$76.40**

IRMAA

Medicare recalculates these rates annually based on your IRS tax returns.

Part A Cost-sharing



Part A deductible: **$1,600**

$400 Daily copay on Day 61

$800 Daily copay on **Day 91**

ALL COSTS after Day 150

First **3 pints of blood**

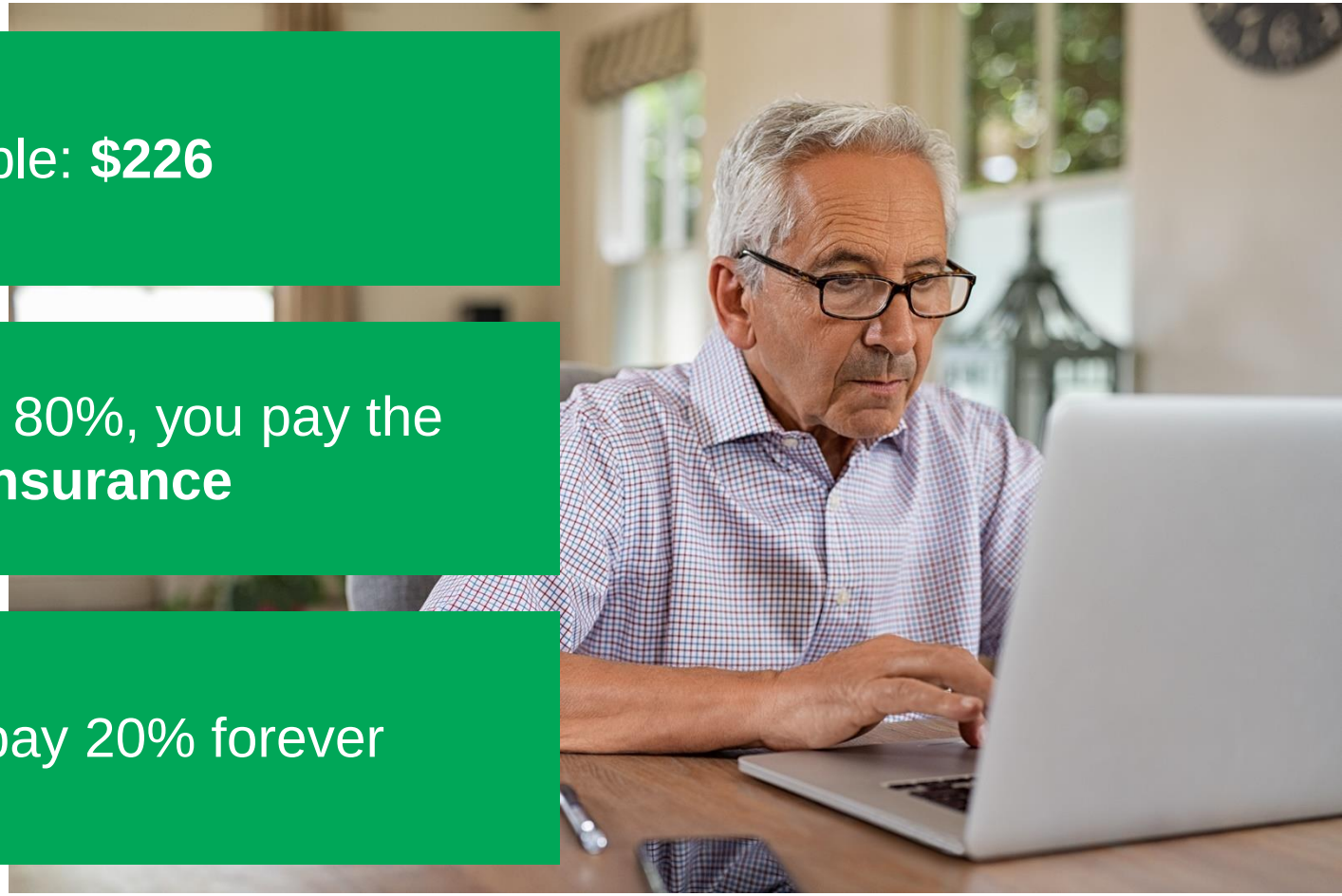
$200.00/day coinsurance for days 21–100 in skilled nursing

Part B Cost-sharing

Part B deductible: **$226**

Medicare pays 80%, you pay the other **20% coinsurance**

No cap – you pay 20% forever



Covering the gaps

Private Market Plan options

1 Medicare Supplement (Medigap)

Higher premiums, less cost-sharing

2 Medicare Advantage Plan

Lower premiums, higher cost-sharing

Medicare Supplements (Medigap)

The facts

Medigap pays AFTER Medicare to help cover your deductibles, copays and coinsurance

Medigap plans let you see **any participating provider**

No referrals necessary with over **1M providers**

Use your Medigap plan nationwide

GREAT for travel

Each **plan** has an exact set of benefits and fills different gaps

Many ***different insurance*** companies offer these plans

Medicare Supplements (Medigap)

Coverage by plan

Medigap Plan Comparison Chart

Medigap Plan Benefits	Plan A	Plan B	Plan C	Plan D	Plan F	Plan G	Plan K	Plan L	Plan M	Plan N
Medicare Part A Coinsurance & 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 Coinsurance	X	X	100%	100%	100%	100%	50%	75%	100%	100%
Medicare Part A Deductible	X	100%	100%	100%	100%	100%	50%	75%	50%	100%
Medicare Part B Deductible	X	X	100%	X	100%	X	X	X	X	X
Medicare Part B Excess Charges	X	X	X	X	100%	100%	X	X	X	X
Foreign Travel Emergency up to plan limits	X	X	80%	80%	80%	80%	X	X	80%	80%
**Out-of-Pocket Limit							$6,940	$3,470		

**Plans in Wisconsin, Minnesota and Massachusetts are different.*

Medigap monthly premiums

What to expect

Medigap companies set their own rates. Insurance agents/brokers can't change them.

Monthly rates vary based on age, zip code, gender, tobacco use, and eligibility for household discounts.

Rates are lowest in IA, IN, OK, MS, NM

Rates are highest in FL, CT, WA, ME and MN

Putting it together

Adding up the costs for a monthly estimation



Medicare with Medigap + Part D

Part A: **$0**

Part B: **$164.90** (for new enrollees)

Part D: **$31.50** (average)

Plan G: **$120***

Total approximately: $316/month+

**Medigap*: monthly premium varies by zip code, gender, age, tobacco usage

Qualifying for Medigap

Your eligibility for enrolling in a plan varies

Open enrollment–one-time window

- Within 6 months of Part B effective date
- No health questions

Guaranteed issue period

- Within 63 days of losing creditable coverage
- No health questions (state rules apply)

Medical underwriting

- Otherwise, you must answer health questions to qualify. 2-to-5-year health and medication history reviews are common

States with exceptions

Some states have rules that are more lenient

These states have different rules when it comes to changing plans:

- **California**
- **Connecticut**
- **Idaho**
- **Illinois**
- **Oregon**
- **Maine**
- **Massachusetts**
- **Missouri**
- **Nevada**
- **New York**
- **Vermont**
- **Washington**



Medicare misstep #1

Confusing the Medigap OEP with the Fall AEP

Medigap Open Enrollment Period (OEP)

- Part B effective date + 6 months
- The ONE time when you can enroll in Medigap with no health questions in most states
- **Occurs only once for most beneficiaries and then is gone**

Annual Election Period (AEP)

- October 15–December 7
- You can change your Part D Drug Plan or MA Plan
- Can’t use period to get Medigap without health questions

Analogy

You can't go and buy **better** homeowner's insurance *after* the house is on fire.

The **same** applies to Medicare Supplement plans.

Medigap summary

Recapping what you need to know

Ask your providers: “Do you accept Original Medicare?”

Pays after Medicare pays its share

Plans are standardized

Guaranteed renewable

Benefits do NOT change annually

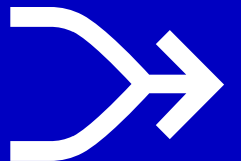
Add a standalone Part D drug plan if you want drug coverage

Stand-alone Part D

People with Medigap can add on a stand-alone Part D drug plan. You can only enroll in one Part D plan at a time.



You must be enrolled in either Part A and/or Part B to be eligible.

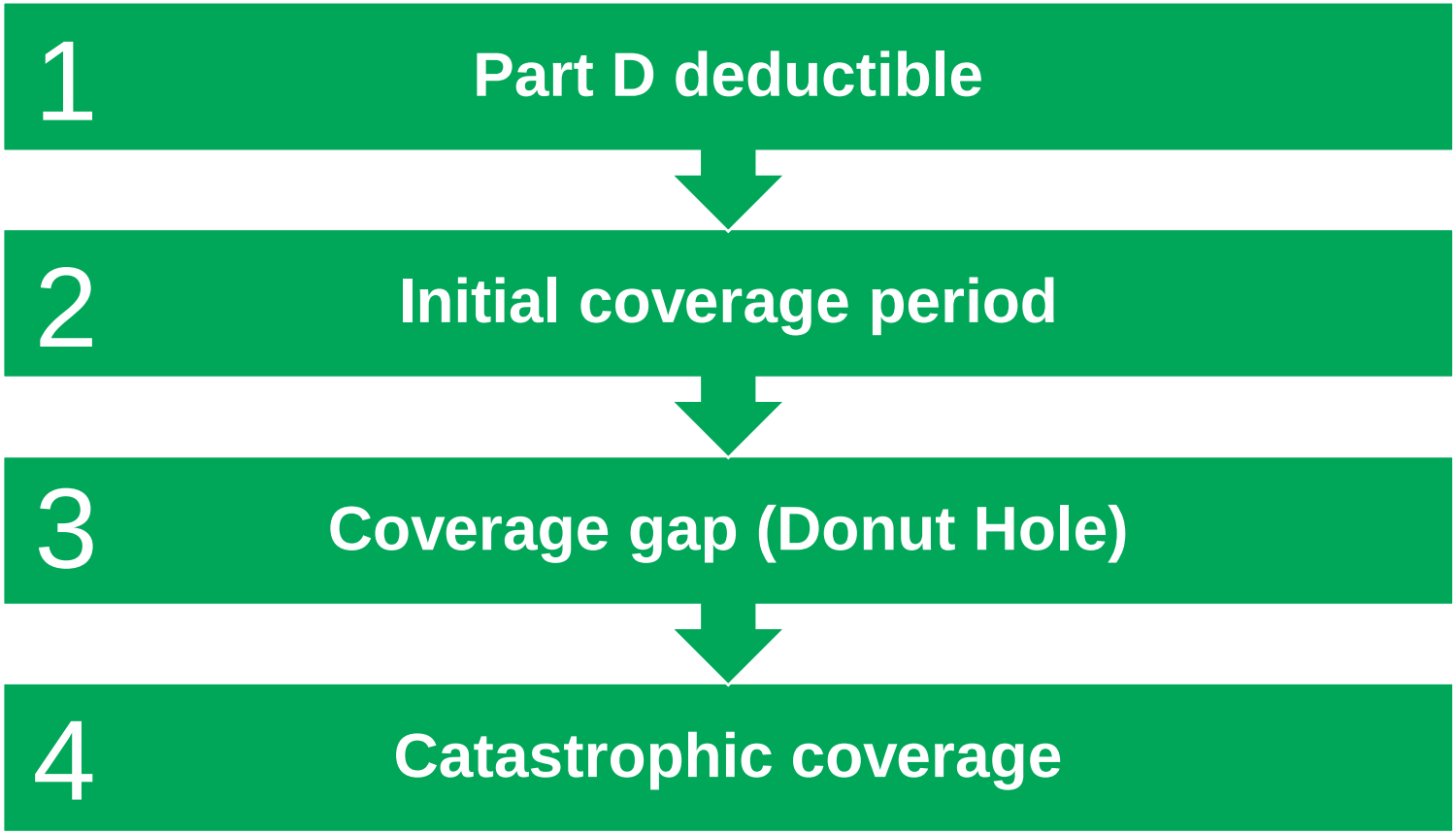


You must also live in the plan service area and enroll during a valid election period.



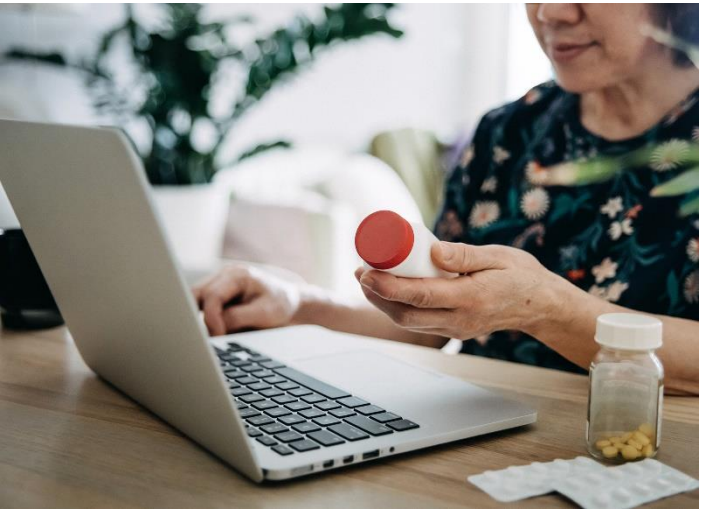
Part D has four stages

Medicare sets the limits for each of these stages every year.



Medication costs

What you pay for medications will depend on which stage of the drug plan you are in and which tier a medication falls in:



- **Deductible:** All costs up to $505
- **Initial coverage:** Co-pay or coinsurance based on drug tier until you and your plan pay a **total of $4,660**
- **Coverage gap (Donut hole):** Up to 25% until your out-of-pocket spending **reaches $7400** in 2023
- **Catastrophic coverage:** 5% coinsurance or $4.15 copay for generics and $10.35 copay for brand-name drugs in 2023 (whichever is greater)
- You can choose your drug plan using the **Plan Finder Tool** on the **MyMedicare.gov** portal

Inflation Reduction Act of 2022

Positive changes to Medicare Part D

2023:

- Part D vaccines now covered at 100%
- Insulin copays limited to $35 even during the deductible period

2024:

- No more 5% coinsurance after you reach the catastrophic coverage phase
- Premium increase cap will be imposed
- Low-income subsidy expansion

2025:

- $2000 Annual Cap on Part D spending will be implemented

2026:

- Department of Health and Human Services begins negotiating pricing for 10 Medicare Part D drugs. Additional drugs will be negotiated in subsequent years

Medicare Advantage
How do they work?



Private insurance plans that deliver your benefits through a **local**, **smaller network** of providers

Often includes Part D coverage

You **must** be enrolled in both Parts A and Part B to be eligible

Medicare Advantage

Private plans that pay instead of Medicare

HMO plans often require referrals to see a specialist. **Usually no out-of-network coverage except emergencies.**

PPO plans can be used outside network **IF** doctor agrees to bill the plan

No health questions – anyone can join as long as they apply during a valid election period

Some plans include Part D drug plans, and some include limited extras like preventive dental, eye exams, and gym memberships

Medicare Advantage plans require prior authorizations for many services – some consider this a hassle.

Lower premiums than Medigap BUT you pay copays for services as you go.

Medicare Advantage

What the co-pays may look like

7 in 10[1]

Medicare Advantage Prescription Drug (MAPD) enrollees in 2022 had a $0 premium plan. That doesn't mean there were no costs involved.

Co-pays vary between plans, but they might look something like this:

- Primary care doctor: $20 per visit
- Specialist: $50 per visit
- Hospital: $200/night for hospital stay
- Ambulance: $300
- Chemo, oxygen, dialysis: 20% up to your OOP Max
- Part B drugs: 20%, up to your OOP MAX

Each plan has an out-of-pocket maximum limit to protect you from spending beyond that limit in a calendar year. Maximum limit is $8,300 in 2023.

1 "Medicare Advantage in 2022: Premiums, Out-of-Pocket-Limits, Cost Sharing, Supplemental Benefits, Prior Authorization and Star Ratings", *KFF*, August 2022.

Common question

“Are Medicare Advantage plans bad?”

Medicare Advantage

The unexpected costs

Durable medical equipment –oxygen, etc

Diagnostic imaging–MRI, CT scans

Dialysis

Cancer treatment–especially when overlapping New Year

Infusion medications can be very expensive on Advantage plans

You may pay up to 20% for these items on many plans.

Tips for Medicare Advantage

Three tips if you choose this route

1	Build a rainy day fund for the unexpected costs
2	How and when you enroll matters
3	Do not forget to re-evaluate your plan each fall

Medicare Advantage

The things too many beneficiaries don't realize

Plans change **every year** and benefits can be added or taken away

Be very dedicated to reviewing your **Annual Notice of Change**

To later return to Medigap, you'll usually have to answer health questions and pass underwriting. Coverage is **not** guaranteed

Medicare misstep #2

Not understanding the difference

The two Medicare routes are not alike

Medicare Advantage plans work very differently from Medigap plans.



Research these carefully, learn the differences and be very sure before enrolling in any Part C plan.



Working past age 65

Employer coverage:
The size of your company matters

Large employer:

- Group coverage is **primary**, Medicare is secondary when employer has **20 or more** employees.
- You can delay enrollment without penalty.

Small employer:

- Medicare is **primary**, group coverage is secondary when employer has less than 20 employees.
- Enroll in both Parts A and B at 65 to avoid penalties.



FEHB options

People with Federal Employees Health Benefits (FEHB) have choices.

1	Enroll in Part A and FEHB–you'll pay copays for services as you go. Late penalty if you enroll in Part B later on.
2	Enroll in Part A and B–you'll have low or no copays for services.
3	Suspend FEHB and choose a Medicare Advantage plan.
4	No need for Medicare Part D when you have FEHB and federal drug benefits are quite good.

Medicare misstep #3

Enrolling too late

Not enrolling at the right time

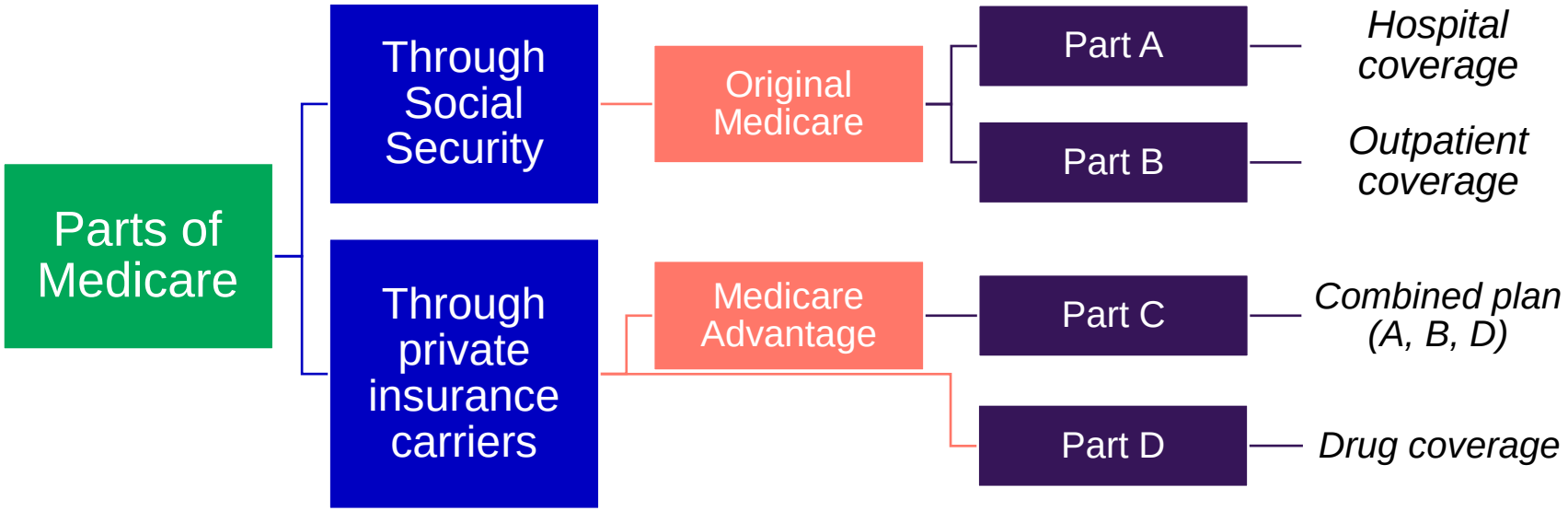
Small Employer Coverage/Retiree Coverage

Medicare is primary. Failure to enroll during IEP may result in unexpected medical expenses and/or a late enrollment penalty.

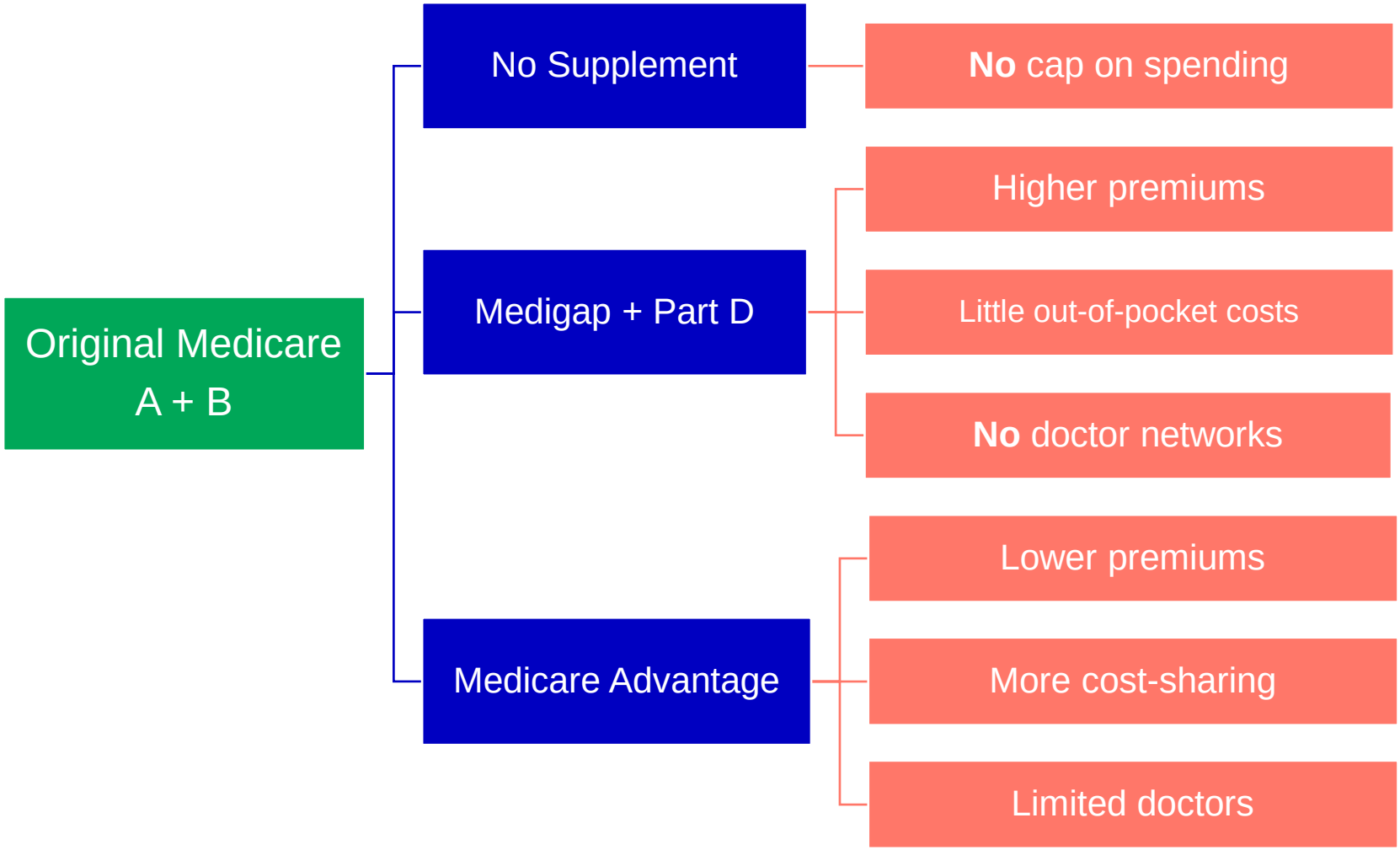
ACA/Obamacare Plans

Individual ACA plans are NOT creditable coverage. Enroll in Medicare at 65 to avoid expensive late penalties

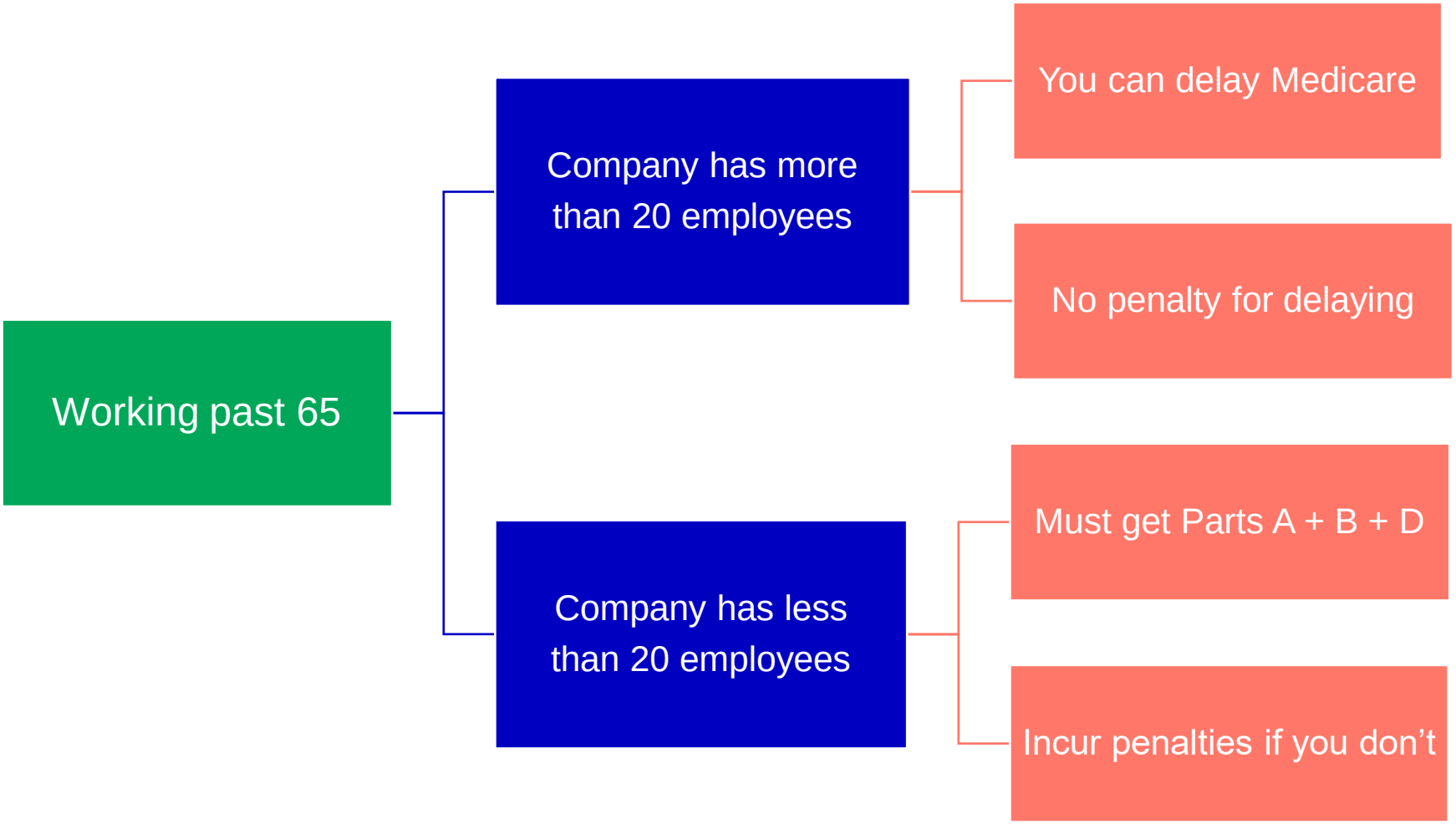
Quick review
The parts of Medicare



Quick Review
The Routes



Quick review
Employer coverage



Next steps

Medicare information resources

The Centers for Medicare and Medicaid

Phone: 1-800-MEDICARE
Website:
https://www.medicare.gov/

Social Security Administration

Phone: 1-800-772-1213
Website: https://www.ssa.gov/

Under 65 health plans

Phone: 1-800-318-2596
Website:
https://www.healthcare.gov/

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Q & A

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"A trusted brand," is based on a survey of 6,651 respondents conducted by Medallia between 3/18/20 and 5/13/20.



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Appendix

Common Medicare questions

Q: Will Medicare cover my procedure?

A: The answer to this question isn't always as cut and dry of an answer as you'd like.

Aspects like the procedure's **medical necessity**, the doctor's participation, and the way the bill is coded are variables that affect the answer to this question.

Medicare's definition of medically necessary is this, "Health care services or supplies needed to diagnose or treat an illness, injury, condition, disease, or its symptoms and that meet accepted standards of medicine."

Common Medicare questions

Q: I am a federal retiree and have kept my FEHB health care plan. Do I need Medicare?

A: FEHB is not creditable coverage for Part A and Part B. So, failing to enroll in Medicare during your IEP would result in a late penalty later if you did choose to enroll down the road.

With that said, you have options for your coverage and should choose whichever is most cost-effective by premium costs and out-of-pocket cost-sharing.

Common Medicare Questions

Q: Does Medicare cover the shingles vaccine?

A: Medicare Part D covers the Shingrix vaccine. However, if you haven't met your Part D deductible for the year, you'll have to pay full price for the vaccine.

Once you meet your deductible, you'll only pay a copay for the vaccine.

Additional resources

Transitioning to Medicare from large employer coverage

After age 65

1 **Complete Form CMS-40B**

Application for enrollment into Part B

2 **Complete Form CMS-L564**

Request for employment information

Your employer must complete this form attesting to your creditable employer coverage from the date you turned 65 until now

Submit **both forms** in person at your local Social Security office.

Don't apply for Part B online in this situation as it'll be rejected without the signed employer form.

Creditable Coverage Letter

Don't miss it

Watch your mail for the CCL:

Your employer coverage insurance company will mail you a letter of creditable coverage–usually about two weeks after your last day of coverage.

Keep a copy of this letter as your Medicare Part D insurance company will ask for proof of creditable Part D coverage.

You have two months from your last day of employer coverage to enroll in a Medicare Part D plan; otherwise, a penalty may apply later.

People contributing into HSA accounts

- The IRS does not allow contributions into a Health Savings Account (HSA) when you have any part of Medicare active.
- ***Don't enroll in Medicare if you plan to contribute.***
- Discontinue contributions in an HSA **six months** before you retire/enroll into Medicare.
- This is because Social Security will make your Medicare effective date retroactive by six months when you finally enroll.

Medicare Advantage with Part D

Remember, you can only be enrolled in **one** Part D plan at a time. This includes a Part D plan that is rolled into a Medicare Advantage plan.

Enrolling in a stand-alone Part D drug plan would automatically unenroll you from a Medicare Advantage plan that included Part D.

If you want a Medicare Advantage plan and also need drug coverage, always choose a Medicare Advantage plan that has Part D included.

Medicare and COBRA, TFL, or VA Benefits

COBRA is not the same as active group coverage

- Medicare is **primary** and COBRA coverage is secondary.
- For this reason, you should enroll in Medicare to begin on the day after your active employer coverage ends.
- If you decide to delay, be aware that you must enroll in Medicare no more than eight months after your last day of active employer coverage ends.
- Otherwise, you'll face late enrollment penalty for Part B and your coverage start date could also be delayed.

TRICARE

- Medicare is primary and TRICARE for Life (TFL) is secondary. Enroll in both Parts A and B when you retire. Skipping this enrollment could leave you paying for all your own outpatient coverage and a potential 10% cumulative late penalty.
- You skip Part D as TFL includes drug coverage already.

VA Benefits

- Medicare and VA Benefits don't coordinate.
- Enroll in Part A since it costs nothing. Consider enrolling in Part B to have access to civilian coverage; otherwise, enrolling in Part B later will incur a penalty.
- Delay Part D if you wish since VA drug coverage is creditable coverage.

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