

Starting Medicare

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Medicare is generally excellent health coverage, however, it is not an easy plan to understand. If you are just becoming eligible for Medicare, you should be aware that the various parts of Medicare – Medicare Parts A, B, C, D, Medicare Advantage and Medigap – involve a series of choices, many of which must be made within certain timelines. What happens? Which to choose? Where to get help?

Medicare is divided into four parts, with the private insurance industry handling two parts, plus adding a fifth:

- **Part A - Hospital Insurance** – Covers stays in hospitals, skilled nursing facilities, hospices, and some home health care.
- **Part B - Medical Insurance** – Covers doctor's services and out-patient care including diagnostic tests and some preventive coverage.
- **Part D - Prescription Drug Coverage** – Provides coverage for prescription medications through drug plans from the private insurance industry.
- **Part C Coverage** is more frequently called **Medicare Advantage Plans** – Provides alternatives to the “standard” A, B, D coverage of Medicare through Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPO), and other types of privately insured plans.
- **Medigap Coverage** – Provides supplementary benefits to “standard” A, B, D Medicare coverage. Benefits are set by federal law, but the plans are sold through private insurance companies.

Eligibility

Medicare is available to people when they turn 65 or earlier if they have collected Social Security Disability benefits for 24 months. The 24 month waiting period is waived for persons disabled due to End Stage Renal Disease or Amyotrophic lateral sclerosis (ALS, also called Lou Gehrig's Disease).

Enrollment into Medicare is automatic for persons eligible due to collecting Social Security Disability benefits for 24 months. Persons who are collecting early retirement benefits and certain other Social Security benefits will also be automatically enrolled when they turn age 65.

If you are being enrolled automatically, the Medicare card will be sent out about two months before the actual enrollment date. It will automatically enroll you in both Parts A and B of Medicare and allows time to choose a drug plan (Part D) and a Medigap plan or elect to switch to a Medicare Advantage Plan.

Persons not automatically enrolled may elect to be covered beginning in the month that they turn age 65 although they are encouraged to enroll two to three months earlier so that all the paperwork can be completed before it actually starts.

Cost

Medicare costs vary by the Medicare parts enrolled in and your work history. For calendar year 2008, they are:

- **Part A Hospital:**
 - Persons having paid into Medicare through F. I.C.A. payroll taxes for 40 quarters or more in their working career pay \$0;
 - Persons having paid between 30 and 39 quarters pay \$233 per month;
 - Persons with less than 30 quarters pay \$433 per month.

The annual statement you received from Social Security each year near your birthday will tell you how many quarters you have paid into Social Security

- **Part B Medical premium** - \$96.40 per month. Note that persons on Medicaid will have their Part B premium paid by Medicaid.
- **Part C – Medicare Advantage** – The premiums depends on the plan. Each insurance company will set their own fees. Generally, since the payment from Medicare to provide your coverage is fairly generous and because of the insurance company's desire to stay competitive, the premiums are often very low or even nothing. Note that you must continue to pay for Part B coverage if you join one of these alternate plans.
- **Part D – Prescription Drug Coverage** – There are many plans offered in each state by private insurance companies and prescription plan administrators. The monthly premium varies by region, the size of the formulary covered and the co-payments required. Costs can vary from \$20 per month or less to over \$100 per month. There is assistance in paying premiums for people with low incomes.
- **Medigap Plans** – These private policies cover the Medicare deductibles, co-insurance and offer coverage for items not included in regular Medicare Parts A and B. The government has established ten different sets of benefits, plans A through J. which the insurance companies can offer, but the premiums will vary by carrier.

Enrollment

If enrollment in Medicare is not automatic, then Social Security will take the application at one of their district offices or online at www.ssa.gov.

Enrollment in Medicare Advantage Plans, Part D Prescription Drug Plans or Medigap polices is done directly with the insurance companies offering the plans.

Late Enrollment and Late Penalties

Part A – Hospital Coverage comes with enrollment automatically as outlined above when you enroll in Medicare. You should be aware that once enrolled in Medicare Part A, clocks start running limiting when you can enroll in the other portions of Medicare.

Part B – Medical Coverage enrollment is tied to enrollment in Part A. Unless you are going to continue to be covered by other health insurance from a prior employer, you should enroll in Part B at the time you enroll in Part A.

If you are covered by an employer plan, you may wish to postpone Part B since it costs almost \$100 per month. You may enroll in Part B any time you have that coverage and

for eight months following the loss of that other coverage without any late enrollment penalty.

If, however, you refuse Part B and later wish to add it and you are not losing other coverage, then you can only enroll in Part B between January 1 and March 31 of each year. Coverage is not effective until the following July 1. Also, there is a late enrollment penalty that will surcharge your premium an additional 10% for each year you could have been in Part B and weren't.

Part D – Prescription Drug Coverage should also be taken at the time you enroll in the other parts of Medicare unless you have drug coverage from another plan – or you or face a late enrollment penalty.

If you do have other drug coverage you can protect your future right to purchase Part D without penalty by getting a letter from your health plan. The letter is called a Certificate of Creditable Coverage and states that the drug coverage under your plan is as good as or better than Medicare Part D.

Because there are multiple drug plans to choose from and your prescription needs may change, you are given the option to switch to another Part D drug plan between November 15 and December 31 of each year for an effective date of January 1.

Similar to late enrollment in Part B, if you enroll late in Part D and don't provide a Certificate of Creditable Coverage, your premiums will be surcharged an additional 1% for each month you were not in Part D and could have been.

Medigap Plans do not have late enrollment fees, but they may require evidence of good health in order to grant coverage. For persons turning age 65, they have six months from the effective date of Medicare to enroll in a Medigap Plan during which time they cannot be refused coverage because of bad health or medical history.

For disabled persons getting Medicare before age 65, the federal law makes no provision for an open enrollment period into Medigap Policies. Since people under age 65 who are on Medicare are covered by virtue of being disabled, being disabled virtually eliminates them from getting a Medigap plan.

However, to fill this need, many states have enacted statutes to provide for an open enrollment. It is frequently six months as in the federal law. Check with your state's Department of Insurance to see if your state has such a law.

Part C – Medicare Advantage Plans

These plans are alternates to traditional Medicare Parts A, B, and D. Virtually all of these plans include a prescription drug benefit so you don't have to purchase Part D separately.

The Medicare Advantage Plans offered will vary from region to region. They may include: Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), Private Fee for Service Plans (PFFS) and Special Needs Plans (SPN). There

are advantages and disadvantages to each depending on your particular medical needs.

Generally, you can switch from regular Medicare at the start of your Medicare and you can switch plans again during the enrollment period between November 15 and December 31 of each year. In addition, there are Special Enrollment Periods if you should move out of a plan's service area or if you just joined the plan and find that it didn't provide the benefits you were promised.

Making Your Choice and Getting Help

It is not easy deciding what type of coverage you should get with Medicare. If you don't have other coverage you definitely should purchase Parts A and B as those parts are necessary even if you trade the coverage for a Medicare Advantage Plan.

If you choose to stay with Medicare Part A and B, you will need a Part D – Prescription Drug Plan. The best way to find the right Part D plan for you is to make a list of all your prescription medications, including the name of the drug, dosage and quantity taken. With that information you can use a search tool at www.medicare.gov which will show you all the available drug plans and which will cost you the least out of pocket. You can even limit your search to those plans accepted by your regular pharmacy.

Some people will prefer to go with one of the Medicare Advantage Plans:

- **HMOs** may result in lower out of pocket costs, but they will limit the selection of physicians treating you.
- **Private Fee For Service Plans** often provide excellent coverage if you live in more rural areas where the choice of physicians is more limited.
- **Special Needs Plans** are designed to meet a specific medical need such as home care or a specific disability such as AIDS or diabetes. They are not available in many parts of the country.
- **PPO Plans** will limit your choice of physicians but not as much as with HMOs.

Most states have non-profit organizations that provide free assistance and advice on Medicare issues. These organizations are often called HICAP, Health Insurance Counseling and Advocacy Programs although they also operate under different names in different areas. The best way to find your local organization is through senior organizations in your area or your state or local Department of Aging.

AARP is also a good resource for information on Medicare. It is an excellent organization with excellent literature on Medicare. It should be noted, however, that AARP also markets its own Drug, Medicare Advantage, and Medigap plans. While their plans are very good, they are not always the best plan for everyone; so take their recommendations on these plans, the same as you would any recommendation from an insurance company.

For someone who is used to just signing an enrollment card with their employer to get health insurance, starting Medicare can be quite intimidating. You should start preparing several months before your actual effective date in order to find the assistance you may need in the future.