



11 Private Plans Supplement Federal Health Care for Seniors

A Further Map to Medicare and Medigap

by Alexandra Armstrong, CFP, and Kelly Wright, CFP

In last month's column we focused on Medicare parts A and B. Now we'll concentrate on other areas of Medicare and Medigap plans. In addition to parts A and B, the relatively new Part D provides prescription-drug benefits. There's also a new development called "Medicare Advantage" that's referred to as Part C. Finally, we'll describe the various types of Medigap insurance plans. These are provided for coverage that Medicare parts A and B don't provide and can be an important factor in your health insurance coverage.

Medicare Part D

The Medicare prescription drug benefit is called Medicare Part D. The average estimated cost in 2013 will be about \$30 per month, though your actual premium will depend on the plan you choose, with a range from \$15 to \$165. Most fall into the \$30 to \$40 range. In 2013, those with higher incomes will also pay higher premiums for Part D Medicare prescription-drug coverage (see table on this page).

Medicare Part D coverage is sold by private companies that contract with the federal government, but premiums may be deducted from your Social Security check.

The Medicare standard in 2013 is for a \$325 annual deductible. For drug costs between \$325 and \$2,970, you'll pay 25 percent and Medicare will pay 75 percent. For costs above \$2,970, you'll pay 100 percent until you reach \$4,750 in out-of-pocket spending. This gap in coverage is called the "doughnut hole." After that point, Medicare will cover about 95 percent of any additional drug costs. Each Medicare prescription-drug plan available must offer benefits that meet or exceed this standard.

In 2013, Medicare beneficiaries who reach the doughnut hole will be eligible for a 52.5 percent discount on brand-name drugs.

At the Medicare website (see the end of this article) you can input your drug information into the Formulary Finder to determine which plans cover your medications and whether there are any limitations. Also use Medicare's online Drug Plan Finder for the estimated annual out-of-pocket

costs for all the plans available to you. Phone numbers for each insurance company are shown so that you can call them directly to confirm that you understand the benefits as well as the costs of any plan you're considering.

Enrollment in Medicare Part D is optional, but if you don't enroll during your initial enrollment period, you may have to pay a premium penalty of 1 percent per month if you choose to enroll later. But there will be no penalty if you already have prescription-drug coverage that's at least as good as Medicare's and you've had no gap in your drug coverage for more than 63 days.

If you have health care coverage from a current or former employer that continues to cover prescription drugs, you can keep it and choose not to buy Medicare Part D. If you later decide to drop the prescription drug benefit from your employer's plan, you may be able to enroll in Medicare Part D coverage without penalty under certain conditions.

If you have an existing Medigap insurance policy that provides prescription drug benefits and you'd like to keep it, you'll be able to do so as long as you opt out of the Medicare Part D prescription drug benefit; see the discussion of Medigap plans below. If the Part D coverage is superior to the drug coverage available in your Medigap plan, you should enroll in the Medicare Part D plan. Note that joining a Medicare drug plan may affect your Medicare Advantage Plan (Part C). If your Medicare Advantage Plan (Part C) includes prescription drug coverage and you join a Medicare Prescription Drug Plan (Part D), you'll be removed from your Medicare Advantage Plan and returned to Original Medicare.

There's a special six-month open enrollment period for Medigap insurance that begins with the month in which you enroll for Part B insurance. During this six-month period, your Medigap provider can't limit your benefits for pre-existing conditions. If you decide to delay enrollment in Medicare Part B, we recommend you enroll at least one month before you retire. To cover the expenses not paid for by Medicare, you can maintain group retiree health insurance as offered by your employer or purchase a Medicare managed care plan or Medigap insurance.

Most group health plans, other than the Federal Employee Health Benefit Plan offered to federal employees and retirees, require you to enroll in Medicare once you've retired. In general, retiree plans will cover you only if you have Medicare Part A and Part B coverage, and they only pay after Medicare pays.

To find out exactly how your retiree plan will coordinate with Medicare, you should contact the benefits administrator or the human resources department at your company. Find out from your benefits administrator/HR department whether you have to use special doctors for

Medicare Part D Premiums in 2013		
Income level for single individual	Income level for married couple	Your additional Part D monthly costs
\$85,000 or less	\$170,000 or less	\$0.00
85,001-107,000	170,001-214,000	11.60
107,001-160,000	214,001-320,000	29.90
160,001-214,000	320,001-428,000	48.30
More than \$214,000	More than \$428,000	66.00

your retiree plan to cover Medicare coinsurance, whether the plan covers prescription drugs, whether you can get your retiree coverage back if you decide to drop it and what premiums you're required to pay for the coverage. Keep good records, such as proof of the date of your retirement, in case you have any billing complications.

Medicare Advantage, Part C

These plans include Medicare health maintenance organizations (HMOs), preferred provider organizations (PPOs) and other organizations that are private companies paid by the federal government to provide individuals with Medicare health benefits. Some plans offer additional benefits, such as dental and vision care, which are generally not covered under Medicare. Plans incorporate Part A and Part B coverage, and usually Part D coverage as well. You're generally covered only for care provided by a doctor or hospital in the organization's network. Out-of-pocket costs may be low as long as you use the provider's network. If you use a Medicare Advantage plan, you probably don't need to enroll in a Medigap plan.

Medigap

Medigap insurance (also called Medicare supplemental insurance) is provided by insurance companies specifically to cover what Medicare doesn't cover. You may also consider Medicare Part C plans, otherwise known as Medicare Advantage Plans, that would take the place of Medigap coverage and possibly Medicare Part B. When you enroll in Medicare Part B and you're age 65 or older, you have a six-month open enrollment period in which to buy a Medigap policy. During this enrollment period, you cannot be denied coverage because of any current or prior health problems as long as you've had continuous health insurance coverage for the six months before enrolling.

If you had a break in coverage of less than 63 days, you'll still qualify. Also, a Medigap provider cannot charge you more based on your health condition if you apply during the open

enrollment period. Medigap policies are guaranteed renewable as long as you continue to pay your premiums. Note: Some states allow you to purchase Medigap insurance outside the six-month enrollment period. Check with your state insurance commissioner for more information.

If you continue to work past age 65 and don't yet need to purchase a Medigap policy because you're still covered under your employer's group health care plan, you can delay enrollment in Medicare Part B so that your six-month open enrollment period for a Medigap policy doesn't expire before you're ready to apply. Once you do plan to retire, you should apply for Medicare Part B as well as a Medigap policy unless your group retiree health insurance adequately supplements Medicare. This should be accomplished before your employee health insurance coverage ends.

A variety of Medigap policies are available. There are actually 11 standardized plans (the standard Medigap policies differ for residents of Massachusetts, Minnesota and Wisconsin) labeled A, B, C, D, F, F with a high deductible, G, K, L, M and N. Plan A is the most basic and F is the most comprehensive. Plans G, K, L, M and N offer differing intermediate coverage. Every insurer must sell the basic A coverage, which picks up most out-of-pocket co-payments for hospital charges and doctor bills. Policies K and L are newer and are designed primarily to cover catastrophic expenses.

The price increases as the benefits increase and the rates between insurance companies differ, so comparison shopping is necessary. We recommend comparing the Medigap coverage offered by three different companies. Once you and your adviser have selected a company and you've paid the initial premium, you have 30 days to receive a full refund if you change your mind.

Medicare SELECT

Medicare SELECT is a type of Medigap plan available in certain states that works like an HMO. Under this plan, you're limited to a network of doctors

and hospitals, except in emergencies. The premiums for a Medicare SELECT policy are generally lower because of this restriction.

For More Information

For more information about Medicare and Medigap insurance, free publications are available. For a copy of any of these or for more information, you can call 800/MEDICARE (800/633-4227) or the Social Security Administration at 800/772-1213. The Social Security Administration handles Medicare eligibility and enrollment. ■

Websites of Interest

Helpful Medicare websites. The fourth has the most comprehensive resources.

www.medicare.gov

www.medicare.gov/find-a-plan/questions/home.aspx

www.medicare.gov/forms-help-and-resources/index.html

www.medicare.gov/Pubs/pdf/10050.pdf

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