

Turning 65? A Primer on Medicare

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So you're turning 65 and wondering about Medicare. The first thing you need to know is how and when to enroll.

- If you already are drawing Social Security when you turn 65, a Medicare card will be sent to you automatically.
- If you are not drawing Social Security when you turn 65 (if you are still working or just waiting until you reach the age at which you can draw full Social Security benefits), you must apply for Medicare. Two or three months before your 65th birthday, call your local Social Security office and find out what documents you will need to bring with you to apply for Medicare. These may include a birth certificate, military discharge papers, perhaps marriage and/or divorce certificates, etc. Then go to the Social Security office to apply.

Medicare becomes effective the first of the month in which you turn 65, unless your birthday falls on the first day of the month, in which case your Medicare coverage becomes effective the first of the previous month. For example: If your birthday is May 5, Medicare becomes effective May 1; if your birthday is July 1, Medicare becomes effective June 1.

What to purchase

If you are still working at age 65, enrolled in your employer's health plan and your employer has more than 20 employees, your employer must continue to cover your health insurance just like it covers employees under age 65. In this case, sign up for Part A of Medicare. If you have worked 40 or more quarters during your lifetime, Part A is free of charge. Your employer's health coverage will be primary, and Medicare will be secondary. You may be able to delay signing up for Part B; ask Social Security to put this in writing for you. If you delay enrolling in Part B because you are working at age 65, when you retire, be sure to sign up for Part B.

If you are working at age 65 and your employer has 20 or fewer employees, it is the employer's option whether to continue to cover you on its employee health insurance plan. Talk to your employer.

What if your health insurance comes from your spouse's employer? Then the questions are whether your *spouse* is working when you turn 65 and the number of employees working for your spouse's employer.

If you are already retired when you reach age 65 (and are not covered by a working spouse's insurance), you must sign up for Medicare Parts A

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and B. If you delay enrolling, there are monetary penalties and a delay in effective coverage. If you are retired and still have employer-provided health insurance coverage as a retiree, Medicare is primary and your employer coverage is secondary.

For those fortunate enough to have employer-provided health insurance available to them as retirees, this may be all you need. It is important to understand your employer-provided benefits and costs so you can make an informed choice about continuing with the employer-provided coverage or leaving it. Once you have opted out of employer coverage, you might not be permitted to re-enroll.

Entering the World of Medicare

You have two ways to get Medicare coverage. One option is “Original Medicare” — Parts A and B — and, if you like, a Medicare supplement to pay for the co-pays and deductibles in original Medicare. The other option is to purchase your coverage through

Medicare Part A: Covers inpatient hospital stays, skilled nursing facilities (following a hospitalization), home health care and hospice services. Coverage is provided at no charge to those who have worked at least 40 quarters.

Medicare Part B: Covers doctors’ services, outpatient hospital and emergency room care, home health care, durable medical equipment and other services or supplies. Coverage costs \$96.40 (2009) or more per month, depending on income.

a private insurance company via a Medicare Advantage plan. In this case, you still enroll in Medicare Parts A and B (through Social Security, which handles Medicare enrollments) and you still pay for Medicare Part B, but your Medicare benefits are paid by the insurance company which writes your Medicare Advantage plan.

Medicare Advantage Plans

As a general rule, Medicare Advantage plans have lower premiums than Medicare Supplements, which can range from \$100 to \$200 per month or more, depending on the plan chosen and the person’s age. Some Medicare Advantage plans have a zero premium; however, Medicare Advantage plans have co-pays for doctor visits and hospital stays, which a person who uses original Medicare and purchases a Medicare Supplement may not have to pay.

Here’s another generality: Medicare Advantage plans tend to be more cost effective for people who are healthy and use relatively few healthcare services. Medicare Supplements can be more cost effective for those who use healthcare services frequently.

Medicare Advantage plans come in several varieties. Among the common choices are HMOs, PPOs and Private Fee for Service plans (PFFS). You already may be familiar with HMOs and PPOs offered as employer plans. With an HMO, benefits are paid only if you see a provider who is “in-network,” unless it is an urgent or emergency situation. With a PPO, benefits paid when you see an “in-network” doctor are more than benefits paid if you see an out-of-network physician. Private Fee for Service plans have no contracts

with physicians or other providers. Instead they publish their schedule of reimbursement, and any doctor/other provider willing to accept these terms is acceptable.

Other Medicare Advantage plan types are Special Needs Plans (SNPs) and Medical Savings Account Plans (MSA). **Important:** If you decide a Medicare Advantage plan is for you, check with your physicians and hospital to determine whether they are in network (for HMOs or PPOs) or whether they will accept the plan in which you want to enroll (for PFFS plans). Acceptability of these plans among medical providers varies widely.

Medicare Advantage plans will provide coverage for anyone who has enrolled in Medicare Parts A and B and who lives in the plan’s service area, except for people who have end-stage renal disease. There is no other health underwriting. You may enroll in a Medicare Advantage plan when your Medicare first becomes effective, and there are annual opportunities during which you may enroll, switch plans or disenroll from Medicare Advantage plans.

Medicare Supplements

If you elect to receive your Medicare benefits through original Medicare, at your option, you may purchase a Medicare supplement policy. These policies, sold by private insurance companies, have been standardized by law since Jan. 1, 1992. Currently, in most states, there are 12 plans available — labeled A through L. In addition, there are high-deductible versions of Plan F and Plan J. Each of these plans is designed to pay some or all of the gaps in Medicare coverage. Gaps include deductibles and coinsurance; excess charges; and

some non-covered items. Because the company cannot add to or modify the benefits in any way, a Supplement Plan F (for example) covers exactly the same benefits regardless of which insurance company writes it.

When you first enroll in Medicare Part B, you have a guaranteed right to buy a Medicare supplement policy from any company, without underwriting. This “open enrollment period” starts when you are 65 or older and enroll in Medicare Part B for the first time, and it lasts six months. While you may apply for a Medicare Supplement after your open enrollment period, at that time a company may underwrite your application for health conditions and may refuse coverage.

A Medicare Supplement policy pays benefits only if you are enrolled in original Medicare. It does not pay if you choose to receive your Medicare benefits through a Medicare Advantage plan.

Your Next Decision — How to Obtain Prescription Drug Coverage

Prescription drug plans, also known as Part D, provide coverage for prescription medications. These plans are written by insurance companies. Some Medicare Advantage plans include prescription drug coverage, but there are also stand-alone prescription drug plans which may be purchased by someone covered by original Medicare or enrolled in a Medicare Advantage plan which does not cover prescriptions.

You may purchase a prescription drug plan if you are enrolled in Medicare Part A or Medicare Part B — or both. You may enroll during the month in

which you turn 65, the three months preceding your birthday month or the three months following your birthday month. Later, there is an Annual Election Period between Nov. 15 and Dec. 31 each year, at which time you may enroll, disenroll or change plans for the following year.

If you enroll in Medicare Part A while still employed, you can delay enrolling in a Prescription Drug plan without penalty if your employer-provided health coverage includes “creditable” drug coverage. “Creditable” means the coverage is at least as good as that provided by a Medicare Prescription Drug Plan.

If you do not enroll in a Prescription Drug Plan when you are first eligible, you will have to wait until an Annual Election Period to have another opportunity to enroll in a plan, and when you enroll you will pay a Late Enrollment Penalty (LEP) in the form of an increased monthly premium. You will not have a LEP, however, if you had continuous creditable drug coverage. Creditable means the coverage is at least as good as that provided by a Medicare Prescription Drug plan. Many employer plans have creditable drug coverage. Those receiving care from Veterans Administration are considered to have creditable drug coverage.

In each state there are many Medicare Prescription Drug plans from which to choose. There is no, one “best” plan. The best plan for you as an individual is the one that covers your medications with the least number of restrictions and at the lowest cost. To find the plan that best suits you, go to www.medicare.gov and select

“Medicare Prescription Drug Plans.” You will enter your own medications, and the Web site will compare them to the formularies of all plans writing in your state and will show you available plans in order of least overall cost for you specifically.

For individual questions or counseling, contact your State Health Insurance Assistance Program (SHIP).

A trained counselor will assist you by providing information or answering questions. This confidential service is free of charge. Your state’s SHIP contact information can be found under “Find helpful phone numbers and Web sites” on www.medicare.gov.

Need More Help?

For more information, order a copy of *Medicare & You 2009* from the Centers for Medicare & Medicaid Services at www.medicare.gov, or by calling 800-MEDICARE (800-633-4227).

There is a State Health Insurance Assistance Program (SHIP) in every state. SHIP counselors are trained to help people by providing unbiased information about Medicare, including Medicare Advantage plans, Medicare Supplements and Prescription Drug plans. SHIP counselors do not sell any products and their services are free. In many states, SHIP is part of the Insurance Division or the Department of Elder Affairs. Your state’s SHIP will be listed on the back of your *Medicare & You 2009* booklet, and contact information can also be found on www.medicare.gov. ■