



Congratulations, you turn 65 and are eligible for Medicare. Your monthly benefits from the federal government include social security as well as deductions for Part A and B of Medicare.

Below we will help give you a brief synopsis and guide you through the first steps of understanding the Medicare options available to you. Under no circumstances is this a thorough review. In order to completely understand the benefits you will receive under Medicare, read the comprehensive brochure for seniors "Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare".

Original Medicare parts A & B

As we know it, there are 3 parts to Medicare—Part A, B and D. Managed by the federal government, Part A (hospital insurance) covers inpatient hospital costs and helps cover skilled nursing facilities, hospice and some home health care costs. Medicare Part B covers physician and services, outpatient care and some preventative services to help maintain your health when you are ill. The premium for Part A is \$443.00 per month and unless you are disabled or have survivor benefits from a spouse who was covered by Social Security, these costs are the same for everyone and part of your benefit. Part B premium starts at \$96.40 (may cost more depending on your annual income) and is withdrawn directly from your social security check. You can opt out of Part B coverage if you choose.

Both A (hospital benefits) & B (Physician and medical benefits) have deductibles, co-insurance/co-payments, and maximum benefits with extra lifetime reserve days. There are gaps in the government plan and payments you will be directly responsible to pay. Selecting a supplemental plan from a private insurer can cover part of these gaps.

Medicare Prescription Drug Coverage (Part D)

Section D, added to law effective January 1, 2006, was enacted under the Bush administration and is funded with taxpayer dollars. If you had a Medicare plan before January 2006, you may have a Medicare Supplement policy that includes drug coverage. If you are new to Medicare, you may select a separate plan for drugs. There are two ways to buy a Drug plan—as part of a Medicare Advantage Plan or a separate Medicare Prescription Drug Plan.

Since Part D provides basic coverages with large deductibles and copayments, besides premium differences, these drug supplemental policies must offer Formulary or Generic Drugs in every category of treatment. Deciding which drug plan is best for you may be challenging. Knowing your drugs and dosages before selecting the plan is helpful. For approved drug plans in California check out http://www.medicare.org/component/option,com_wrapper/Itemid,100/.



Medicare (Advantage) Part C Plans

Included in the description of Medicare is Part C, which you might assume is another coverage you get—it's not. Part C is coverage you can select instead of traditional Medicare. Offered by private insurance companies, Medicare Advantage Plans (MA) are private plans that are approved by the federal government. Choosing a MA plan means you will decline coverage through traditional Medicare. The insurance company has rigorous rules and regulations to follow and can be suspended for misleading material or infractions. An independent agent must be certified separately to sell Medicare Advantage Plans because they are perceived to be an extension of the Federal Government. These plans can be HMO (Health Maintenance Organizations), PPO (Preferred Provider Organizations), PFFS (Private Fee for Service), MSA (Medical Savings Accounts) (see our last newsletter), or SNP (Special Needs Plans). With MA plans, you will not purchase a Medicare Supplement plan since the supplemental benefits will be included in the Part C, MA plan.

Which plan is best for you? Listed below are some of the differences between Medicare Advantage (MA) and Medicare Supplement (a.k.a. Medigap) plans.

The Physician you choose

Your real choice with a MA versus a traditional Medicare Supplemental plan is to make sure you get the doctors and hospitals you want. Most MA plans are regional and the insurance company may not offer a MA plan in your zip code but may offer a Medicare Supplement plan in your area. MA plans designate the hospital and the doctor you must see. If you like HMO plans, you would probably be satisfied with a MA plan. If you prefer to select your own doctor and hospital, you would best be served with a PPO/Medicare Supplement plan. Many doctors will take Medicare patients but are not on the list to take Medicare Advantage patients. Do your homework first and find out what type of plan your doctor will honor.



Guaranteed Issued Rules

A law strictly regulated with Medicare is Guaranteed Issue. You are eligible for Medicare, Medicare Supplement or a Medicare Advantage plan even if you have health problems (pre-existing conditions) the first month that you are eligible to be covered under Medicare Part B age 65 or older. However, this guaranteed issue right is good for only 6 months after you are eligible. After that the insurance company can underwrite your medical history and you can be turned down, excluded for pre-existing conditions or surcharged. If you are covered under a group medical insurance program at your work after you are eligible for Part B, you can wait until your group plan is over before you select a supplement or MA plan, guaranteed issued. You are required to provide proof of enrollment of Medicare Part A and B in order to purchase a supplement. (There are a few other exceptions for guaranteed issue.)

In any case, if you plan on choosing a supplemental plan to fill in the gaps of Medicare or you wish to take an Advantage plan, you are best to choose the coverage when you are first eligible or when group benefits end with your employer.

Medicare Supplement Plans (Medigap Policies)

Medicare Supplement policies are available to fill in the gaps of traditional Parts A & B. These plans are standardized and called Plans A through L and must offer the same benefits, no matter which company sells the plan. Not all companies sell A – L. Premiums and contracted doctors and hospitals are usually the major differences in these plans.

Plans F & J offer the richest coverages for Medigap plans and also cover foreign travel emergencies which may be important if you travel outside the US. The Department of Insurance in your state can provide a list of companies that provide Medicare Supplemental plans. In California, see <http://www.insurance.ca.gov/0100-consumers/0060-information-guides/0050-health/medicare-supplement/upload/2008MedSupPlans65andOlder.pdf>.

These supplemental plans are usually less than \$180 per month depending on the company you choose and most doctors that accept Medicare will accept the supplemental plan benefits you choose as long as the plan is not an HMO or MA plan. Again, consult with your physicians billing department to make sure your plan will be accepted before your final selection.

Summary

There are benefits not covered by Medicare. These include: Long Term Care, Vision, Dental, hearing aids, eyeglasses, and private duty nurses during recovery from illnesses.

As you approach age 65, your mailbox will explode with offers for Medicare Advantage and Medicare Supplement plans. Marketing material from AARP and other senior organization can be confusing. Understanding the differences can save you time and money. Choosing an independent agent who is contracted to sell both Medicare Supplement and Medicare Advantage Plans is to your advantage. Call or contact our agency for more details and for your free guide to “Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare”.