

EXPECT AN EXPERT



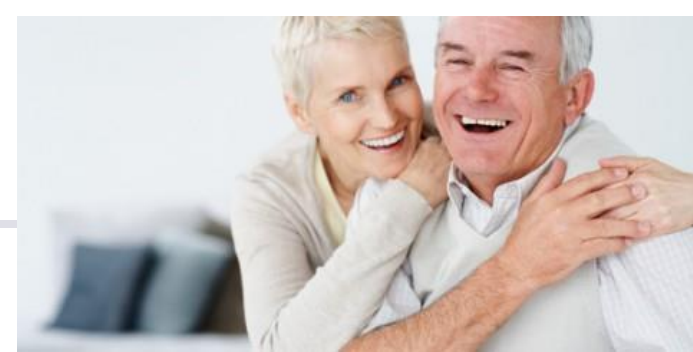
Understanding Medicare

Presented by:
Dan Dennehy

Statement of Intent

The purpose of this Seminar is to instruct our clientele about the basic structure of Medicare and the types of plans available for purchase when applying their Medicare benefit. These events are meant to be informative, and we want our audience to ask questions during and after the presentation to encourage understanding.

What is Medicare?



- Health insurance for the following:
 - People **65 or older**
 - People **under 65 with certain disabilities**
 - People of **any age with End-Stage Renal Disease (ESRD)**
(permanent kidney failure requiring dialysis or a kidney transplant)
- According to the Kaiser Foundation, there are about 50 million Medicare recipients, meaning that one in five Americans are receiving Medicare benefits.
- In Pennsylvania alone, there are about 2.5 million Medicare members which is about 30% of the state's population.

Different Parts of Medicare

The different parts of Medicare help cover specific services:

Part A – Hospital insurance “*Bricks and Mortar*”

Part B – Medical insurance “*Talent*”

- *When a Medicare Recipient accepts Medicare Parts A and B, they by default will receive ‘Original Medicare’ Healthcare coverage*
- *Supplemental Coverage- Works as a Secondary payer to Original Medicare. This allows for the Insured to use the Medicare network versus the network prescribed by a managed care option, with superior benefits as well*

Part C – Medicare Advantage Plans (like an HMO or PPO) – plans run by Medicare-approved private insurance companies. These plans include Part A, Part B, and usually drug coverage as well (Part D)

Part D – Prescription Drug coverage



A sample Medicare Health Insurance card for John Doe. The card features a red and blue header with the Medicare logo and the text "MEDICARE HEALTH INSURANCE". Below the header is the phone number "1-800-MEDICARE (1-800-633-4227)". The card lists the beneficiary's name as "JOHN DOE", the Medicare claim number as "000-00-0000-A", and the sex as "MALE". It also shows the effective dates for "HOSPITAL (PART A)" and "MEDICAL (PART B)", both starting on "01-01-2007". A "SIGN HERE" line with an arrow is located at the bottom left of the card. A large "SAMPLE" watermark is overlaid on the right side of the card.

IS ENTITLED TO	EFFECTIVE DATE
HOSPITAL (PART A)	01-01-2007
MEDICAL (PART B)	01-01-2007

When should I enroll in Medicare?

- If you have retired before 65 you must enroll in Parts A and B, which will begin on the 1st of your 65th Birth Month. You will then want to purchase some sort of additional coverage using your Medicare benefits.
- If you decide to work beyond 65, most individuals will only enroll in Part A, which will work as a Secondary insurance.
 - If your company has fewer than 20 employees, Medicare is Primary
 - If your Group Insurance has an HSA, you DO NOT want to enroll in Part A; you want to continue to benefit from your HSA
 - **NOTE:** If you have a Health Savings Account (HSA), you should stop making contributions to your HSA **6 months before you sign up for Part A and Part B** in order to **avoid a tax penalty**.

Eligibility

- **When can I sign up for Parts A & B?**

- **Scenario 1:** When you are first eligible — You have a 7-month period that begins 3 months before you turn 65, includes the month you turn 65, and ends 3 months after you turn 65.
- **Scenario 2:** If your coverage ends under a spouse's group plan or you retire after 65; you qualify for Special Enrollment period to join Part A and/or Part B and additional benefits.
- **Scenario 3:** Between January 1 - March 31 each year — If you didn't sign up when first eligible, you can sign up during this Annual Enrollment period.

- **When does my coverage start for Parts A & B?**

- **Scenario 1:** If you enroll during the 3 months before your 65th birthday, your coverage will start on the 1st day of your birthday month.
- **Scenario 1:** If you enroll the month you turn 65, your will coverage start the 1st after you sign up.
- **Scenario 2:** If you enroll when you retire, your benefits will activate the first of the subsequent month after your Group benefits end. You will need to direct Social Security to ensure this occurs.
- **Scenario 3:** If you enroll during Annual Enrollment period (January 1 - March 31), your coverage starts July 1.

NOTE: There is a Late Enrollment Penalty if you delay enrollment in Medicare options. You have 8 months to enroll in Medicare once you stop working OR your employer coverage ends (whichever happens first). But you'll want to plan ahead and contact Social Security before your employer coverage ends, so you don't have a gap in coverage.

Medicare Part A

- **What is Part A?**

Hospital insurance that helps cover inpatient care, skilled nursing facilities, hospice care, and home health care.

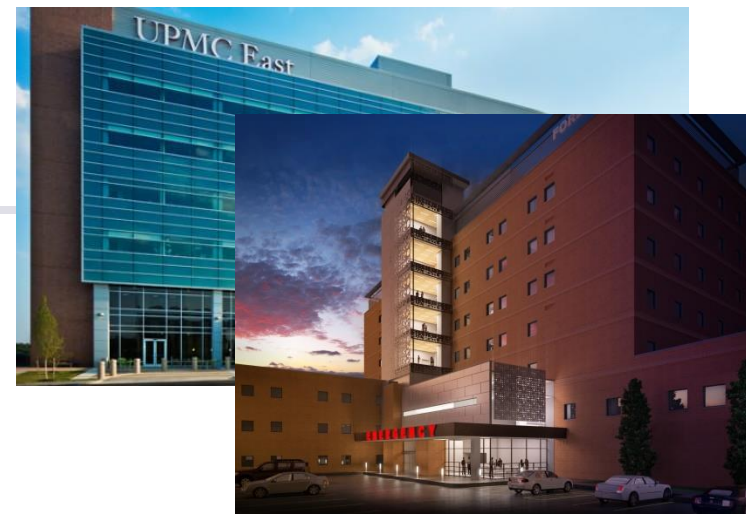
- **How much does it cost?**

- Most people don't pay a Part A premium, because they or their spouse worked 40 quarters and paid Medicare taxes in doing so. This is called "Premium-Free Part A."
- Naturalized citizens, or anyone who has not worked 40 quarters (or 10 years), will need to pay for Part A and would arrange this through Medicare.

- **How Do I Get Part A?**

Many people automatically get Part A when they turn 65 because they have begun to receive Social Security payments at 62.

NOTE: We suggest that as you approach your retirement, you should call Social Security to setup your Entitlement benefits.



Medicare Part B

- **What is Part B?**

Part B helps cover medically-necessary services like doctors' visits, outpatient care, labs, x-rays and other medical services. Part B also covers some preventive services.



- **How much does it cost?**

- If you accept Part B, you pay a Part B premium each month. Most people will pay the standard premium amount. For 2017, it is **\$121.80** per month.
- A portion of Medicare recipients will be charged an Adjusted Gross Income modifier (AGI) essentially a tax for being within a higher tax bracket on Medicare (see appendix)

- **How do I get Part B?**

If you do not want Part B, you can elect to delay this through Social Security.

Medicare Part D

- **What is Part D?**

Prescription drug coverage offered to everyone with Medicare Parts A and B

- **How do I get Part D?**

You must join through a private insurance company, each plan will vary by cost and coverage (i.e. formulary, network, and cost sharing)

- **Two ways to get Medicare prescription drug coverage:**

1. Purchasing drug coverage with Original Medicare, called a Prescription Drug Plan (PDP)
2. Pick a Medicare Advantage plan one that offers Part D coverage. You must have Part A and Part B to join a Medicare Advantage Plan.

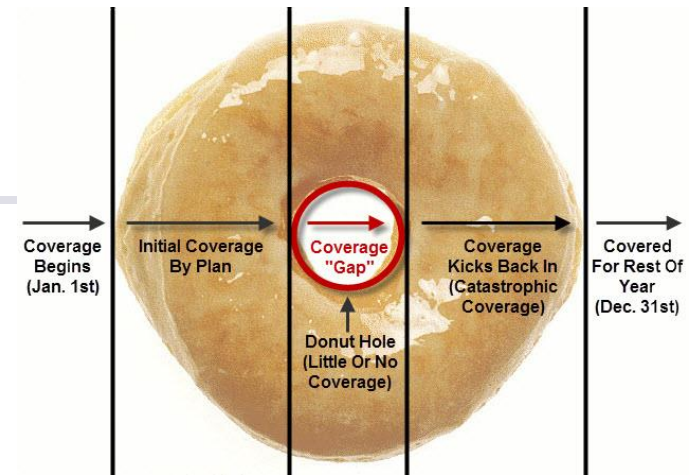


NOTE: Even if you do not take prescriptions, Medicare requires that you carry Part D coverage. If you are uncovered for a period of time greater than two months, you will receive a fine called the Late Enrollment Penalty (or LEP) later in life.

Medicare Part D

What you pay:

- In the care of a PDP, the member pays a premium
- Medicare Advantage plans will only ever have one premium for medical and Rx
- Coverage gap known as the “Donut Hole”
 - Temporary limit on what the drug plan will cover for drugs.
 - The coverage gap begins after **you and your drug plan** have spent a certain amount for covered drugs.
 - 2017 details:
 - The Initial Coverage Limit is defined as an amount of coverage where the insured will pay a defined **copay or coinsurance**. When this amount has been spent against the *price* of the drug — the amount being **\$3,700** — the member will then fall into the coverage gap called the “Donut Hole.”
 - During this time, the beneficiary pays for **51% of generic** drug costs and **40% of brand name** drug undiscounted costs (drug manufacturers provide a 50% discount on brand name drugs) .
 - Once **beneficiary expenditures** (including drug manufacturer discounts) reach a total of **\$4,950**, the beneficiary is through the coverage gap and reaches catastrophic coverage. You pay a reduced copay or coinsurance on all covered drugs until the end of the year.



Supplementing Medicare

Start



**Decide how you want
to get your coverage**

Original Medicare
(Parts A & B)



Part D prescription drug
coverage plan (PDP)



Medicare supplement
(Medigap)

Part C Medicare Advantage Plan,
which often includes:

- Parts A & B
- Part D prescription coverage
- Extra benefits (dental, vision, gym membership, etc.)

Medicare Supplement



What are Medicare Supplement plans?

- A Medicare Supplement, or “Medigap” plan, is used as a secondary insurance to Original Medicare. Thus, these plans cover the 20% that Medicare does not pay.
- Different Medigap plans cover different services, so it is important to know what your supplement covers during your initial enrollment.
- Supplements charge an additional premium in addition to your Part B and require that you purchase a PDP plan. Also, as an insured ages, the premium will become more expensive.
- Also, supplements will not cover anything that Original Medicare does not pay for, thus vision, dental, and out-of-country emergencies are not covered. You can purchase additional plans to cover these benefits.

Medicare Part C- Medicare Advantage

What are Medicare Advantage Plans?

- Medicare Advantage Plans, sometimes called “Part C” or “MA Plans,” are offered by private companies approved by Medicare. They typically are offered with HMO or PPO plan designs.
- If you join a Medicare Advantage Plan, the plan will provide all of your Part A (Hospital Insurance) and Part B (Medical Insurance) coverage. Medicare Advantage Plans may offer extra coverage, such as vision, hearing, dental, and/or health and wellness programs. Most include Medicare prescription drug coverage (Part D), and the private insurance company you purchase from will provide all claims payments, documents, and customer service.
- They also offer portable coverage and offer protection when traveling overseas.



Medicare Part C- Medicare Advantage

How Much Does a Medicare Advantage Plan Cost?

In addition to your Part B premium, you usually pay one monthly premium for the services included. These plans do not take into account a insured's age. Each Medicare Advantage Plan can charge different out-of-pocket costs. Your **out-of-pocket costs** in a Medicare Advantage Plan depend on:

- Whether the plan has a yearly deductible
- Copayments or coinsurance
- The type of health care services you need and how often you get them
- Following your plan's policies and network

Additionally:

- All Medicare Advantage plans have annual **out-of-pocket maximums**.
- Pharmacy and medical claims apply to separate accumulations.

Eligibility- Important Dates

- **If you enroll in a Medicare Advantage plan:**

You are allowed to switch plans every year, during Annual Election Period (October 15 – December 7) and whichever plan you elect would begin on January 1st of the subsequent year.

- **If you enroll in a Medicare Supplement:**

Medicare Supplements are **medically underwritten**, so if you wish to enroll in one from a Medicare Advantage plan or you desire a different supplemental carrier, you must enroll during the Annual Election Period (October 15th – December 7th) or during the Medicare Advantage Disenrollment Period (January 1st – February 14th).

Questions?

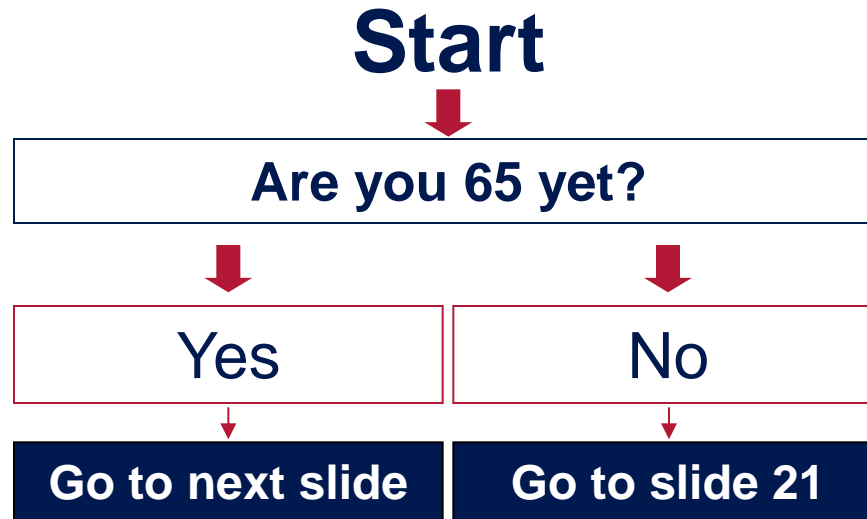
Resources

- **Highmark Blue Cross Blue Shield**
 - www.highmarkbcbs.com
 - 1-866-856-6166
- **UPMC Health Plan (UPMC *for Life*)**
 - www.upmchealthplan.com
 - 1-866-400-5077
- **Aetna**
 - www.aetna.com
 - 1-800-529-5586
- **PACE/PACENET**
 - www.portal.state.pa.us/portal/server.pt/community/pace_and_affordable_medications/17942
- **Discounted Medications:**
 - www.needymeds.org
- **Medicare**
 - www.medicare.gov
 - 1-800-633-4227
- **Henderson Brothers:**

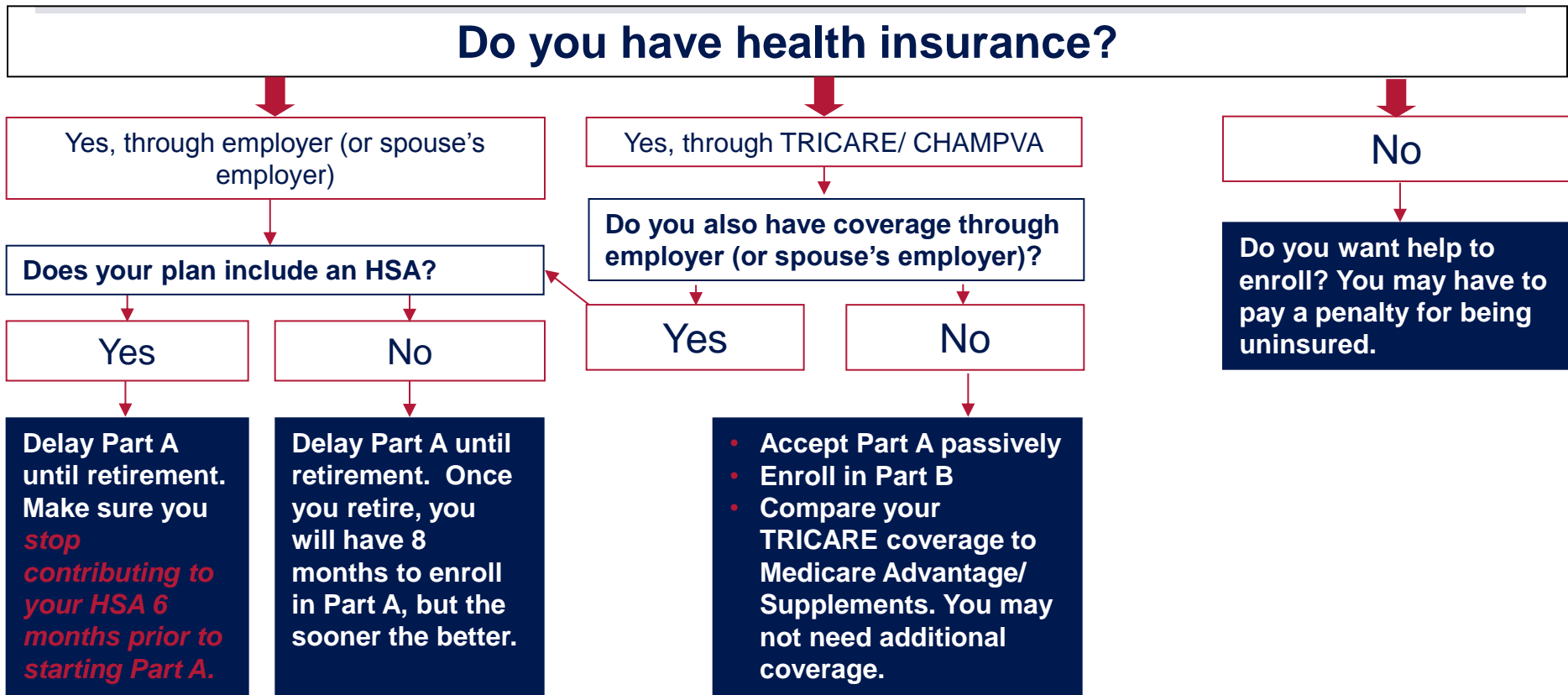
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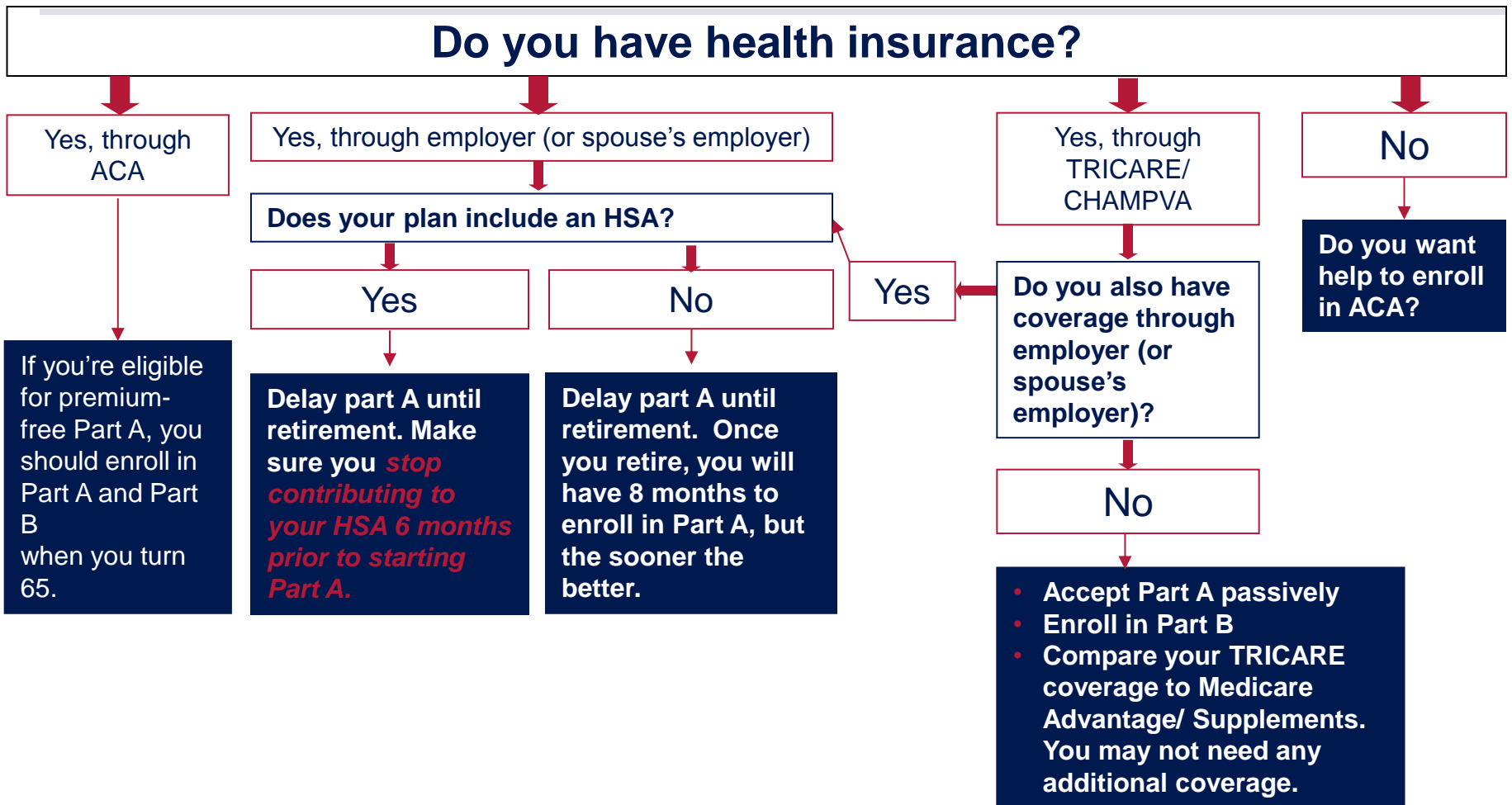
When to enroll in Part A



When to enroll in Part A: 65+



When to enroll in Part A: under 65



Enrollment Timeline Illustrated

Medicare Advantage Enrollment Timeline

Annual Election Period: October 15 — December 7	You can add or drop Part D prescription drug coverage during this time. You can also change to a Medicare Advantage plan or to Original Medicare. Your coverage will be effective January 1.
Medicare Advantage Disenrollment Period: January 1 — February 14	You can disenroll from a Medicare Advantage plan. You will be on Original Medicare and can join a prescription drug plan. Your coverage will be effective the first of the month following your disenrollment request.
Lock-in Period: February 15 — December 31	You cannot make a plan change after February 14 unless you qualify for a Special Election Period (SEP) or have Medical Assistance coverage.

Adjusted Gross Income

If your yearly income in 2014 (for what you pay in 2016) was:			You pay each month (in 2016)
File individual tax return	File joint tax return	File married & separate tax return	
\$85,000 or less	\$170,000 or less	\$85,000 or less	\$121.80
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	Not applicable	\$170.50
above \$107,000 up to \$160,000	above \$214,000 up to \$320,000	Not applicable	\$243.60
above \$160,000 up to \$214,000	above \$320,000 up to \$428,000	above \$85,000 and up to \$129,000	\$316.70
above \$214,000	above \$428,000	above \$129,000	\$389.80

Appendix-Social Security Enrollment

Year Born	Full Retirement Age
1943-1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 or later	67

Appendix-Social Security Enrollment

The Value of Waiting: Up To 8% Per Year

Can your clients wait?



This hypothetical example assumes that the person is not working in retirement. Sample benefit amounts are not exact due to rounding. They do not reflect annual cost-of-living adjustments or taxes. Had taxes been taken into account, the amounts would be lower. Benefit at full retirement age is assumed to be \$2,000 per month.

Social Security "Break-Even" Age

The age at which your clients break even and begin to come out ahead versus taking Social Security before full retirement age



This hypothetical example assumes that the person is not working in retirement. Sample benefit amounts are not exact due to rounding. They do not reflect annual cost-of-living adjustments or taxes. Had taxes been taken into account, the amounts would be lower. Benefit at full retirement age is assumed to be \$2,000 per month.

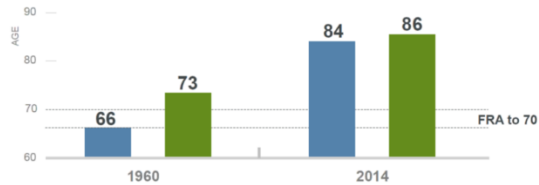
Appendix-Social Security Enrollment

Longevity: We Are Living Longer in Retirement

Retirement years could exceed working years

AVERAGE LIFE EXPECTANCY AT 65

MALE FEMALE



Source: Social Security Administration. Figure assumes a person is in good health.

Social Security and Working

Working while taking Social Security has its drawbacks

	Limits	Consequences
Before FRA	\$15,720 per year	For every \$2 over the limit, \$1 is withheld
At FRA	\$41,880 per year	For every \$3 over the limit, \$1 is withheld from benefits until the month they reach FRA
After FRA	None	No limit on earnings

Source: Social Security Administration, 2014.

Appendix-Late Enrollment Penalty Part B

Medicare is administered by the Centers for Medicare & Medicaid Services, an agency of the U.S. Department of Health and Human Services

Individuals who do not enroll in Part B when first eligible (e.g., at age 65) can enroll during a General Enrollment Period, January 1 – March 31.

Part B coverage begins on July 1 of the year they enroll.

Late Enrollment Penalty for Part B: The Part B premium is increased **10%** for **each full 12-month period** the beneficiary could have had Part B but, did not enroll.

EXCEPTION: Individuals who have group health plan coverage based on their own current employment or the employment of a spouse are not subject to the premium increase and may enroll in Part B anytime while covered under the group health plan or during a special enrollment period that occurs during the 8-month period immediately following the last month of the group coverage.

Appendix Continued- Extra Help

Beneficiaries may qualify for help with health care and other costs through a variety of programs:

Medicaid: Apply to State Medicaid office. Help paying Medicare Part A and/or Part B premiums and, in some cases, deductibles and coinsurance/copayments.

Medicare Savings Program: Apply to State Medicaid office or Social Security Administration (SSA) at 1-800-772-1213 or apply online at <http://www.socialsecurity.gov/prescriptionhelp>.

Part D low-income subsidy: Apply to State Medicaid office and the State will check for eligibility for this and other programs such as the Medicare Savings Program. Persons interested in Part D help only also may contact the SSA.

Supplemental Security Income (SSI) benefits: Apply to State Medicaid office. For 2016, the standard benefit requires the beneficiary to pay: \$360 deductible 25% of prescription drug costs between \$360 and \$3,310 = \$738

Appendix Continued- Part D

The amount beneficiaries pay while in the coverage gap decreases by a small percentage each year until 2020 when they will be responsible for only 25% of brand and generic drug costs.

Nominal costs under catastrophic coverage: Once beneficiary expenditures (including drug manufacturer discounts) reach a total of \$4,850, the beneficiary is through the coverage gap and reaches catastrophic coverage. On any future prescriptions the beneficiary pays either a co-pay of \$2.95 for generic drugs or \$7.40 for brand name drugs or a co-insurance of 5%, whichever is greater. SSA.

If a beneficiary has limited income and resources, he/she may qualify for the low-income subsidy (LIS) and receive extra help from Medicare to cover all or part of the Part D plan premium and cost-sharing.

To qualify for extra help, beneficiary income may not exceed 150% of the Federal Poverty Level (FPL). The 150% FPL varies geographically as follows:
48 states - \$17,655 (individual)/\$23,895 (couple) in 2015.