



Guide to

# **Smart Medicare** Planning

## Guide To **Smart Medicare Planning**

*Medicare is the national health insurance for people age 65 or older and people under 65 with certain disabilities. Whether you are working or retired at 65, Medicare is likely to become a part of your life. In fact, you may have no choice.*

When you turn 65, Medicare becomes your primary health care provider and any private insurance you have becomes your secondary payer. You are required to enroll in Medicare on time or you may be subject to late-enrollment penalties and unpaid insurance claims.

This guide is designed to help you understand the basic Medicare steps so that you can find proper coverage that is affordable. Because the program has many options and each individual has specific health care needs, we encourage you visit **www.Medicare.gov** or call **1-800-MEDICARE** (1-800-633-4227) for more information.

### **ENROLL IN MEDICARE ON TIME**

You will be automatically enrolled in Medicare if you are collecting Social Security when you turn 65. If not, then you will have to sign up for Medicare, beginning three months prior to your 65th birthday. You can enroll for Medicare through the Social Security website at **www.socialsecurity.gov**, or by calling **1-800-772-1213**.

**Note:** This enrollment is only for Part A and Part B. For Part D or any supplemental coverage, you will have to choose a plan and enroll separately, either through Medicare or a private insurer.

#### **Initial enrollment period:**

You can first enroll in Medicare Part A and Part B during a seven-month period starting three months before the month you turn 65. You will want to enroll during the first three months to ensure that your coverage begins on the first of the month in which you turn 65.

#### **General enrollment period:**

As of 2024, coverage no longer begins on July 1 when someone enrolls during this period. It now begins on the 1st of the month following the enrollment. For example, if someone enrolls January 8, coverage begins February 1, and so on.

General Enrollment Period is also known as “Open Enrollment Period”. This is the period between January 1 and March 31, where those who are enrolled in a Medicare Advantage Plan can switch to a different Medicare Advantage Plan or Original Medicare (and join a separate Medicare drug plan). People can only switch their MA plan once during this time.

#### **Special enrollment period:**

A special enrollment period can be triggered with various life events anytime throughout the year. These include:

- Losing health coverage (Retirement, Layoff, etc.)
- Moving
- Getting married
- Having a baby, or adopting a child
- Household income is below a certain amount.

### **KNOW THE DIFFERENT PARTS OF MEDICARE**

#### **PART A**

Part A covers hospital services, including inpatient care, skilled nursing facility care, hospice care and home health care.

#### **Cost**

The monthly premiums are free if either you or your spouse paid Medicare payroll taxes for at least 10 years (per Social Security rules), which makes you fully insured. You still must pay a deductible for any hospitalization. If hospitalization lasts longer than 60 days, you may be responsible for part or all of the daily rate. If you don't qualify for premium-free Part A, you'll pay either \$278 or \$505 each month (2024) depending on how long you or your spouse worked and paid Medicare taxes.



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## Late-enrollment penalty

If you aren't eligible for premium-free Part A, and you don't buy it when you're first eligible, your monthly premium may go up 10% for every 12 months you didn't have the coverage. You'll have to pay the higher premium for twice the number of years you could have had Part A but didn't sign up.

## PART B

Part B provides medical coverage such as doctor visits, outpatient services, home health care, durable medical equipment and some preventive services.

## Cost

There is a monthly fee for Part B, which is \$174.10 each month in (2024) (or higher depending on your income). This is deducted from your monthly Social Security check, if you are collecting benefits. If not, you are billed directly. Some individuals who enroll for the first time and individuals with higher incomes may be charged an additional premium. Meanwhile, lower income individuals who qualify for assistance may be exempt.

## Late-enrollment penalty

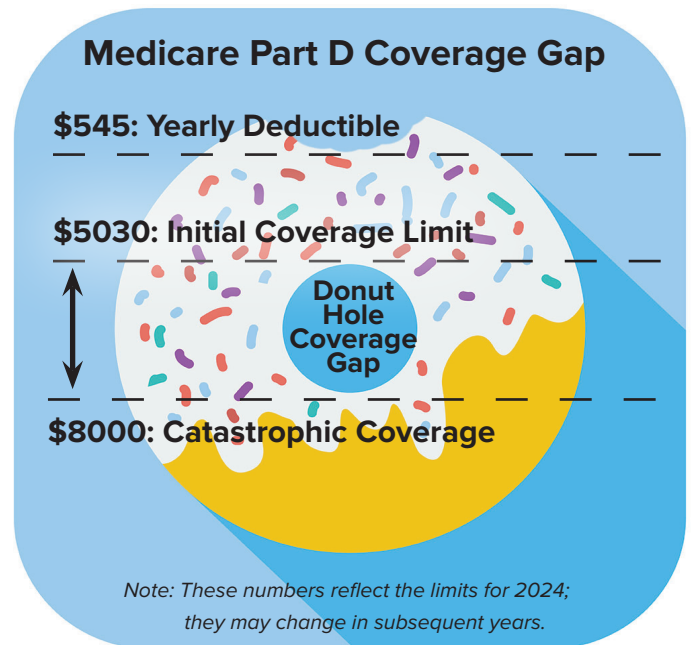
If you don't sign up for Part B when you're first eligible, you may have to pay a late-enrollment penalty for as long as you have Part B. Your monthly premium for Part B may go up 10% for each full 12-month period that you could've had Part B but didn't sign up for it. If you're allowed to sign up for Part B during a Special Enrollment Period, you usually don't pay a late-enrollment penalty.

## PART D

Part D is the prescription drug coverage portion of Medicare, and is provided by private insurers. Anyone who has enrolled in Part A and Part B is eligible. You are not required to sign up for Part D if you have creditable coverage that is expected to pay, on average, at least as much as Medicare's standard prescription drug coverage. If your coverage is not creditable, you may have to pay a penalty for as long as you have Medicare coverage. It is important to retain your annual statements from your insurance company stating that your coverage is creditable as proof to Medicare.

## Costs and the "donut hole"

Your prescription coverage costs will vary based on different factors including your prescriptions, the plan you choose and your pharmacy. Generally, after you enroll in a Part D plan, you'll have a separate deductible of up to \$545 (2024). After meeting the deductible, you pay a copayment or coinsurance, and the plan pays its share until the total drug costs (including what you have paid) reach \$5,030. The coverage gap "donut hole" amounts are from \$5,030 - \$8,000.



One IMPORTANT change for 2024 is that when someone gets out of the donut hole and reaches catastrophic coverage, they no longer pay 5%...it is now \$0.

## Enrollment period for Part D

You can enroll in Part D during your initial enrollment period. If you do not enroll in Part D during your initial enrollment period, you will need to enroll during the annual coordinated election period between October 15 and December 7. This will give you an effective date of January 1 of the following year.

## CHOOSE THE RIGHT SUPPLEMENTAL COVERAGE

There are many services and supplies Medicare doesn't cover. You can avoid the surprise out-of-pocket costs from these gaps with a supplemental insurance policy, but there are many plans to consider. The goal is to find a plan that meets your needs at a price you can afford. Begin this process well before your effective Medicare start date to ensure that your supplemental insurance kicks in at the same time.

## Medigap

This plan is designed to cover the gaps Medicare does not, such as deductibles, co-payments and coinsurance amounts. There are dozens of companies offering over 100 plans; however, Medigap plans are all coded by variety with a letter system ranging from A to N. All plans with the same letter have the same coverage. This means the F plan (most comprehensive), for example, will cover the same items from provider to provider.



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The difference is in costs. Therefore, you want to shop by first selecting the plan type you need, and then pick the insurer and premium that works for you.

## Medicare Advantage – Part C

These plans (known as Part C) are offered by private insurers and are another way to receive Medicare. Medicare pays a per-capita amount to insurers who offer these plans. They act as an alternative to purchasing Medigap and Part D. If you opt for one of these plans, you're essentially getting an all-in-one insurance policy. Your policy will take the place of Part A and Part B as well as fill the coverage gaps. It will cover a specific amount of your deductibles and co-pays, and will usually include medications. Some plans also include dental, vision and/or hearing, but for an extra cost.

In the advantage plans, you have to select an HMO, HMO-POS or PPO. As always, you'll have to decide if you want a lower price but less flexibility, or a higher price and greater flexibility.

Premiums can change significantly from one year to the next so make sure you fully review what you have each enrollment period.

To participate in Medicare Advantage you must enroll in Part A and Part B on time and pay Part B premiums, in addition to any premiums that are charged by the insurer's plan. If you have a Medicare Advantage plan, you may not apply for a Medigap supplemental insurance policy.

### A basic comparison:

Medigap + Part D:	Medicare Advantage
Higher premiums	Lower premiums
Lower out-of-pocket costs	Higher out-of-pocket costs
More consistent costs	Less consistent costs
Better for individuals who need a lot of care	Better for healthy individuals

## WHERE TO SHOP FOR SUPPLEMENTAL INSURANCE

For most, the best place to start shopping for supplemental plans is on Medicare's own website, [www.Medicare.gov](http://www.Medicare.gov). You can search for plans by using the Medicare Plan Finder. If your former employer still provides some coverage, you may be able to shop through a private exchange.

## WHAT TO DO IF YOU HAVE AN HSA

Enrolling in Medicare will make your health savings account (HSA) contributions stop. By law, your contributions can continue only if you are not enrolled in Medicare. If your current employer's plan covers fewer than 20 employees, then you need to enroll in Medicare and stop your contributions. If your employer's plan covers more than 20 employees, you may defer Medicare enrollment and keep making contributions to your HSA. In this case, you should not enroll in Medicare Part A or Part B.

## WHAT TO KNOW ABOUT LONG-TERM CARE

The biggest thing to know about long-term care is that Medicare doesn't cover it. If you need daily living assistance with services such as dressing and bathing or supervision and care because of a cognitive decline (dementia, Alzheimer's, etc.), Medicare will not pay for it.

If your situation becomes difficult enough to need care in a facility, the costs can be substantial. You and your family may have to use a portion of your assets to pay for it. When you are planning your retirement health care expenses, talk with your financial adviser about how to integrate long-term care into your overall financial plan.

## MANAGING YOUR MEDICARE PLAN

Planning doesn't stop after you enroll in Medicare. It is important to periodically review your plan. This review can help ensure that you have the appropriate amount of coverage and that you are not paying too much in premiums.

Here are a few tips to help you manage your plan:

- Private insurers offering Part D, Medigap and Medicare Advantage plans can change their premiums and coverage terms. Therefore, you want to compare plans and shop around in an effort to get the same, or better, policy for a lower price.
- If you have a Part D prescription or Medicare Advantage plan, watch your mail in the fall each year for plan announcements regarding changes in prices and benefits.
- Remember, the annual coordinated election period is from October 15 to December 7 each year. If you decide to switch plans, you will need to contact the new plan before December 7 to guarantee that your new coverage will take effect by January 1. Make sure you apply and are accepted into your new plan before you cancel your old plan. Also, make sure you understand all of the costs associated with the new plan.

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- You should also contact your financial adviser to discuss what Medicare plans may best fit into your financial plan. Paying for more coverage than you need or a premium that you can't afford can derail your retirement goals.
- Further, you may have to plan for the income-related monthly adjustment amount, or IRMAA, which is a fee you pay on top of your Medicare Part B and Part D premiums if you make a yearly income above certain annual thresholds. IRA and 401(k) distributions can add to your overall taxable income. Since Medicare premiums are based on MAGI from 2 years prior, if distributions from your accounts “bump” you up to a new income range according to Medicare, your Medicare Part B premiums will go up significantly as well.

### WHAT TO DO NEXT

Hopefully, you have a better understanding of the Medicare program and what steps you need to take to become insured. Additional knowledge can help you in this process. You can find additional information by visiting the Medicare website at **[www.medicare.gov](http://www.medicare.gov)** or calling **1-800-MEDICARE** (1-800-633-4227). You should also contact your financial adviser to discuss what Medicare plans may best fit your financial plan.



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