

Worry-Free Senior Health Insurance: Seven Tips to Choosing Medicare Options.

Being uninformed may impact your financial welfare and ability to choose your options later on. One thing everyone who turns 65 has in common is an increase in "junk mail." You receive packets, cards, booklets, and invitations along with multiple phone calls, all offering information or assistance in choosing your Medicare options. Often the offers and solicitations-from multiple companies-do little more than increase your worry and confusion.

Fortunately, you can have peace of mind from day one. All it takes is remembering some basic points and then selecting an agent who is qualified to help you design a life-long, worry free plan that fits your situation and health needs. Choosing without the proper information can both impact your out of pocket costs for health care and could limit your ability to choose certain plans later on if you should desire to change.

TIP 1: UNDERSTAND YOUR MEDICARE

Contrary to what many people expect, Medicare was never intended to provide totally free health care to seniors. During your working years, money was deducted from your pay for Medicare Part A. Part A pays the hospital, 100 days of skilled care in a nursing home, and certain other benefits. Deductibles and Co-payments apply; these costs increase every year. In 2008, the Part A deductible alone is \$1025.

Medicare Part B could be thought of as the part that pays the doctor, but actually it pays everything Medicare covers that is not covered under Part A. This does not include prescription drugs. Medicare Part B also comes with a premium that increases yearly. Part B pays 80% of the eligible expenses after your annual deductible. Unless you have creditable coverage somewhere else (such as employer group retiree coverage), you must sign up for Part B. Otherwise you will be ineligible for any other coverage such as Medigap Insurance or Medicare Advantage plans. Also failure to take part B when you are eligible results in a 10% penalty per year which is applied when you try to get it later.

TIP 2: TIMELINESS AND FULL-DISCLOSURE, NOT EMOTION, SHOULD IMPACT YOUR DECISION

There is no annual out of pocket max on what you could owe under Medicare alone. While Medicare pays a great deal, your copays and deductibles will mount up quickly if you have a major illness. Don't try to tell yourself that you won't get sick. One of every four people over the age of 65 has 3 or more chronic conditions.

That is why most people choose either a Medigap Insurance or a Medicare Advantage Plan. There are important differences in these plans, but when you are turning 65, you are in open enrollment for any plan that fits your need and is available in your coverage area.



Time is an important factor. When choosing a Medigap policy, you do have a 13 month window of opportunity--six months before and after your birth month-but it is to your advantage to make sure your coverage begins in the same month your Medicare does.

However, with a Medicare Advantage Plan, your window is open only three months before and after your birth month. Consequently, you may receive solicitations urging you to switch to an Advantage Plan after you have already decided on a Medigap Plan. It is a sales strategy to wait until you have already paid premium for a Medicare Supplement and then tantalize you with what you could spend that money on if you didn't have a premium.

The MA sales agents are trained in high pressure strategies and will often present only the best features of the MA unless you insist on reading the book first. Then they may ask you to "go ahead and sign, and just cancel if you don't like it." That, too, is a pressure technique as MA plans are difficult to get out of without waiting until open enrollment. By then, it may be too late to get the more dependable coverage offered by a supplement. If you have analyzed your financial and medical situation properly, there will be no reason to re-think your first decision. Listen to your head, not your emotions. There is no such thing as free health insurance, regardless of what some high pressure guru tells you.

TIP 3: DON'T BE CONFUSED BY THE LANGUAGE

A major cause of confusion when choosing Medicare related options is the language. Medicare itself uses the word "Part" to refer to Part A, Part B, and now the separate Part D for drug plans. All Medigap plans-also called Medicare Supplement Insurance-use the word "Plan." Currently, there are 11 Medicare Supplement plans identified with the letters A through L. Not all plans are available in all states or with all companies, but any given plan will have identical coverage from one company to another. For example, a J plan with "Smith" Company and a J plan with "Jones" Company will provide exactly the same coverage. The only differences will be in the premium, which changes every year, and in the quality of service-which can be significant. When using a Medicare Supplement, you use your Medicare first. The supplement pays the copays and deductibles according to the terms of the specific plan.

Medicare Advantage (MA) plans are NOT Supplement or Medigap plans. They may be Private Fee for Service (PFFS), HMO, or PPO plans. If you choose an MA plan, you will not use your Medicare card although you will keep paying your part B premium. That's because Medicare will be paying a private company to handle your health insurance needs. Medicare Advantage Plans are sometimes called "Medicare Part C," but they are actually owned by private companies. Some of them include prescription drugs and are then referred to as MAPD plans.

TIP 4: MEDICARE ADVANTAGE PLANS VARY ANNUALLY AND FROM COMPANY TO COMPANY

Medicare Advantage plans help control your health care costs by giving you a low premium. Several of the MA plans (plans that do not include prescription drugs) have zero premium. You usually have a co-payment to the doctor and co-payments, co-insurance, or deductibles to the hospital. However, most plans have an annual out of pocket max. These ceilings from \$1000 to \$6,000 change annually and can be found in the back of your Medicare and Me Handbook.

MA and MAPD Plans do not change for your age, and are not medically underwritten-except for certain Special Needs Plans. The only exclusion for most MA plans is for kidney dialysis. MA plans (including MAPD) often DO change the details of coverage and the premiums annually. Your coverage is guaranteed for the current year only. And if your doctor does not accept payment, you will have to pay the bill yourself, and you will not be re-imbursed.

TIP 5: MA PLANS COVER DIFFERENTLY FROM MEDICARE, AND MEDICARE DOES NOT PAY THE REMAINDER

In addition to controlling your costs, MA plans usually offer some benefits that Medicare does not cover. For example, many health screenings such as colonoscopies and pap smears are free under MA plans, but have a 20% co-pay under Medicare alone. Also, MA plans may provide limited benefits for dental, vision and hearing needs.

An important difference between MA and original Medicare, however, is the nursing home coverage. While MA plans may not require a hospital stay first, some only give three days free instead of the 20 under original Medicare. All MA plans cover up to 100 days, but the co-payments can vary significantly. When choosing a MA or MAPD plan, it is important to go over the coverage details before signing. Unless you are in open enrollment or a special enrollment period, you may have difficulty changing if the coverage is less than you expected.

TIP 6: MEDICARE SUPPLEMENT-A WAY TO LIFE-LONG, WORRY FREE COVERAGE

Medicare Supplements are designed by Medicare and offered by private companies. Because of the way they are created, a supplement will not change terms of coverage once you purchase it. The premium will usually go up each year, but, depending on the plan you choose, you can limit your out of pocket costs to just your premium and any care not covered by Medicare. For example, Medicare does not generally cover routine dental work, or eye glasses. Thus, your Medigap policy will not cover those items either.

You can choose a Medigap coverage that leaves you with zero co-pays or deductibles for any Medicare covered expense. However, several other Medicare Supplements, such as the L plan or the High Deductible F, may fit your budget better and are equally dependable and predictable. Your best option is to work with a reputable agent who is able and willing to find the



plan that will serve you the best for as long as you live.

TIP 7: CHRONIC ILLNESSES CAN LIMIT YOUR CHOICES

During your "aging in" open window, you can freely choose either Medicare Supplement or Medicare Advantage. However, it is important to recognize that if you have or develop certain chronic illnesses, such as congestive heart failure, kidney disease, insulin dependent diabetes, and others, you will only have this one opportunity to purchase a Medicare Supplement. Furthermore, if you drop a Medicare Supplement after developing a chronic illness, you will be unable to get it back. You will be able to get original Medicare, but you will never have another opportunity for true Medicare Supplement Insurance.

Most doctors who accept Medicare assignment also accept Medicare Supplement Insurance. If, however, you have one who does not, you can submit the claims yourself and be reimbursed for the Medicare approved copay amount. With plans F and J you can also be reimbursed if the doctor charges the "excess charges" allowance of 15% over the Medicare approved fee.