

# What You Need



## Research and prepare to get the most from your health benefits

**By Jeanette Beebe**

SOME BIRTHDAYS ARE EXCITING MILESTONES: At 16, most of us get to drive a car, and at 21, we can drink in a bar. But age 65 is a little different.

Turning 65 isn't about something you *can* do once you're old enough. It's about something you *should* do, even if you don't want to begin receiving your retirement benefits just yet. It's called signing up for Medicare.

"You work all your life and you pay into your Medicare, and then, when you turn 65, there's so much out there that you're like, Where do I start?" says Mildred Scrogam, a mother of three grown children who lives in Bentonville, Ark.

In April, she and her husband Rick began to get a bit nervous. "We were so

confused about Medicare, because we didn't know exactly where to start and what to do," she remembers. Her 65th birthday was coming up in June, and they were planning for Rick—who's a year older—to take his retirement on July 1. They knew they needed to figure out their Medicare options soon.

"Timing is very important," says Keith Armbricht, a Florida-based insurance agent who helps seniors navigate Medicare. "Right when you're either turning 65 or when you're retiring from work—you may be well past 65—you have a window where you don't have to answer any medical questions, and that gives the ability to choose anything that you want. The insurance companies can't say no." While Medicare doesn't deny coverage for pre-existing conditions, during this period, seniors can pick any plan they like without having to worry about whether their medical conditions might disqualify them from supplemental coverage. (See *Step 5 below*.) That's why it's crucial to enroll at age 65 or right when you retire,

when you're the youngest (and likely the healthiest) you're ever going to be, and have the most options.

It's also important to know what you're getting into, so you can be prepared. Cicily Hampton, the chief policy and programs officer at the Society for Public Health Education, has worked on behalf of Medicare beneficiaries for more than a decade. Most people still have one or two big misconceptions about Medicare, she says.

"People think, Oh, when I turn 65, I just get Medicare. And for the most part, that's not true," she says. "The second misconception is that Medicare is free. It's not free."

The good news? You're not alone in this. "Look, it's really confusing. It's confusing for everyone," says Miriam Laugesen, an associate professor at Columbia University's Mailman School of Public Health. "It's a multilayered program."

The easiest way to approach Medicare is step-by-step. Here's how.

# to Know About



## **Step 1:**

### **Sign up for Medicare Part A**

Your first step is to check in with the Social Security Administration. Call, make an in-person appointment or visit its website. If you've been receiving Social Security disability benefits, you may get Medicare automatically.

But if you do need to sign up—and most people do—the initial enrollment period is open for seven months. It's the three months before your 65th birthday, the month of your 65th birthday and the three months after.

Medicare Part A covers your care in hospitals and skilled nursing facilities, as well as hospice and home health care. There are gaps, though; Medicare's website provides an online tool to check whether your test or service is covered.

For most people, Medicare Part A premiums are free. As long as you or your spouse have paid your Medicare payroll taxes for at least 10 years, you can access your benefits at age 65 with no premiums. You also won't need to

pay a monthly premium if you're 65 and already receiving Social Security benefits. To check how much you'll need to pay, visit [Medicare.gov](https://www.medicare.gov).

However the deductible for Medicare Part A is over \$1,300. "It's significant," Hampton says. "Those fees do start to add up."

## **Steps 2 and 3:**

### **Sign up for Medicare Part B or Part C—or don't**

Next, you'll probably want to sign up for either Part B or Part C. Though these plans are optional and do come at a cost, most people choose one or the other because they pick up what Part A doesn't cover, like visits to certain doctors and outpatient providers.

Part B is just like Part A; it's an element of "traditional" Medicare, and it's run by the federal government. Part C, known as Medicare Advantage (MA), is run by private insurance companies.

"Signing up for Medicare really is about signing up for A," Laugesen says.

"But if you switch over to C, from the government's perspective, you're still a Medicare A and B premium holder. It's just that the money goes through the insurance company: they manage your benefits. But you're still on Medicare. It's just delivered and called something different."

Why would you choose a Part C plan? Many private insurers advertise low- or zero-cost monthly premiums for MA plans, and there might be other benefits too: dental, vision, hearing and more.

Part C plans offer a range of options, but you'll want to read the fine print. And checking whether a provider is covered under your plan can be a complex process. It's not just doctors: you'll need to think about pharmacies, lab facilities, urgent care centers, home health providers, medical equipment suppliers and more.

Traditional Medicare (Parts A and B) allows you to visit nearly any hospital or doctor in the country. "Across all specialties, around 96% or 98% take Medicare," Laugesen adds. "There's broad participation by providers."



Part C plans typically limit which doctors and providers you can visit to a specific region. It's the network system, with two options: HMO (health maintenance organization) or PPO (preferred provider organization). With an HMO, you'll need a referral from your primary doctor to see a specialist. This process can be frustrating, because it takes time. And with a PPO, you can't see a doctor who's not in the network unless it's a true emergency. (There is an exception: with a PPO, you can ask any out-of-network doctor if she's willing to bill your health insurance plan. But if she won't, you need to find another doctor.) So if you sign up for a Part C plan and your favorite doctor isn't in the network, you'll need to stop seeing her—or pay out of pocket.

One tricky feature of Part C plans is the lock-in period. The rules governing when you can switch to another Part C plan—or to traditional Medicare—are complex, so

check Medicare.gov for details about enrollment periods.

And with these networks, there's always the risk of being faced with unexpected or hidden costs. A provider might even leave your network without your realizing it—and you'll be left with the bill. For many Part C plans, the out-of-pocket maximum is \$6,700 for in-network costs, and \$10,000 for in-and-out-of-network costs combined, and it resets in January. So if you develop a serious illness near the end of the year and hit \$6,700 quickly, you could end up paying it again in the early months of the year.

But if you choose Part B, you'll be responsible for a monthly premium and for 20% coinsurance once your deductible is met—and there's no cap on that out-of-pocket expense. It's unlimited. "It is a lot of money. It's a little bit of a shock," Hampton says. "That is a big deal for some beneficiaries who are planning to live

solely on their Social Security benefits."

That's why many people—including the Scrogghams—decide to sign up for a supplemental plan alongside a Part B plan. (See Step 5 below.)

The cost for your monthly Part B premium varies depending on your income. The standard premium for 2019 is \$135.50 per month—and for a lot of people on a fixed income, that cost is significant.

A small number of higher-income people must pay a higher premium, but this only affects about 5% of all beneficiaries. The fees start at \$54.10 a month for individuals with a modified adjusted gross income (MAGI) from \$85,000 to \$107,000, or married couples with a MAGI from \$170,000 to \$214,000. That's on top of the standard premium, so fees for this group really start at \$189.60 a month (and go up from there by income bracket).

If you sign up for Part B, you pay one of two ways: either the premium is deducted





from your Social Security check (or via Civil Service Retirement or Railroad Retirement), or you'll need to make a payment directly to Medicare.

"I know that I don't have to worry about it," Scrogam says, explaining why she and Rick use the first option. "Because when we get our Social Security check, we know that everything's safe. Everything's paid for our health."

Don't forget: you can't sign up for Parts B and C together. It's one or the other.

#### **Step 4:** **Sign up for Medicare Part D**

Next, you might want to consider getting prescription-drug insurance. If you've chosen to stick with traditional Medicare (Parts A and B), then you have the opportunity to sign up for Part D. If you've chosen Part C instead, that plan will probably already include prescription-drug

coverage. Just make sure that your medications are covered under your plan.

You'll have several Part D plans to choose from, though what's on offer depends on your state. The prices vary; a plan on offer in Texas might cost as low as \$10.40 a month, for example, while plans in Pennsylvania and West Virginia are typically higher, around \$156. Deductibles also vary, though they can be up to \$415.

What you'll pay for Part D coverage also depends on your income. The fees start at \$12.40 a month for individuals with a MAGI between \$85,000 and \$107,000, and married couples who make between \$170,000 and \$214,000.

Most plans divide medications into tiers (or groups) based on cost. Tier 1 covers low-cost generics, and the most expensive group is Tier 5, or specialty drugs. If you know how your prescription drugs are classified, you'll be able to predict how much they'll cost you per month or year.

The Extra Help (Low-Income Subsidy) program offers hundreds of zero-cost premium Part D plans to those who are eligible. They're called "benchmark" plans. This program is open to people who make less than \$18,735, or couples with a joint income under \$25,365. To be eligible, a person's assets must be less than \$14,390; for couples, that number is \$28,720. If you qualify for a subsidy but would prefer to enroll in a non-benchmark plan (which are pricier but may offer additional benefits), you'll just need to pay part of the cost of that plan.

#### **Step 5:** **Sign up for supplemental Medigap coverage—or don't**

Your final step is choosing whether to enroll in a supplemental or "Medigap" plan. This type of private insurance coverage can be added to any of the options

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above, but Laugesen says it's most common if you've chosen traditional Medicare (Parts A and B).

Unlike Part C plans, which vary from insurer to insurer, supplemental plans are basically the same nationwide. (The exceptions: Massachusetts, Minnesota and Wisconsin have their own standards.) There are several options, from Plan A to Plan N.

For some seniors, understanding how supplemental plans work can make traditional Medicare plus Medigap more attractive than the alternative, which is typically Part C. With Part C coverage, for example, every specialist provider typically has her own co-pay. If a doctor orders lab work or a cardiac stress test, those fees can add up. On a Medigap plan, the co-pays are often lower or even zero—but the monthly premiums are higher.

After the Scrogams decided to enroll in traditional Medicare, they picked a supplemental plan: G. This allows them to visit a doctor or hospital without a co-pay. Plan G just seemed to make things simpler. "Those plans, you have to really think on," she says. "Even if I have to pay a little more each month, I'd rather pay a little more than have to worry about, Do I have \$20 in my pocket this week?"

The deductible for Plan G, for example, is \$183. That's less than Medigap Plans K and L, and far less than a Medicare Part C plan, which comes with an out-of-pocket cost as high as \$6,700.

But not every insurer offers every Medigap plan. A full list of options is available on Medicare's website under **SUPPLEMENTS & OTHER INSURANCE**.

#### **What's next?**

It might feel overwhelming, so you need to plan ahead. Getting your health insurance squared away at age 65 may not be as fun as other milestones—Driving! Voting! Drinking!—but you've earned this, and these benefits can't be taken away. Remember, you likely won't get your Medicare benefits automatically: you really do need to sign up.

"Once you get to that stage—when you start being close to 65—that's when I tell everybody, Get on the ball, look at your plans, and make sure that everything's set up before you turn that 65," Scrogam says. She's speaking with hard-won authority. □