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11 Medicare Mistakes to Avoid

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Understanding the alphabet soup of Medicare is hard enough without getting lost in the details. But understanding the options – and what mistakes not to make – can help your clients age gracefully and is an essential part of any retiree's financial plan that advisors shouldn't ignore. First, let's generally define the Parts of Medicare. Part A, referred to as original Medicare, focuses on hospital coverage. Part B is medical coverage. Part C (also called Medicare Advantage) is a different way of putting Parts A and B into one plan, offered by private companies. Part D is prescription drug coverage.

The rules of Medicare are complicated and laden with deadlines that are costly to miss. ViaKiplinger, here are 11 common Medicare mistakes to avoid:

1. Not reviewing your Part D Plan annually
Medicare Part D is a headache for many to keep on top of. But remember these key points:

- Open enrollment runs from Oct. 15 to Dec. 7 *every* year.
- During open enrollment it's essential to review options because there might be changes to your current plan, meaning your cost and coverage would vary. Be leery of plans that increase premiums, increase your percentage of cost for drugs, or other requirements, like having to use a specific pharmacy, to be covered.
- Make sure you check if any drugs you're on have gone generic, as you might get a nice price reduction.
- Medicare also helps you to compare plans. Check out the various links on Medicare.govor AARP.org for more information, guidance and price comparison tools.

2. Picking the same Part D plan as your spouse
Not all Part D plans are alike, and just because a plan works for you it might not be the same for your spouse, who may be taking different prescriptions. Use the Medicare Plan Finder to determine your out-of-pocket costs on each plan. Also keep in mind that some plans require the use of specific pharmacies.

3. Going out of network on private Medicare Advantage plans
If using private Medicare Advantage plans, similar to PPOs or HMOs, you'll need to utilize the network of doctors and hospitals within the plan to get the lowest co-payments. Be wary that if you go out of network, there may be no coverage at all.

4. Not knowing how to switch Medicare Advantage plans anytime if needed
Even outside the annual open enrollment period, it's possible to switch plans for life-changing events, like moving to a place that isn't in your current plan's geographical coverage. And if you're in the five-star plan, you can make a switch any time during the year. Also, from Jan. 1 to Feb. 15, you may be able to switch from Medicare Advantage to traditional Medicare plus Part D prescription-drug plan.

5. Not considering Medigap within 6 months
Once enrolling in Medicare Part B, you have six months to buy any Medicare supplement plan in your area even if you have pre-existing conditions (and at age 65, who doesn't?). But after six months, insurers can reject you or charge more depending on your health. It depends on your state rules and insurer's policies. Check at Medicare.gov for your options.

6. Not opting for Medicare when you turn 65 (most of the time)
Forever young, so who needs Medicare? Well, you're smart to take advantage of what the government is giving you, often for free. If you are getting Social Security already when you turn 65, you'll automatically be enrolled in Medicare Part A and Part B. But if you *aren't*receiving Social Security benefits, you'll have to act on your own to sign up. There are reasons to delay: for example, you or your spouse have a full-time job and already get health care coverage as a part of that. Be aware that if you aren't collecting Social Security benefits, there's a seven-month period to sign up for Medicare, which runs from three months before the month you turn 65 to three months after.

7. Not signing up for Part B if you have retiree or COBRA coverage
Again, there are many tricky steps in the Medicare signup game. Unless you or your spouse are receiving insurance through a current employer (who has 20 or more employees),*Medicare is considered your main health insurance coverage*. Retiree coverage, COBRA or severance benefits are NOT primary, and if you don't sign up for Medicare, you might have gaps in coverage and be late on your Part B premium. So pay attention.

8. Missing the Part B enrollment deadline after leaving your job
It's an alphabet jungle out there, but this one is easy: if you still have insurance through a job when you turn 65, that's fine. You don't need to worry about Part B premiums. But within eight months of leaving your job, you need to sign up or you might have to wait for the next

enrollment period, meaning a gap in coverage. Then there is also the possibility of a 10% lifetime late-enrollment penalty.

9. Ignoring income thresholds

Most people pay the minimum of $140.90 a month for Part B premiums and $12.30 per month for Part D. This goes higher depending on your adjusted gross income. So if you are bringing in more than $85,000, that Part B premium could more than double per month, where as Part D could jump fivefold. Be mindful when you are withdrawing from tax-deferred accounts that you don't go over the income threshold if possible.

10. Not fighting surcharge changes for the year you retire

The Social Security Administration uses your tax returns from the most recent two years to determine if you are subject to an income surcharge, that is you are making more than $85,000 a year. But you can protest it if you prove life-changing events, such as divorce, death of a spouse or retirement.

11. Not minding your HSA contributions

You can't contribute to HSAs if you are getting Medicare, but if you or your spouse have health insurance through a job (with 20 or more employees) and haven't applied for Medicare or Social Security benefits, you still can continue to add to your HSA. That said, be careful about contributions in the year you leave your job and sign up for Medicare, as your HSA must be prorated by number of months on Medicare.