

Making Sense Of Medicare's 'Alphabet Soup'

Medicare is the government-run health insurance program established in 1965 for those age 65 and older, those under age 65 with certain disabilities, and those of any age with End Stage Renal Disease. It offers several different coverages that, for those unfamiliar with the lingo, can be confusing and read like "alphabet soup":

Part A provides coverage for inpatient hospital care, up to 100 days of skilled care in a skilled nursing facility, hospice care and limited amounts of skilled home health care.

If an individual or spouse has paid Medicare taxes during his or her working years, there is generally no premium. Otherwise, premiums range up to \$423/month. Enrollment is automatic on the first day of the month you turn age 65. Those receiving Social Security or railroad retirement disability become eligible after 24 months of benefits. Medicare does NOT cover long-term care or custodial care.

Part B covers medically necessary doctor services, outpatient, and some preventative care.

Premiums are tiered based on income and range from \$96.40 to \$238.40/month. Low-income assistance is available.

"Late enrollees" who don't sign up when first eligible are subject to a 10% penalty for each 12-month delay. This is waived for some disabled and those having group health insurance coverage via their current employer of 20 or more employees.

To "fit" within its annual budget, Medicare continues to limit its coverage with higher deductibles and co-insurance, while, at the same time, increasing its premiums.

Many individuals will opt to purchase a Medicare Supplement (Medigap policy) via a private insurance company to fill the gaps in coverage including a Part A \$1,024 (2008) deductible for inpatient hospitalization and \$256 co-pays for days 61-90, and a Part B \$135 annual deductible plus 20% of most approved charges.

Medicare Supplements have been standardized into 12 distinct offerings – Plans A,B,C,D,E,F,G,H,I,J,K and L - which also offer guaranteed-enrollment periods.

Part C refers to Medicare Advantage (MA) plans managed by Medicare-approved private insurance companies.

While they must cover medically necessary services, they can charge different co-pays, co-insurance, and deductibles than Medicare fees. Individuals are still in the Medicare program which continues to collect Part B premiums.

However, Medicare pays the MA carriers an annual stipend for receiving all claims and assuming responsibility for the insured's care.

Because MA plans reimburse both Part A and B expenses and, generally, some extra benefits such as dental and vision care, they replace the need for a Medicare Supplement and, in fact, one may not have both simultaneously. Individuals use their Medicare card when seeking services paid by Medicare A and B and a supplement but use the private carrier's card when covered by a MA plan.

There are three types of MA plans available:

- PPOs requiring the use of a network of provider for the lowest cost
- HMOS that generally require a visit to a primary care physician for a referral to a specialist.
- PFFS (Private Fee For Service) plans allowing the use of any Medicare approved provider who agrees to accept the plans terms and conditions of payment prior to each treatment

MSA plans combining a high-deductible health plan with a tax advantaged bank account

SNPs (Special Needs Plans) serving people living in certain facilities, having both Medicare and Medicaid, or having one or more specific chronic or disabling conditions.

Part D offers prescription drug plans run by Medicare-approved private companies. These may be "stand-alone" plans (PDP) or offered in conjunction with an MA plan.

By joining a plan when first eligible for Medicare (either Part A or B), individuals avoid being assessed a one-percent "late penalty" for each month of delay. Also, they can avoid the late penalty if they maintain "creditable coverage" (at least as good as Medicare) through another health plan such as employer or retiree coverage, the VA or Tri-Care.

Although Parts C and D are guaranteed-issue plans, enrollment in them is limited to specific times:

- IEP – the Initial Enrollment Period when first eligible
- AEP – an Annual Election Period from November 15 to December 31 of each year when individuals may initiate or change plans effective January 1
- OEP – Open Enrollment Period for new Part D MA plans currently from January 1 to March 31 annually
- SEP – a variety of Special Enrollment Periods that may include changes in region of residence. Special rules may also apply to those on Medicaid or with low income and assets.

It's been said that "Retirement isn't for sissies." Medicare demonstrates the difficulty of making retirement planning a do-it-yourself project. If you are not willing to become a Medicare Specialist, you will need help to navigate the alphabet soup.

Confused? Questions? Email me at emshrem@verizon.net or call 732-988-7256.