

Medicare options: Are you Mediconfused?

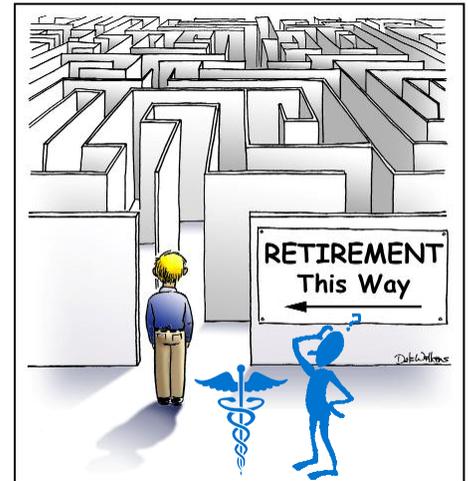
Melman: "What? You don't have doctors here? What if you catch a cold?"

Other Giraffe: "We go over to the dying holes... and we die."

– from the movie *Madagascar 2*

For Americans approaching retirement, the available health care choices are considerably more favorable than those of the giraffes in the movie *Madagascar 2*. However, Melman had only one option, whereas Medicare presents an alphabet soup of plans. To add to the confusion, the targets keeps moving, as the plan coverages and costs, as well as out own health care needs, are constantly changing. So even if you've already turned 65 and made your retirement health care selections, it pays to review your options annually. If you've yet to reach 65, prepare to be perplexed. Even an alphabet expert like Sesame Street's Big Bird would find the choices daunting.

Navigating the Retirement Maze



Deciphering Medicare

There are four parts to Medicare. Part A covers hospitalization expenses, and comes at no cost if you have paid at least ten years of Social Security and Medicare taxes. Part B covers office visits, tests, and other outpatient expenses, and has a monthly cost that varies with income level. Part D, the newest option that covers prescription drugs, is available from private insurers and is priced separately. Part C, known as Medicare Advantage, is an "all of the above" plan offered by HMOs and private insurers that combines Parts A, B and usually D. It is available in a range of cost, co-pay, and coverage options depending upon the plan selected. Then there is Medigap insurance, which addresses some of the costs and coverages that Medicare Parts A and B do not cover.

You delay, you pay

There are significant penalties for missing Medicare's enrollment periods, so it is important to know when they occur. If you are already receiving Social Security benefits when you turn 65, you will automatically be signed up for Parts A and B. If not, then you have a seven-month window in which to enroll, beginning three months before the month of your 65th birthday. Miss that window, and you'll permanently pay a ten percent penalty on future premiums for each year that you delay. Additionally, you'll only be able to sign up during the annual Open Enrollment period that runs from January through March for coverage starting in July.

If you or your spouse are still employed at 65 and covered by an employer health plan, and the employer has 20 or more employees, you can hold off on signing up for Part B without penalty because your employer's plan is the primary payer. Fewer than 20 employees, and Medicare is the

primary payer and you'll need to enroll. Once you stop working, you have eight months in which to enroll. Miss that deadline, and you'll have to wait until the next Open Enrollment period. You will have no Medicare coverage during that time, plus you'll pay the lifetime ten percent penalty once you do sign up. Each additional year of delay increases the surcharge by another ten percent.

Are you on COBRA or covered by an employer-provided retirement health plan at 65? Then you definitely need to sign up for Parts A and B, because Medicare is your primary insurer by default. Otherwise, you may find yourself denied reimbursements by your insurer for benefits covered by Medicare. You will also have to wait until the next Open Enrollment period to sign up, plus incur the lifetime ten percent surcharge.

"D" is for drugs

Part D came into existence in 2006 as part of the Medicare Modernization Act of 2003. It covers prescription medications, and is provided by private insurers. It can either be purchased separately, or included as part of a Medicare Advantage plan. The average cost for a Part D supplement, which varies by income level, was \$40 per month in 2014.

Payments for specific medications in Part D, called formularies, vary by plan, so check your anticipated medication needs against coverages before choosing a plan. Medicare.gov has a tool for estimating your out of pocket cost for your specific medications by plan, so it is worth checking this out once a year to see if a better plan is available, as both your medication needs and plan coverages may change. Part D open enrollment runs from October 15th to December 7th each year.

Unless you and your spouse take exactly the same medications, the best Part D plan for you may not be the right one for your spouse, so consider using two different plans. Also, like Part B, Part D has a penalty if you delay signing up, which is 1 percent of the "national base beneficiary premium" (\$33.13 in 2015) for each delinquent month. So if you wait for two years to sign up, you'll pay an additional \$96 every year for prescription drug coverage.

The adventure continues

Next comes the fun part: reviewing all the various supplemental Medicare plans, which includes Medicare Advantage (Part C) and Medigap insurance (A through N). I'll continue my "Adventures in Medicare Land" in next month's column.

George Gagliardi is a fee-only financial advisor with Coromandel Wealth Management in Lexington, where he helps clients develop and implement investment and retirement strategies. He can be reached at (781) 728-9001 or george@CoromandelWM.com. George is affiliated with Trust Advisory Group, Ltd., a Registered Investment Advisor. This article is intended for general information purposes only, and may not be appropriate for your specific circumstances. Investment advice is particular to each individual, and should only be given after an individual situation has been reviewed.



Coromandel Wealth Management
15 Muzzey Street
Lexington, MA 02421

Phone: 781.728.9001
info@CoromandelWM.com
www.CoromandelWM.com