

Further adventures in Medicare Land

"Curiouser and curiouser!"

– from Lewis Carroll, "Alice in Wonderland"

Last month I discussed the different parts of Medicare and the importance of adhering to the enrollment windows in order to avoid lifetime penalties. Now I'll address the decisions that you will need to make when choosing Medicare options. It can get complicated, but fortunately there are a number of resources available to assist you with this task.

First Step: Which Plan?

Your initial decision will be to select either traditional Medicare, one of the plans offered under Part C (Medicare Advantage), or Medicare plus a supplemental Medigap policy. Several questions help determine which one makes the most sense for you:

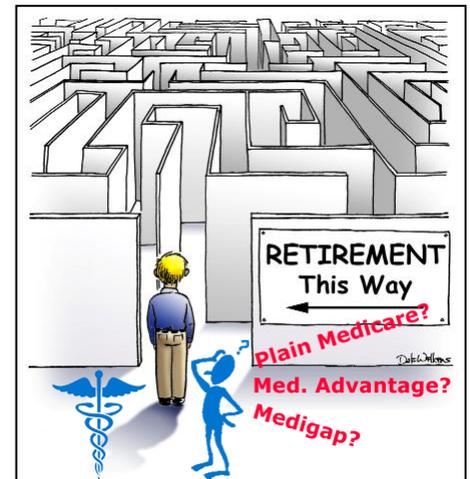
- Do you want to be able to use any doctor or hospital without restriction? If so, then you should go with traditional Medicare and possibly a Medigap policy.
- Will you have retiree coverage through your employer? Then basic Medicare Parts A and B may be sufficient. Part D will depend upon whether your employer retiree plan covers prescription medications. (Note: Medicare Advantage plans may be less expensive than your retiree coverage, so be sure to check them out.)
- Do you plan to spend a considerable amount of time traveling outside of the US? Then you should consider either a Medicare Advantage PPO plan or one of the six Medigap policies that covers medical costs incurred outside of the US, as basic Medicare does not.
- Want an annual cap on your medical expenses? Traditional Medicare doesn't have one, so you'll keep paying the 20 percent coinsurance for as long as you require additional services. Consider either Medigap or Medicare Advantage plans to limit your out-of-pocket costs.

Mind the (Medi)gap

Medigap is supplement insurance that cover expenses, copays and deductibles that traditional Medicare does not. There are ten different Medigap plans available, A through N, that have different coverages and costs. These plans are provided by private insurers, and each insurer must offer exactly the same coverages for a particular plan.

An important aspect of Medigap policies is that you can enroll in any available plan the first six months after you subscribe to Part B and pay the stated price, regardless of any preexisting conditions. If you try to enroll after that, an insurer can require a medical exam, and either charge you more for the policy or reject you. Your best option at that point might be a Medicare Advantage plan.

Navigating the Retirement Maze



Part C options

Medicare Advantage plans, also referred to as Medicare Part C, are "all in one" plans that substitute for Parts A and B (though you still need to pay your Part B premiums), and usually include a drug plan to replace Part D. The majority of plans are offered by HMOs (health maintenance organizations) and PPOs (preferred provider organizations), with some plans also offered by insurance companies and private fee-for-service organizations.

Because HMOs and PPOs have specific provider networks, they can sometimes be less expensive than traditional Medicare, and also may cover costs that traditional Medicare does not. Part C plans may cover vision, dental, gym memberships, assisted living, and home care, though up to prescribed limits. Be aware, though, that the government is gradually reducing subsidies to Medicare Advantage plans, so some of these extras may go away over time. Also know that neither traditional Medicare nor Part C are a replacement for long term care (LTC) insurance.

Plans change, needs change

Medicare Advantage plan features and costs can change yearly. Around the end of September, Part C subscribers receive their current plan's "annual notice of change," followed by open enrollment period a month later. Don't assume that your current coverage is still the best coverage for you. If your medical needs have changed from last year, you should review the available plan options and costs, particularly if your medication needs have changed. Medical providers also leave and join different plan networks throughout the year, so check to see that your current physicians are still in your plan.

Even if your needs haven't changed, plan prices do, so the Advantage plan that met your needs the past year may not be the best one going forward. Medicare.gov is a good place to research options with their "Plan Finder" feature.

Helpful resources

Your first stop ought to be Medicare.gov. In addition to describing the various options in detail, it provides a way of comparing all of the Medigap, Medicare Advantage and Part D plans in your area, including coverages, prices, deductibles, and co-payments. There are a number of other sites that let you estimate copay, deductible and medication costs. While I can't list them all here, you can find them on my Web site under the heading of "[Medicare Resources](#)."

Reviewing your Medicare options both at age 65 and annually can seem tedious, but the payback in terms of money saved and appropriate plan features is considerable.

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