

MEDICARE 101 



A QUICK GUIDE TO MEDICARE

What you need to know before enrolling in Medicare.

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MEDICARE CAN BE OVERWHELMING.

Your mailbox is probably exploding under the weight of all the direct mail advertising you're getting. How do you make sense of it? How do you know who to trust?

You've got a lot of options when it comes to exactly how you set up Medicare, and that's why we're here.

This guide is *not* a sales pitch. Obviously we hope you'll give us the opportunity to serve you, but we truly intend this to simply provide you with an objective, trustworthy guide to help you understand Medicare and your options in everyday language.

Let's start with some good news: Medicare is a lot cheaper than the individual health insurance plans available to those under 65!

If you've been on a non-subsidized individual health insurance plan, you're going to spend a LOT less on both monthly premiums and out-of-pocket medical expenses.

Let's dive in.

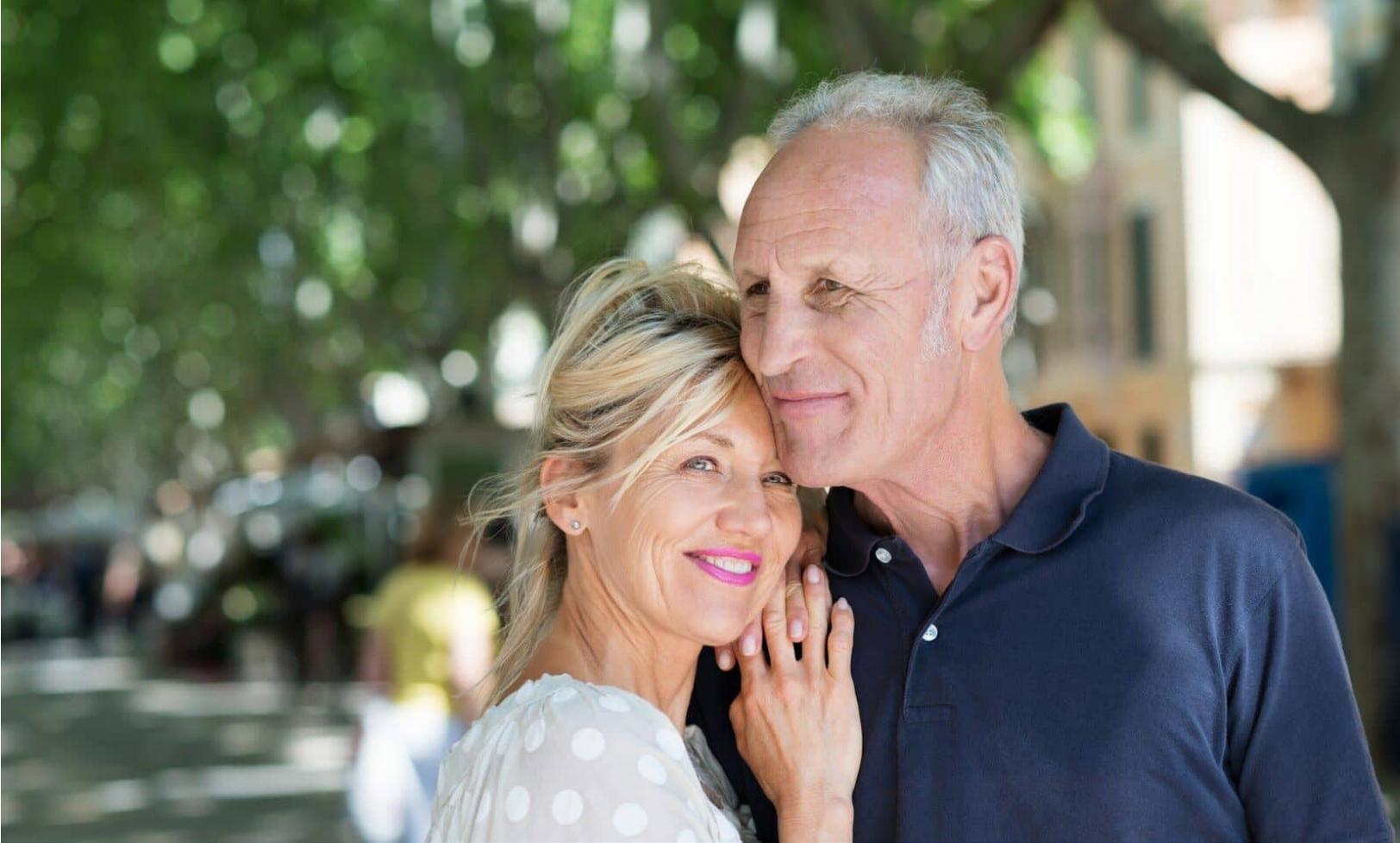


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1. MEDICARE BASICS: AN OVERVIEW

Medicare is divided into different parts that are categorized by letter. There are five major components of the program you need to know about:

MEDICARE PART A

This is the most basic level of Medicare and it essentially covers hospitalization.

KEY FACTS:

- You are automatically enrolled in Medicare Part A effective the first day of the month you turn 65.
- Medicare Part A is free if you or your spouse paid Medicare tax while working.

MEDICARE PART B

The next level of Medicare essentially covers doctor visits and other outpatient services.

KEY FACTS:

- Part B is optional, but unless you're still on an employer's health insurance plan, you'll definitely want to enroll.
- There is a small monthly premium for Part B, and it goes up a little bit each year. For most people Part B costs \$153.30/month in 2021, but those with very high incomes may pay more.
- In many cases this is simply deducted from your monthly Social Security check.

Together, Medicare Part A and Part B are what is typically described as “Original Medicare” or standard Medicare. Most people are automatically enrolled in Part A and opt in to Part B.

MEDICARE PART C

Part C is commonly referred to as Medicare Advantage, and allows Medicare beneficiaries to opt out of government Medicare and enroll in private plans that contract with the government to provide the benefits of Medicare Part A and Part B.

KEY FACTS:

- Medicare Advantage plans have their own network of providers that you must stay within for care.
- Most MA plans include drug plans (Part D), so they are sometimes called “MAPD” (Medicare Advantage and Part D) plans.

MEDICARE PART D

This provides coverage for prescription drugs.

KEY FACTS:

- Private insurers provide Medicare Part D prescription drug plans.
- Each plan may have a different network of pharmacies, cover different drugs, and prices will vary.
- All Part D plans must cover multiple drugs in each category as determined by Medicare.

ONE MORE THING...

Medicare Supplement Plans. These are sometimes called “Medigap” plans and are designed to fill in some of the gaps in Original Medicare, including various deductibles, copays, and other out-of-pocket costs.

KEY FACTS:

- Medigap plans are provided by private insurance companies.
- There are several different plan designs that are standardized by the federal government. These are also categorized by letter.
- Medigap plans do not have separate networks so any provider who takes Medicare will accept a Medigap plan.

For most people, the first Medicare decision will be to decide whether you want to choose Original Medicare and a Medicare Supplement plan, or join a Medicare Advantage plan instead. We’ll talk more about that later.



2. ENROLLING IN MEDICARE

For most people, Medicare begins on the first day of the month in which you turn 65. So if your 65th birthday is October 23rd, your Medicare coverage will take effect on October 1. (Note: Medicare is available to people under the age of 65 in certain circumstances, such as those receiving Social Security disability benefits. This guide is focused on those age 65 and over).

Medicare enrollment begins 3 months before you turn 65 and continues for 7 months. But you'll want to get everything taken care of in those first three months before you actually turn 65.

For most people, enrollment in Medicare Part A happens automatically. Usually you'll get your red, white, and blue Medicare card in the mail a month or so before you turn 65. It will look something like this:

MEDICARE  **HEALTH INSURANCE**

1-800-MEDICARE (1-800-633-4227)

NAME OF BENEFICIARY
JOHN DOE

MEDICARE CLAIM NUMBER **SEX**
000-00-0000-A **MALE**

IS ENTITLED TO **EFFECTIVE DATE**

HOSPITAL (PART A) **01-01-2007**

MEDICAL (PART B) **01-01-2007**

SIGN HERE → _____

Most people have to actively enroll in Medicare Part B. That can be done online at <https://www.ssa.gov/benefits/medicare/>. If you're still on a group health insurance plan you don't have to enroll in Medicare Part B. If you don't have other coverage, however, you should enroll to avoid a future late enrollment penalty.

The premium for Part B is normally deducted from your Social Security check, but you'll just get a quarterly bill if you're not yet taking Social Security.

(If you have health insurance coverage through your employer, you may decide not to enroll in Part B when you turn 65. In this case, you'll be able to do so without any penalty when you leave your employer's coverage.)

3. MEDICARE SUPPLEMENT PLANS

Original Medicare is good as far as it goes, but there are a lot of holes and gaps in the coverage. Medicare typically only pays around 80% of covered charges. Medicare Supplement plans are designed to fill in these gaps. That's why they're sometimes called "Medigap" plans.

KEY FACTS ABOUT MEDICARE SUPPLEMENT PLANS

- Medicare Supplement plans are offered by private insurance companies.
- These supplement plans are standardized by the federal government and categorized by letter.
- When you turn 65, you can select a Medicare Supplement plan and enroll with no underwriting. After your initial enrollment into Medicare, you'll have to go through some medical underwriting if you want to get or change a Medicare supplement plan.

Because Medicare Supplement plans are standardized by the government, the only decision you need to make is which plan you want and which company's plan you want to purchase. "Plan G" with one insurance company is identical to Plan G with any other company. The only variable is the plan's price.

HERE'S A CHART THAT DETAILS EXACTLY WHAT'S COVERED BY EACH MEDIGAP SUPPLEMENT PLAN:

You may buy the following Medigap Plans which become effective June 1, 2010:

Medigap Benefits	Medigap Plans Effective June 1, 2010									
	A	B	C	D	F*	G	K	L	M	N
Medicare Part A Coinsurance hospital costs up to an additional 365 days after Medicare benefits are used up	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Medicare Part B Coinsurance or Copayment	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓***
Blood (First 3 Pints)	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Part A Hospice Care Coinsurance or Copayment	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Skilled Nursing Facility Care Coinsurance			✓	✓	✓	✓	50%	75%	✓	✓
Medicare Part A Deductible		✓	✓	✓	✓	✓	50%	75%	50%	✓
Medicare Part B Deductible			✓		✓					
Medicare Part B Excess Charges					✓	✓				
Foreign Travel Emergency (Up to Plan Limits)			✓	✓	✓	✓			✓	✓
Medicare Preventive Care Part B Coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Out-of-Pocket Limit**

\$4,620	\$2,310
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Plan F also offers a high-deductible plan. This means you must pay for Medicare-covered costs up to the deductible amount \$2,000 in 2010 before your Medigap plan pays anything.

*After you meet your out-of-pocket yearly limit and your yearly Part B deductible (\$155 in 2010), the Medigap plan pays 100% of covered services for the rest of the calendar year.

Out-of-pocket limit is the maximum amount you would pay for coinsurance and copayments.

***Plan N pays 100% of the Part B coinsurance except up to \$20 copayment for office visits and up to \$50 for emergency department visits.

HOW TO READ THE CHART:

- If a check mark appears in the column, the Medigap policy covers 100% of the described benefit.
- If a column lists a percentage, this means the Medigap policy covers that percentage of the described benefit.
- If no percentage appears or if the column is blank, this means the Medigap policy doesn't cover that benefit.

Note: The Medigap policy covers coinsurance only after you have paid the deductible (unless the Medigap policy also covers the deductible).

WHICH MEDIGAP PLAN IS THE BEST?

Plan F used to be the most popular plan because it is the most comprehensive. It covers every out-of-pocket expense in Medicare. But due to a change in the law, Plan F is not available to those who become eligible for Medicare after January 1, 2020.

So the most popular plan now is Plan G, which covers everything except the Medicare Part B annual deductible. That deductible was \$198 in 2020, and typically goes up a few dollars each year.

Other lower-cost alternatives you might consider include Plan N or the “high deductible Plan G.”

4. MEDICARE ADVANTAGE PLANS: AN OVERVIEW

Medicare Advantage plans are marketed by private health insurance companies who are approved by the government to provide Medicare services to their members. Essentially, what is happening behind the scenes is that the government is paying these companies a lump sum per subscriber to manage their healthcare. There are advantages and disadvantages to this approach.

ADVANTAGES OF MA PLANS

Price. By far the greatest selling point for MA plans is that the monthly cost is significantly lower than Original Medicare and Medicare supplement plans. In fact, in some areas you may even find MA plans that come with a zero dollar premium. But you will find that you have out-of-pocket costs like copays and deductibles to pay. Also note that you still have to pay your Part B premium.

Drug coverage. Most of the time you don't have to purchase a separate drug plan because prescription coverage is included in most MA plans.

Additional benefits. Some MA plans may also include additional benefits you won't find in Original Medicare, such as dental or vision coverage.

DISADVANTAGES OF MA PLANS

Network. One way Medicare Advantage plans manage their costs is by utilizing a provider network. Members of a particular Medicare Advantage plan must remain within that plan's network of providers. If there were changes in the network, you may be forced to find different doctors.

Variable out-of-pocket costs. Unlike Medigap plans, which are standardized, MA plans structure their benefits however they choose (within certain parameters). So these plans will include copays for some services, and deductibles and co-insurance (for example, where you pay 20 or 30%) for others, until you reach a "maximum out-of-pocket" amount for the year.

It can be hard to go back. You'll generally be committed for the year once you enroll in an MA plan. After the first time you leave Original Medicare to enroll in an MA plan, you have a short window early in the year to change your mind and return without underwriting. After that, however, going back to a Medigap plan in the future could be complicated if you have health problems because of medical underwriting. If you have pre-existing conditions, you could find yourself unable to get a Medigap plan or having to pay more if you do.

5. MEDICARE SUPPLEMENTS VS MEDICARE ADVANTAGE: WHICH IS BEST?

Many people appreciate the low monthly cost of a Medicare Advantage plan (and the extra benefits they often include). But we often recommend that our clients take original Medicare along with a Medigap plan. There are two main reasons why:

Stability. One of the biggest risks associated with Medicare Advantage is that you will have to stay in that plan's network. And networks can and do change. If you have a Medigap plan you can visit any provider that accepts Medicare.

Predictability. We find many of our Medicare clients prefer the budget predictability of a Medicare Supplement premium with little to no potential for additional out-of-pocket expenses.

IMPORTANT NOTE: YOU MAY ONLY GET ONE SHOT!

It's important to remember that when you age into Medicare you are able to get on any plan without medical underwriting. In other words, your medical history (and any ongoing medical issues) don't have any impact on your ability to get a plan.

After your initial enrollment period, however, that can change. If you decide in the future you want to change plans or move from Medicare Advantage to original Medicare with a Medicare supplement plan, you may have to get through medical underwriting. And let's be honest, as we age that could get tougher.

That's why we often recommend that our clients choose a Medicare plan with a large, reputable health insurance company. The cheapest plan is not always the best option because rates will go up over time. We prefer larger carriers whose rates (and increases) are more predictable and stable.

Unless the monthly cost is a major issue, it's our opinion that you'd be best served by choosing a Medicare Supplement plan with a stable company you can stick with for the long haul. That's the most conservative approach, but since you basically only get one shot at doing this without medical underwriting, we believe that's the best way to go.

6. MEDICARE PART D: AN OVERVIEW OF PRESCRIPTION DRUG COVERAGE

The Medicare prescription drug program is called Medicare Part D. These are plans approved by Medicare and administered by private insurance companies that cover your prescription drugs. Many Medicare Advantage plans include Part D drug coverage, and so they are often called "MAPD" plans.

Other Part D plans are stand-alone plans that are available to people who are entitled to Medicare Part A and/or enrolled in Part B. Essentially, if you choose to enroll in Original Medicare (with or without a supplemental plan) instead of Medicare Advantage, you'll want to also enroll in a Part D prescription drug plan.

There are many Part D plans available. All must meet certain minimum standards:

- The annual deductible must be no more than \$415.
- The beneficiary must not pay more than 25% of drug costs between \$415 and \$3,820 (this equals \$851.25)

There is a coverage gap in Part D - the infamous "doughnut hole" - that occurs at that \$3,820 threshold and can last until your out-of-pocket expenses are \$5,100. In recent years the government has made moves to close that hole a bit through discounts from drug companies. But in this "coverage gap" you could still be paying 25% of the cost of brand-name drugs and 37% for generics (this will also change to 25% in 2020).

Not all Part D plans are the same. While they all must meet certain minimum standards, you will find different benefit levels, copay structures, and other significant differences to consider. The most relevant differences to be aware of include:

- **Formulary.** Each Part D plan will have a formulary that lists what prescriptions are covered and at what level. Each plan must cover both generic and brand-name drugs and at least two drugs in each “therapeutic category.”
- **Network.** You’ll want to make sure you select a plan that has an adequate network of pharmacies because you’ll pay much more for prescriptions if you go out-of-network.
- **Cost.** Obviously, plan prices vary.
- **Service area.** You must reside within a Part D plan’s service area in order to enroll in that plan.

The Medicare website can help you find a plan that includes your specific prescriptions in its formula and your pharmacy. Note that you can choose a new Part D plan every year during the Annual Election Period, October 15–December 7.

Don’t get penalized. If you don’t sign up for Medicare Part D when you first become eligible, you will have to pay a penalty in the form of higher premiums. The penalty is 1% for each month you don’t enroll, so the longer the wait the more it will cost. That’s why you should go ahead and enroll in a Part D plan now even if you don’t take a lot of prescriptions.

The bottom line: You want to make sure you sign up for Part D by either selecting a Medicare Advantage plan that includes it, or by enrolling in a stand-alone Part D plan alongside Original Medicare and a supplemental plan.

7. FREQUENTLY ASKED QUESTIONS

Below we're going to address some questions that come up pretty regularly. Please know this is not intended to be a comprehensive guide that addresses every question and situation! If your specific question is not answered, we invite you to contact us directly.

DOES THE COST OF MEDICARE SUPPLEMENT PLANS CHANGE?

Yes. Insurance companies periodically adjust their "base rates" as needed, and most plans will cost a bit more the older you get. This is a major reason we recommend that our clients enroll in plans with large, reputable insurance companies - because they tend to have greater financial strength and a track record of greater stability.

WHAT IS "SILVER SNEAKERS?"

Silver Sneakers is a popular program that allows members to exercise at any of the more than 14,000 participating gyms and to participate in many home-based fitness programs free of charge. Silver Sneakers is included in some but not all, Medicare Advantage and Medicare Supplement plans. You'll also find some companies include a very similar program called "Silver and Fit."

DO I NEED TO SIGN UP FOR MEDICARE?

Most people are automatically enrolled in Part A. You need to take steps to enroll in Medicare Part B or face a lifetime late-enrollment penalty (unless you're still working for a company with group health benefits and 20 or more employees).

I HAVE RETIREE INSURANCE - DO I STILL NEED TO SIGN UP FOR MEDICARE?

You may still need to sign up for Medicare A & B, depending on the details of your plan.

DOES MEDICARE COVER LONG TERM CARE OR ASSISTED LIVING?

No, Medicare doesn't cover "custodial care."

DOES MEDICARE COVER DENTAL & VISION EXPENSES?

No, these aren't covered by Medicare, though some MAPD plans do include it. There are individual dental and vision plans available.

CAN I CHANGE PLANS?

In most cases you can change plans after you sign up, but there are restrictions and limitations. You'll only be able to enroll in a new Medicare Advantage plan during the annual Annual Election Period, which takes place from October 15 - December 7.

If you want to move into a new Medicare Supplement plan, you'll have to go through medical underwriting, so your current and past medical needs could influence your ability to get a plan or what you pay for that plan.

DO PRICES CHANGE YEAR TO YEAR?

Yes. Prices for both Medicare Advantage plans and Medicare supplement plans can and do change. There may be baseline changes that impact everyone's premium from time to time. Additionally, the price will go up in small age-based increments after your birthday.

This is why we recommend that our clients purchase coverage through large, well-established companies because these companies tend to have greater stability in their rates year to year. Newer, smaller companies may enter a new marketplace with a bang and advertise really low prices, but such plans tend to be more volatile and the odds are good those low prices move up much more quickly, and we don't want our clients to risk getting stuck in that kind of spiral.

ARE HOUSEHOLD DISCOUNTS AVAILABLE?

Most Medicare supplement carriers do offer a household discount if you and your spouse are both enrolled in a Medigap plan. Some plans extend the household discount in broader circumstances. Remember, all Medicare supplement plans are individual policies – you and your spouse won't share a plan – but you can both get a discount!

DOES MEDICARE COVER OVERSEAS TRAVEL?

Some plans provide emergency benefits abroad, but some do not. If you plan to travel abroad we recommend a travel insurance plan, which will provide inexpensive coverage for unexpected medical needs. (Visit <https://acforrest.com/travel-insurance/> to learn more).

WHAT ABOUT ON A CRUISE?

Only if the ship is within 6 hours of a U.S. port. Note: the health insurance offered by most cruise lines is quite expensive; purchasing a separate international health plan for your cruise will be substantially cheaper.

THANKS FOR READING

WE HOPE YOU'VE FOUND THIS GUIDE HELPFUL.

We do want to let you know that we help people like you figure out the best Medicare solution for them. We help our clients set up Medicare supplement plans and/or Medicare Advantage plans in South Carolina, Georgia, and other states. If you have additional questions or want some personal assistance with Medicare, we invite you to contact us.

AC Forrest is a family-owned insurance agency with offices in Greenville and metro Atlanta. We have one goal in everything we do: We want to make insurance (including Medicare) as simple as we can for our clients. Please let us know how we can serve you:



AC FORREST
INSURANCE GROUP

WWW.ACFORREST.COM

SC OFFICE

864-735-7707

alex@acforrest.com

GA OFFICE

678-765-9765

art@acforrest.com

