MY BENEFIT ADVISOR

A Better Understanding of Medicare To Help Employees Make Educated Decisions

Understanding the intricacies of Medicare and how it is impacted by the insurance programs offered by employers is not just a concern if the Medicare enrollee.

Employees will expect their employer to provide appropriate knowledge and guidance concerning all aspects of the program, including whether the enrollee should choose medicare, the employer program or both.

Whitepaper: September 2020

The Medicare team at My Benefit Advisor is knowledgeable and well equipped to discuss, educate and develop solutions regarding Medicare and all related programs.

To further support our clients, our professionally trained Medicare Department is available to provide dedicated service not just during open enrollment season but throughout the plan year.

A Little Perspective

As the 2021 Open Enrollment Season draws near, questions will inevitably arise for those employees who will be eligible to enroll in Medicare and any Medicare related coverages. Although the basic components of Medicare have remained fairly constant over time, cost sharing features can change from year to year and the programs that work in conjunction with Medicare can occasionally be modified by the insurance carriers that underwrite them.

This year, perhaps more so than in the past as a result of the COVID-19 pandemic, Medicare individuals appear to be especially interested in educating themselves on the details and scope of benefits available and assuring that their benefit selections are well designed for their own specific needs.

For employers and any benefits personnel on staff, this means it is vital to have a solid understanding of the mechanics of Medicare and the programs that work in coordination with Medicare, along with in-depth knowledge of the enrollment process, compliance issues and strategic approaches possible in a variety of individual circumstances.

Let's Get Started ...
The Medicare Basics

Medicare is the insurance program created by the federal government in 1965 for individuals who are 65 years and older and for those with qualifying disabilities. With the aging baby boomer population and a continued increase in Medicare eligible people continuing to work, there is a tremendous need for information and instruction on all aspects of Medicare. Of special importance for these people is how work-based insurance coverage coordinates with Medicare.

Let's start with some basics. Medicare has four basic components, with Parts A and B making up what is often referred to as "Original Medicare". The four parts are described briefly here:

Part A is referred to as hospital insurance and covers inpatient care, including critical access and long-term care hospitals. There is a deductible that needs to be met before expenses will be paid, which for the year 2021 may be higher than the 2020 deductible of $1408. Part A coverages and costs are based on benefit periods. A benefit period begins on the day someone is admitted into the hospital and ends once the person has been out for 60 days in a row.

Most people will not need to pay a premium for Part A, as they have contributed to Medicare throughout their working years. If an individual isn't eligible to enroll in Part A premium-free, they may still be able to enroll and pay a premium.

Part B is referred to as medical coverage, covering doctor and outpatient services, diagnostic screenings, medical equipment and most supplies necessary to treat medical conditions. It also includes coverage for an annual wellness visit and preventive services, like flu shots and mammograms.

Individuals enrolling in this part must pay a premium, which will be $148.50 per month in 2021 (at the time of this paper's publication there is pending legislation to freeze this amount at 2020 levels) although higher earners will be required to pay more through surcharges.

Part C refers to Medicare Advantage Plans, which is private insurance that includes all of parts A and B in a single plan. It may also contain extra benefits as well, such as vision, dental and hearing services. The premiums for these plans vary.

Part D includes Prescription Drug coverage, available as a standalone plan to be added along with Parts A and B or as part of Medicare Advantage. There are several different options to choose from and as a standalone plan, there is a premium required. As part of Medicare Advantage, the premium may be included in the cost of the overall program.

Approaching Age 65 …
A Time for Decisions

As an individual approaches Medicare eligibility, they will require some time to research the many options that are available to them, along with the rules and regulations that will affect their decision. Making a list of doctors and any medications is a great place to start, as this information is important to assure that the plan that choose fits their needs and circumstances. Lifestyle factors, such as the location of their residence(s) and whether they plan to travel abroad can also impact the type of coverage that would fit them best.

Those approaching age 65 should also be aware that there are very specific timeframe requirements that pertain to Medicare enrollment and missing any of these could seriously impede an individual's ability to have the best coverage at the most reasonable price. Specifically, an individual can sign up for Medicare during the three-month period prior to their birthday month, their birthday month and during the three-month period after their 65th birthday month. This is often referred to as their Initial Enrollment Period, or IEP.

Those who fail to sign up during their IEP will have another opportunity to enroll during Medicare's annual open enrollment period, which runs from January 1 through March 31 of each year. However, these late enrollees should be aware that because they missed their original enrollment period their coverage start date will be delayed until July 1 and their premiums may be higher.

Who Qualifies for Medicare?

An individual 65 years of age or older qualifies for Medicare if:

- They are a United States citizen or a permanent legal resident who has lived in the United States for at least five years, and
- They are receiving Social Security or railroad retirement benefits or have worked long enough to be eligible for those benefits but are not yet collecting them, or if
- They or their spouse is a government employee or retiree who has not paid into Social Security but has paid Medicare payroll taxes while working.

And individual under age 65 can qualify for Medicare if:

- They have been entitled to Social Security disability benefits for at least 24 months (not necessarily consecutively); or
- They receive a disability pension from the Railroad Retirement Board and meet certain conditions; or
- They have Lou Gehrig's disease (ALS); or
- They have permanent kidney failure requiring regular dialysis or a kidney transplant, and they or their spouse has paid Social Security taxes for a specified period depending on their age.

An Alternative Way to Qualify

An individual who doesn't qualify on their own or through their spouses work record but are a U.S. citizen or have been a legal resident for at least five years can get full Medicare benefits when they turn 65 by:

- Paying premiums for Part A, as determined by how long they have worked and the work credits they have earned
- Paying the same premium for Part B (premiums are based on income) and
- Paying the same premium for Part D, if desired, as any other enrollee would pay.

Other points to keep in mind:

- An individual can enroll in Part D as long as they are enrolled in either Part A or Part B.
- These individuals cannot enroll in a Medicare Advantage plan or purchase a Medigap supplement policy unless they are enrolled in both Parts A and B.

Options for Those Who Already Have Insurance

The way in which Medicare interacts with employer-based coverage is governed by the size of the company:

For a Company With 20 or More Employees

Individuals over the age of 65 who are actively employed at a company with 20 or more employees where comprehensive health benefits are offered can delay enrolling in Medicare and enroll in the company's health plan instead. (This also applies to the over age 65 spouse of an individual employed at a large company.) When employment ends or the coverage stops, the individual is entitled to a special enrollment period of up to eight months to sign up for Medicare (but only 63 days to add a drug plan) without incurring any late penalties. The law requires such a large employer to offer someone over 65 the same benefits that it offers to those under age 65.

If this is the situation, the employee can:

- Accept the employer health plan and delay Medicare, or
- Decline the employer program and enroll only in Medicare (and optional Supplemental Insurance or Medicare Advantage), or
- Enroll in both the employer program and Medicare at the same time with the employer plan as primary (although it is not cost effective for the employee to pay for Part B and use it as secondary coverage).

For a Company with Less Than 20 Employees

If the individual's employer has less than 20 employees, unlike for larger groups, Medicare becomes the primary coverage program and the employer plan pays second. As a result, the individual generally must sign up for Medicare Parts A and B. If the employer negotiates with their insurer that its plan will pay first, it is important to get that in writing.

It is also important to note that although an individual may have qualifying health insurance that doesn't require them to sign up for Medicare, they can still decide to enroll in Part A, which doesn't cost anything for most people.

Other Options: Medicare Advantage, Medigap and Part D Coverage

Many people have heard these terms but don't fully understand the differences. Here's a recap:

Part C: Medicare Advantage

Medicare Advantage Plans are offered through private insurance companies that contract with the federal government and represent another way to get Medicare Benefits.

These plans must provide the same benefits offered by Original Medicare, but may apply different rules, costs and restrictions. They may also cover certain benefits that Medicare doesn't cover. Typically, these plans are in the design of a Health Maintenance Organization (HMO), Preferred Provider Organization (PPO), Medical Savings Account (MSA) or a Private Fee-For-Service (PFFS) plan. If someone signs up for this type of plan and later wants to switch to Original Medicare, or vice versa, it must be done only during certain designated enrollment periods.

Medigap

Considering all the costs that remain uncovered by Medicare due to deductibles, copayments, coinsurance and other coverage exclusions such as healthcare received when travelling abroad, there is a strong likelihood that a Medicare recipient will have significant out-of-pocket exposure when utilizing medical services.

A good deal of these uncovered costs can be taken care of by purchasing a Medigap policy. Medigap offers standardized benefits for individuals who are enrolled in Original Medicare, Parts A and B. (Individuals who are enrolled in a Medicare Advantage program (described below) cannot enroll in a Medigap program.) Medigap policies are offered through private insurance carriers and are designed to "fill the gap", or in other words, pay for part or all the costs after Original Medicare pays.

There are 10 standardized plans that exist in most states, labeled with letters from A through N, each of which cover a different range of Medicare cost sharing. Every policy that goes by the same letter must offer the same basic benefits. Plan F offers the most comprehensive coverage and the prices of these policies will vary based on the carrier and coverage level.

Part D: Prescription Drug Coverage

In the world we live in today, it is uncommon that someone over age 65 isn't taking at least some medication on a regular basis. If left uncovered, the costs for these medications can add up quickly and may even deter someone from obtaining necessary drugs for treatment.

Part D provides outpatient prescription drug benefits to Medicare recipients, supplementing their coverage in Medicare Parts A and B. Part D is provided through private insurance companies that have contracts with the federal government. Enrollment is only allowed during approved enrollment periods. Although the program is optional, enrollment is highly recommended, since failure to sign up when an individual is first eligible for Medicare could result in a future enrollment penalty.

Making the Right Choices:
Focus on Personal Needs

The best way for an individual to know which plan combinations to choose is to consider their personal financial situation and medical needs. Below are a few points for an enrollee to consider that may aid in obtaining the right level of coverage:

Frequency of Doctor Visits

An important point to consider is how often an individual visits with their doctor. With Original Medicare Parts A and B, the individual would have to pay 20% of the cost for physician visits after the Part B deductible is met. There is no limit on out-of-pocket costs under Original Medicare. Most Medicare supplement plans will cover the cost of deductibles and copays left by Original Medicare. Medicare Advantage plans may require a copay for each visit and may or may not have a deductible, but they usually contain an out-of-pocket limit for financial protection.

The Advantage of a Doctor Accepting Medicare Assignment

When a doctor accepts Medicare assignment it means they accept the amount Medicare pays as payment in full. Doctors who don't accept Medicare assignment means they can bill for more than the Medicare approved amount. Some Medicare supplement programs may pick up these excess charges.

Provider Networks

Many Medicare Advantage plans utilize a network of doctors, hospitals and pharmacies. Most Medicare recipients will want to stay in the network since they typically will pay more for service when care is obtained outside the network.

Medications

Most Part D prescription drug plans include a list of covered (formulary) drugs. If a required drug is not on the formulary, the recipient will be required to pay more. Before enrolling in a particular Part D plan, the recipient should check any drugs they use against the plan's formulary list as these extra charges could be significant. Drug coverage included as part of a Medicare Advantage plan works the same way.

Balancing Out-of-Pocket Costs vs. Premiums

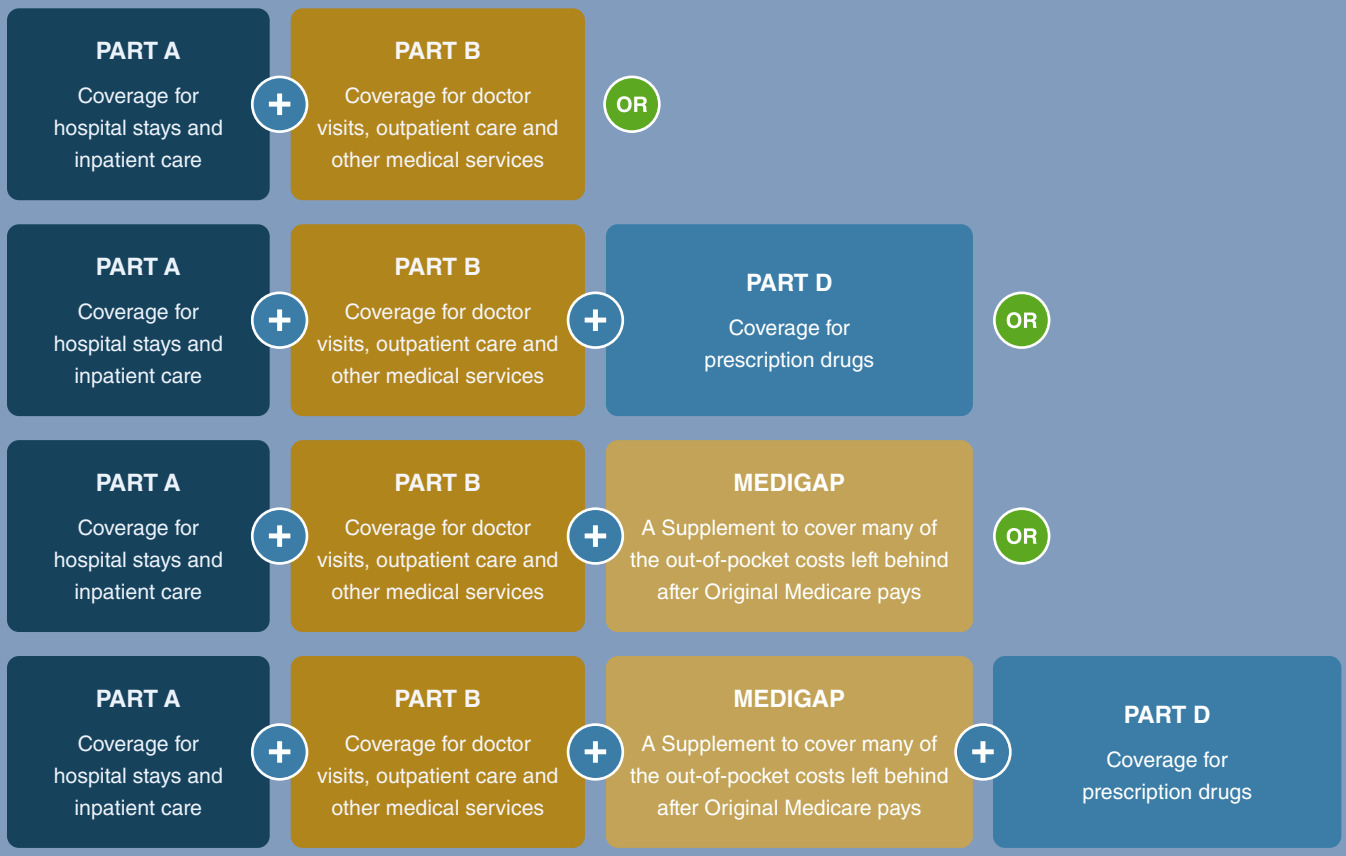
Generally speaking, as out-of-pocket costs decrease, premiums increase and visa versa. When comparing programs, all costs should be considered, not just the premiums.

Other Coverage

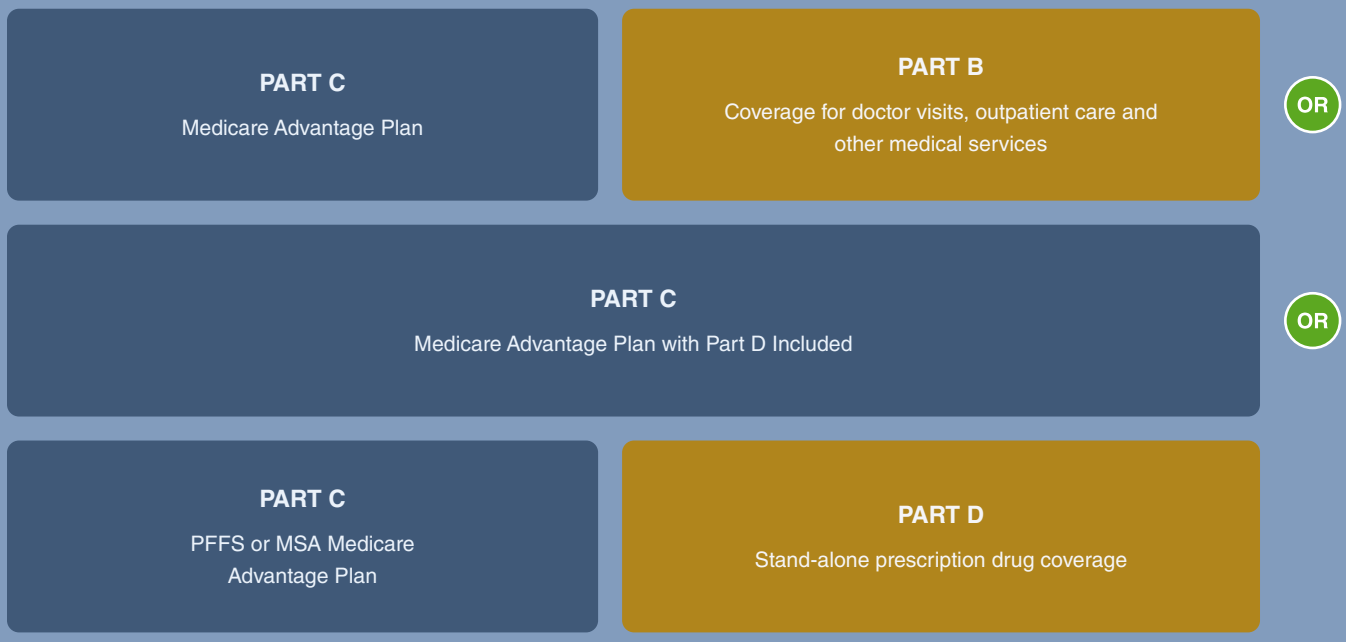
Whether or not the enrollee has medical coverage elsewhere, like through an employer for instance, can impact the decision they would make regarding enrollment in various Medicare programs.

Decision Guide

Individuals can either add additional coverage to Original Medicare in one of the following combinations:



Or they can choose to get their coverage through a Medicare Advantage Plan (Part C) in one of the following combinations:



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As the 2021 open enrollment season approaches, individuals and businesses throughout our country are beginning to prepare to make key decisions involving their benefit selections. To assist in this process, My Benefit Advisor (MBA) has focused its efforts on providing clients with a vast array of resources to assist them in making sound, educated, needs-focused decisions. Through dedicated and knowledgeable staff, in-house team of legal and compliance advisors, an unparalleled level of technology and partnerships with the nation's leading insurance service carriers and service vendors, we are able to provide innovative client-specific solutions to help you and your employees with a range of insurance and human resource needs.

Experience Makes the Difference

When confronted with challenging situations, experience counts. At MBA, our staff is trained to provide thoughtful and effective solutions to complex problems. Our Medicare team will provide guidance for you and your employees regarding:

- The basics of Medicare Part A and B
- Medicare primary and secondary payer rules
- Part D Credible Drug Coverage guidelines
- Enrollment criteria and timeframes
- Plan selection based on employee healthcare needs and financial ability

Best-In-Class Resources

As a leader in the field of employee benefits, you can count on MBA to deliver top-notch, professional assistance for all Medicare related benefits. In addition to the resources mentioned above, our model also includes:

- The ability for each beneficiary to work with a licensed and Medicare certified agent throughout their enrollment process
- White glove service…going above and beyond typical call center-focused operations, including a full-service account management team to assist on an ongoing basis
- An optional no-cost annual benefits and needs analysis

Our team thrives on helping businesses and their employees maximize the effectiveness of their benefit resources.

To learn more about My Benefit Advisor, visit us online at **www.mybenefitadvisor.com**