

VIRGINIA STATE BAR MEMBERS' INSURANCE CENTER

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Medicare Enrollment Process for Those Approaching Age 65

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prepared by

Robert H. Spicknall, CEBS

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Introduction

For many years it has been my pleasure to assist law firms, lawyers, and their families as their health insurance agent. Unquestionably, the most difficult age bracket to be in for health insurance is 60-64. Typically, those who have individual coverage or are part of a group with fewer than 50 employees have their health insurance premiums based on age. If you will agree that health insurance is generally very expensive, then you'll find health insurance premiums for those ages 60-64 to be outrageous. As I assist many in the 60-64 age bracket I invariably point to the light at the end of the tunnel, age 65, when people become eligible for Medicare. The reason one usually pays much less for health insurance at age 65 is because Medicare is heavily subsidized by the federal government.

Medicare Components

You will not be alone if you enroll in Medicare. Today this program provides over 50 million Americans healthcare. The federal agency that runs Medicare is the Centers for Medicare and Medicaid Services (CMS). CMS is part of the U. S. Department of Health and Human Services.

Medicare is a federally sponsored health insurance program for people age 65 or older, and for those under age 65 with certain disabilities, such as permanent kidney failure. There are four components to the Medicare program:

- ✓ Medicare Part A (Hospital Services)
- ✓ Medicare Part B (Outpatient/Physician Services)
- ✓ Medicare Supplement or Medigap Insurance
- ✓ Medicare Part D (Prescription Drug Coverage)

Medicare Part A helps cover inpatient care in the hospital. Most people receive Medicare Part A without paying a premium. This is because they or a spouse paid Medicare withholding taxes while working.

Medicare Part B is optional, yet is selected by most. Medicare Part B helps cover physicians' services and outpatient care. The majority of the cost of Part B is borne by the federal government. Most individuals will pay the standard Part B monthly premium (\$134.00 in 2018). However, wealthier seniors will pay more. The 2018 chart below shows the Part B monthly premium amounts based on 2016 Modified Adjusted Gross Income (MAGI). Your MAGI is the total of your adjusted gross income and tax exempt income. These amounts change each year.

| Medicare Part B | Medicare Part D | If Your MAGI Is | |
|------------------------|------------------------|------------------------|-----------------------|
| Monthly Premium | Monthly Premium | Single | Married Couple |
| \$134.00 | Your plan premium | \$85,000 or less | \$170,000 or less |
| \$187.50 | Extra \$13.00 | \$85,001 - \$107,000 | \$170,000 - \$214,000 |
| \$267.90 | Extra \$33.60 | \$107,001 - \$160,000 | \$214,001 - \$320,000 |
| \$348.30 | Extra \$54.20 | \$160,001 - \$214,000 | \$320,001 - \$428,000 |
| \$428.60 | Extra \$74.80 | Above \$214,001 | Above \$428,000 |

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Medicare Supplement or Medigap is a private insurance policy designed to supplement Medicare Parts A and B. Insurance agents and insurance companies can only sell standardized Medicare Supplement policies, which are identified by letters (e.g. Plan F). These plans will have different required deductibles, copayments and coinsurance. One should purchase a Medicare Supplement policy that coincides with the Part B effective date. There is a six month window from activation of Medicare Part B to select a Medicare Supplement on a guaranteed issue basis. If you miss this window, you can apply later, but may be declined, or charged a higher premium due to health history.

Medicare Part D helps pay for prescriptions you use. The program is administered by numerous insurance companies on the federal government's behalf. The federal government has established guidelines for the types of drug plans and set minimum standards of benefits. However, not all Part D plans are the same. They vary by benefits, costs and by their formulary, or list of specific drugs covered. You will likely want to enroll in one of these plans initially at your Medicare eligibility date. If you enroll beyond 3 months past your Medicare eligibility date, premiums will be higher, and you will be penalized the longer you wait unless you maintain comparable prescription drug coverage elsewhere. This penalty is 1% of average area monthly premium for each month delayed. Therefore, delay can be costly and the penalty continues through the remainder of one's life. Many Part D insureds are unaware there is an open enrollment period every year. It typically runs from October 15th through December 7th – the effective date of the change will be January 1. This allows enrollees to change Part D coverage to better suit their needs.

Important Note: Beginning January 1, 2011, higher-income beneficiaries with Medicare prescription drug coverage began paying monthly premiums plus an additional amount. The exact amount is shown in the chart included under the "Medicare Part B" section of this article. It will be deducted from your regular Social Security payments, regardless of how you ordinarily pay your monthly Medicare prescription plan premiums.

When to Start the Medicare Enrollment Process?

When you are three months shy of the month of your 65th birthday, you should begin the Medicare Enrollment process. First, contact your Social Security office prior to your 65th birthday to enroll in Medicare Part A. Also, it is typically wise to enroll in Part B at this time. Again, it is worthy of repeating, do not enroll in Part B unless you are planning to cancel your current coverage and purchase a Medicare Supplement with the same effective date. This is because when you enroll in Medicare Part B, you have a guaranteed right to buy a Medicare Supplement for six months. Therefore, you cannot be declined for Medicare Supplement coverage if you sign up during this open enrollment period. However, if you apply for a Medicare Supplement beyond the six month window, you may be charged a higher rate or declined coverage due to health history. Finally Part D coverage, or prescriptions for seniors, should have the same effective date as Part B and the Medicare Supplement.

Confusion often arises when people fail to pick a common effective date for:

- ✓ Medicare Part A
- ✓ Medicare Part B
- ✓ Medicare Supplement
- ✓ Medicare Part D
- ✓ Cancellation date of existing coverage

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