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Medicare: What You Need to Know Now



Key Points

- Medicare doesn't cover some of the most common health costs
- Higher earners can pay up to four times more for basic coverage
- Supplemental insurance could help manage future medical expenses

Six out of 10 people expect Medicare to cover most or all of their health care costs in retirement, according to the 2014 Ameriprise Financial *Health, Wealth and Retirement* study. But the largest expense in retirement for many — long-term care — isn't covered. And basic Medicare doesn't cover vision, hearing or dental.

The biggest shocker? Those with higher incomes can pay up to four times more than individuals earning \$85,000 or less (\$170,000 or less for couples) for Part B premiums. If your income is above those limits, you'll pay incrementally more than the standard \$109 premium, maxing out at \$428.60 per month for individuals with incomes of \$214,000 or more (\$428,000 for married couples).

While potential legislative changes to the Affordable Care Act could mitigate this Medicare surtax intended to keep premiums modest for low-income beneficiaries, higher earners may want to plan accordingly now.

3 Surprising Medicare Facts



**Medicare
does not cover**
long-term care, dental,
vision or hearing



**High income
surcharge**
for those with
income over \$85k



**Enrollment is
not automatic**
sign up before
turning 65

Nearly two-thirds of those surveyed in the Ameriprise study plan to work until they are old enough to qualify for Medicare — age 65 for most. Here's what you need to know about Medicare coverage gaps as you prepare for the transition from employer-based or private insurance.

Know what the letters mean

First, a quick breakdown of what Medicare does include:

Part A: Hospital insurance. Covers hospital stays, certain procedures performed in the hospital, care at a skilled nursing facility and hospice care.

Part B: Medical insurance. Includes doctor visits, home health care services and laboratory tests.

Part C: Medicare Advantage. Receive your Part A and Part B benefits — as well as additional services not covered by Medicare — by paying a monthly premium to a Medicare-approved private insurance company.

Part D: Prescription drug coverage. Covers 60% of brand-name prescription drugs and 49% of generic drugs after \$3,700 has been spent by you and your drug plan. After reaching the \$4,950 out-of-pocket limit, you'll pay either 5% coinsurance or a small copay for covered brand-name and generic drugs.

Look into supplemental coverage

So what about costs Medicare doesn't cover? Many people fill gaps in Parts A and B coverage by buying a supplemental policy called Medigap and a Part D prescription drug plan, or with a Medicare Advantage policy, which provides both medical and drug coverage from a private insurer.

This is how the programs compare:

Medigap

This supplemental insurance is designed to cover Medicare deductibles, coinsurance and copays that would otherwise have to be paid out of pocket. Medigap works only with Medicare (Parts A and B) and does not apply

if you're enrolled in Medicare Advantage. You must be at least age 65 to be eligible for Medigap, and it should be purchased within six months after enrolling in Medicare Part B or there's no guarantee you'll be able to get coverage. There are 10 standard Medigap policies in most states that vary widely in benefits from nursing care to overseas insurance. These plans do not provide prescription drug benefits.

Medicare Advantage

These plans provide additional services that may include vision, hearing, dental and, often, health and wellness programs. You pay a monthly premium, and copayments are usually less than the coinsurance and deductibles under Medicare Parts A and B. Most include Medicare prescription drug coverage. Medicare uses a rating system to help determine which Medicare Advantage and prescription drug (Part D) plan is best for you. Beginning Dec. 8, 2017, Medicare recipients can switch to a Five-Star Medicare Advantage plan during a special enrollment period that extends beyond the traditional open enrollment period. The star ratings can be found in the Medicare Plan Finder tool or by calling 1.800.MEDICARE.

Consider long-term care insurance

You may have heard that Medicaid covers long-term care for those who can't pay for it out of pocket. What's lesser known is that program rules require a person's assets be spent down to almost nothing before benefits kick in — and that includes retirement plans, real estate, trusts and other investments that people commonly think of as safe. While there are some asset protections for a spouse, many have had estates they've been diligently building for decades completely wiped out before Medicaid eligibility parameters are met for long-term care needs. And transferred assets count against your eligibility unless they were passed on five or more years before you need long-term care.

The good news? Having a long-term care plan not only allows more choice in the kind of care received, it also offers asset protection in many states through the Long-Term Care Partnership program, a collaboration between insurance companies and state governments. While purchasing a long-term care plan in your 30s or 40s will likely mean lower premiums, the average age of a buyer is in their 50s.

We can help

Talk to your financial advisor about the most efficient ways to set aside funds for Medicare coverage gaps in retirement.

Open enrollment: Oct. 15-Dec.7

Don't miss out. Medicare beneficiaries can make the following changes during open enrollment:

- Change from basic Medicare to a Medicare Advantage plan or vice versa
- Switch between Medicare Advantage plans
- Enroll in a Medicare Part D prescription drug plan, switch from one Part D plan to another or drop Medicare prescription drug coverage completely

Keep in mind that *new* Medicare beneficiaries can sign up three months before their birthday (age 65 is when most are eligible), a date not related to the open enrollment period noted above.



Did you know that your health insurance information can be illegally used by someone else to see a doctor, get prescription drugs or even file a claim to your insurance provider? 1 in 3 Americans were a victim of medical identity theft in 2016, according to the International Data

Corporation. Medicare recipients that suspect they're being charged for health care they didn't receive or if you don't recognize a provider on a claim, call 1-800-MEDICARE (1-800-633-4227) and be sure to have supporting documentation on-hand.