

WEALTH SOLUTIONS GROUP



Understanding Medicare Benefits

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Your mailbox when you turn 64



Agenda

- Medicare Plan Details
 - Parts
 - Enrollment
 - Costs
 - Supplement Plans
 - Advantage Plans
- Planning Opportunities and Considerations

Medicare Parts

Parts of Medicare

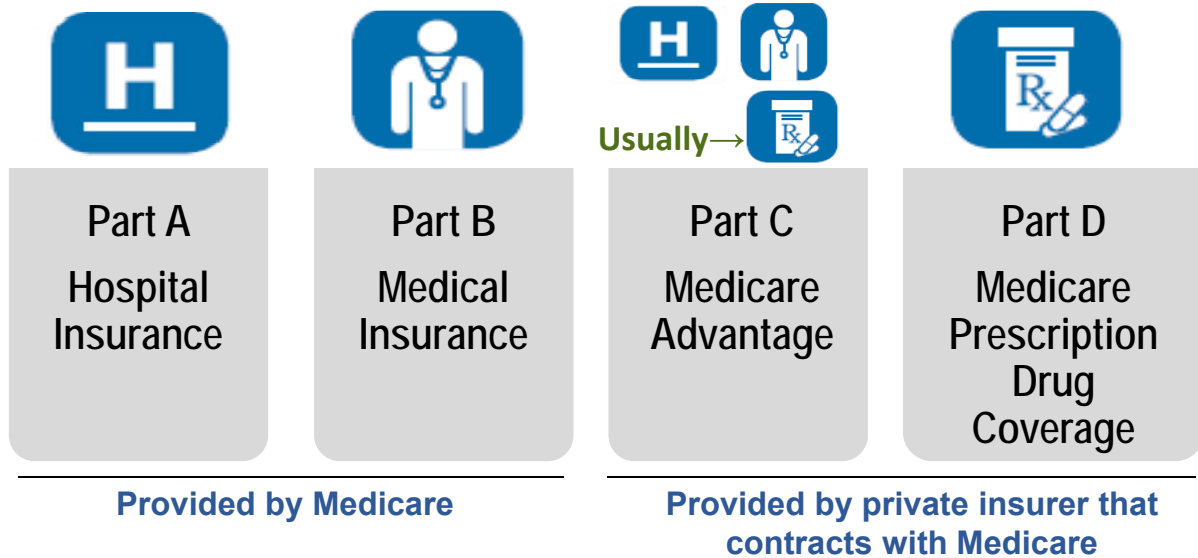
Provided by Medicare and is the same for everyone:

- **Part A** – Hospital coverage
- **Part B** – Medical insurance

Administered by private insurer where each person selects a different plan based on their needs

- **Part D** – Prescription Drug Coverage
- **Part C** – Medicare Advantage
 - Combines Parts A, B, and usually D

Four Parts of Medicare



Two Options to Receive Medicare

Original Medicare

Medicare Advantage

Step 1

Step 1

Enroll in Parts A & B

Step 2

Step 2

Enroll in Part D

Enroll MA Plan

Step 3

Step 3

Enroll in Medicare Supplement/Medigap

Enroll in Part D (only if not included in MA plan)

Enrollment

Enrolling in Medicare

Why is this important?

- Avoid costly mistakes
 - If you don't enroll in a timely manner, you **WILL** pay a premium **penalty** for the rest of your life.
 - Avoid **gaps in coverage**

Key Factors in Determining Enrollment Period

- Age
 - Must be age 65 or older in most cases
 - If you collected SS Disability for 2 years, you become eligible at any age
- Social Security Status
 - Have you filed for benefits yet?
- Employment Status
 - Are you covered by employer plan as employee or non-employee spouse?
 - Size of employer
 - Small employer = 19 or less employees covered by the plan
 - Large employer = 20 or more employees covered by the plan

Medicare Enrollment based on Social Security Claiming Status

- **If you **are** receiving Social Security when you turn 65:**
 - Medicare Parts A and B are automatic
 - Can decline Part B if you don't want it
 - Cannot decline Part A
 - Coverage starts 1st of month you turn 65
 - Part D, Supplement, and/or Advantage are not automatic
 - Much choose private insurer and proactively enroll

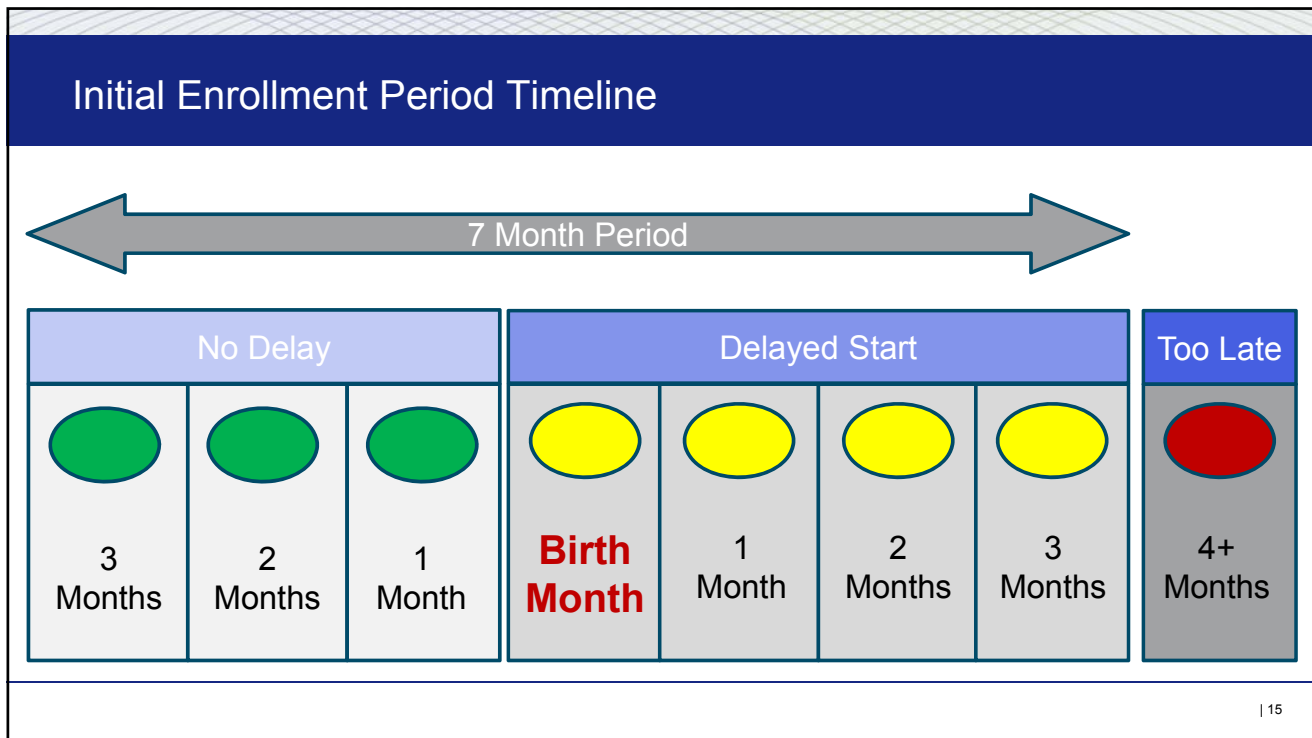
Medicare Enrollment based on Social Security Claiming Status

- **If you **are NOT** receiving Social Security when you turn 65:**
 - Must sign up through Social Security Administration during a Medicare enrollment period
 - Initial enrollment period: If you **are not covered by a group plan** at 65
 - Special enrollment period: If you **are covered by a group plan** at 65
 - General enrollment period: If you **missed your initial or special enrollment period**

Initial Enrollment Period

Initial Enrollment Period

- First chance to enroll in Medicare
 - Birth month and 3 months before & after (7 months total)
 - You should enroll if you are not covered by an employer plan
 - Parts A & B
 - Choose a Medicare Supplement plan or Medicare Advantage Plan
 - Part D



- ### Initial Enrollment Period
- Part A
 - Most who turn 65
 - Small employer
 - Must enroll
 - **Medicare is primary** over employer plan
 - Large employer
 - Medicare is secondary to employer plan
 - Enroll in A to supplement employer's hospital coverage
 - **Do not enroll** if you have a Health Savings Account (HSA) and want to continue making contributions

Initial Enrollment Period

- Part B
 - Enroll to avoid penalty if you:
 - Don't have other coverage
 - Have other non-employer coverage (individual policy, COBRA, retiree coverage, etc.)
 - If you have employer coverage:
 - Small employer
 - Have to enroll
 - **Medicare is primary** over employer plan
 - Large employer
 - Medicare is secondary to employer plan
 - May enroll in B to supplement employer's coverage

Initial Enrollment Period

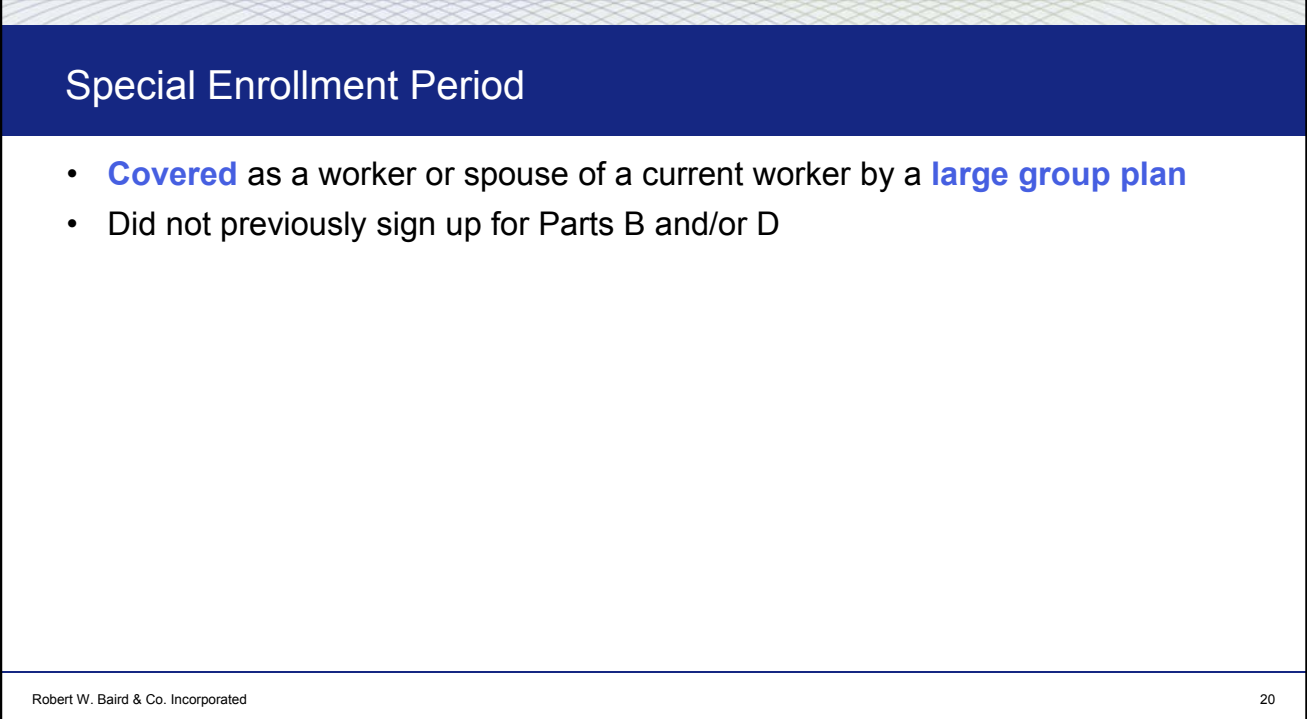
- Drug coverage options:
 - Part D
 - Signed up for A or B
 - Want drug coverage either now or in the future
 - Can delay coverage without penalty if you have other "**creditable**" drug coverage (employer or private policy)
 - Medicare Advantage
 - Only if going Medicare Advantage route



Special Enrollment Period

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Special Enrollment Period

- **Covered** as a worker or spouse of a current worker by a **large group plan**
- Did not previously sign up for Parts B and/or D

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Special Enrollment Period

- Part B
 - 8-month period starting the month group coverage ends **or**
 - Before coverage ends
- Part D
 - Within 63 days after coverage ends **or**
 - Before coverage ends

Enrolling in the time window avoids a late-enrollment penalty, BUT
Enrolling before current coverage ends avoids gaps in coverage.

General Enrollment Period

General Enrollment Period

- Missed the initial enrollment period
- January 1 – March 31
 - Coverage starts July 1
- Will likely pay a premium penalty
- Will likely have coverage gaps

How to sign-up for Medicare

Signing Up for Parts A & B

- Go to www.medicare.gov and click on Sign Up / Change Plans

Apply for Medicare Only

Use the online application to apply for just Medicare.

- Call Social Security Administration at 800-772-1213
 - Enroll over the phone
 - Schedule appointment at local office

Sign Up for Supplement, Advantage, and/or Part D

- Work with health insurance agent
- Directly through insurance company
- Through Medicare
 - www.medicare.gov
 - 1-800-MEDICARE

Summary

- **Best time to enroll in Medicare**
 - To avoid late-enrollment penalties:
 - Sign up during initial or special enrollment period
 - To avoid gaps in coverage:
 - Sign up before current coverage ends

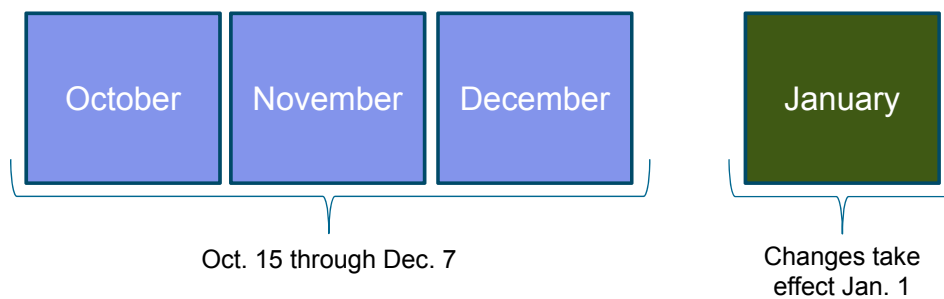
Open Enrollment

Two “Open Enrollment” Periods

- Medicare Open Enrollment
- Medigap Open Enrollment

When is Medicare Open Enrollment

- October 15 – December 7 of each year
- Changes to coverage are effective January 1 of the following year
 - e.g. Changes made to plans in fall of 2018 take effect on Jan. 1, 2019.



What Changes Can Be Made During Medicare Open Enrollment?

- Make changes to your Medicare Part D prescription drug plan or Medicare Advantage Plan:
 - Join a plan
 - Switch from one plan to another
 - Drop your plan
- Switch from Original Medicare to a Medicare Advantage plan
- Switch from a Medicare Advantage plan back to Original Medicare.
 - **Guaranteed issue on Medicare Supplement plan is usually NOT available**
 - See Guaranteed Issue section of the *Wisconsin Guide to Health Insurance for People with Medicare* for reasons you may qualify to change your Supplement plan

Medigap Open Enrollment

- Guaranteed issue period
 - Have to sell you a policy regardless of health
 - Cannot adjust premiums
 - Cannot exclude pre-existing conditions
- 6-month period beginning with the month you are both:
 - Age 65 **and**
 - Enrolled in Part B

Medical Questions

HEALTH QUESTIONS

- A. Do any of the following apply to you within the past **two years**?..... Yes No
- Have you been hospitalized (more than 24 hours) three times or more, or been recommended to have inpatient surgery that hasn't yet been performed?
 - Have you been hospitalized for the treatment of mental or nervous disorders, including alcohol or drug abuse?
 - Have you had or been told by your physician you had a heart attack, congestive heart failure, heart valve disorder, heart rhythm disorder, enlarged heart, coronary artery disease (hardening or narrowing of the artery or arterial blockage), carotid artery disease, stroke, aneurysm, or peripheral vascular disease?
 - Have you had or been told by your physician you had diabetes that requires insulin; liver disease; or broken bones due to osteoporosis?
 - Have you had or received treatment for end stage renal disease (ESRD) kidney disease, or have you received kidney dialysis?
- B. Do any of the following apply to you within the past **five years**? Yes No
- Have you had or received treatment or surgery for cancer (except for non-melanoma skin cancer), Hodgkin's disease, melanoma, or leukemia?
 - Have you had, or been recommended to have, any organ transplant other than of the cornea?
- C. Have you been diagnosed with one or more of the following **at any time**? Yes No
- | | | |
|---|----------------------|------------------------|
| • Alzheimer's disease | • Emphysema | • Myasthenia gravis |
| • Amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease) | • Hemophilia | • Parkinson's disease |
| • Cerebral palsy | • Multiple sclerosis | • Rheumatoid arthritis |
| • Cystic fibrosis | • Muscular dystrophy | • Sickle cell anemia |
| | | • Systemic lupus |
- D. Do any of the following statements **currently** describe you?..... Yes No
- I am confined to a nursing facility
 - I am hospitalized
 - I am enrolled in a hospice program

If you answer yes to any of the questions asked, you are NOT eligible for a Supplement plan.

The questions asked and conditions asked about can vary from plan to plan.

Costs

Definitions

- Premium
 - Paid monthly, regardless of use
- Deductible
 - Paid by patient, based on cost of services
- Co-insurance
 - Cost is split between patient and insurance company/Medicare
 - Co-pays, percentage split (e.g. 80/20), etc.

Costs of Medicare – Part A

- No monthly premium if an individual or their spouse worked for 40 quarters (10 years)
- No cost to non-working spouse if:
 - **currently married** to a **spouse who is eligible for Social Security** (age 62) and married for at least one year before applying, or
 - **divorced** and the **former spouse is eligible for Social Security** (must have been married to ex-spouse for 10 years and not currently married), or
 - **widowed** (and did not remarry) and they were married for at least nine months before their spouse died

Costs of Medicare – Part A

Insurance Premiums		Benefit Period Deductible	Hospital Co-Insurance Charges		Skilled Nursing Care Co-Insurance Charges	
Work History of you or your spouse	Monthly Premium		Benefit Period	Daily Charge	Benefit Period	Daily Charge
<30 Quarters	\$422 per person	\$1,340 per person	1-60 days	\$0	0-20 days	\$0
30-39 quarters	\$232 per person		61-90 days	\$335	21-100 days	\$167.50 per person
40+ quarters	\$0 per person		91-150 days (60 lifetime reserve days*)	\$670 per person	101+ days	100% of cost
			151+ days	100% of cost		

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*The insured may decide to forgo using their lifetime reserve days during that benefit period, in which case they will be responsible for 100% of the cost.

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Costs of Medicare – Part B

Modified Adjusted Gross Income* (2016 MAGI determines 2018 premium)		2018 Medicare Part B Premium	
Single	Married Filing Joint	Held Harmless	Not Held Harmless
\$85,000 or less	\$170,000 or less	\$130.00 (on average)	\$134.00
\$85,001 - \$107,000	\$170,001 - \$214,000	n/a	\$187.50
\$107,001 - \$133,500	\$214,001 - \$267,000	n/a	\$267.90
\$133,501 - \$160,000	\$267,001 - \$320,000	n/a	\$348.30
> \$160,001	> \$320,000	n/a	\$428.60

*MAGI = Adjusted gross income plus tax-exempt interest.

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Modified Adjusted Gross Income

Form 1040 U.S. Individual Income Tax Return 2017		OMB No. 1545-0074	IRS Use Only—Do not write or staple in this space.
8a	Taxable interest. Attach Schedule B if required		8a
b	Tax-exempt interest. Do not include on line 8a	8b 25,000	
37	Subtract line 36 from line 22. This is your adjusted gross income		37 165,000

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2017)

On 2017 Form 1040, Line 8b + Line 37

Life-Changing Events

- You can appeal IRMAA premium increase if you experience a “life-changing” event
- File form SSA-44 with Social Security Administration
 - Optional but recommended: attach a letter of explanation
- Life changing events:
 - Marriage
 - Divorce/Annulment
 - Death of Spouse
 - **Work Stoppage**
 - Work Reduction
 - Loss of Income-Producing Property
 - Loss of Pension Income
 - Employer Settlement Payment

Costs of Medicare – Part B

Annual Deductible	Medical Co-Insurance Charges*	
\$183	Type of Care	Patient Responsibility
	Medical Services	Assigned – 20% Unassigned – 20% + 15% over approved amount
	Out-patient Hospital Care	Co-pay can't exceed Part A deductible
	Out-patient Mental Health	20%
	Annual Wellness	\$0
<p>Service providers may or may not accept Medicare.</p> <p>Service providers that accept Medicare may not accept the Medicare pre-approved cost for service. Under these circumstances, the service provider may charge up to an additional 15% out-of-pocket fee to the insured.</p>		

* There is no Part B out-of-pocket maximum.

Medicare Assignment vs. Acceptance

- **Assignment**
 - Provider agrees to Medicare published rates

- **Acceptance**
 - Provider accepts Medicare as insurance, but don't agree to rates
 - Can charge up to 15% more than Medicare published rates

- **Opt-Out Provider**
 - Does not accept Medicare reimbursement and charges their full price
 - Medicare won't pay for services
 - You can try to negotiate a discount

Part B Premium Penalty

- Penalty
 - 10% for every year that you fail to enroll once eligible and do not have a Special Enrollment Period
 - Penalty is charged to the base premium amount (\$134 in 2018) and then added to actual premium amount
 - If base premium increases, the penalty increases
 - The penalty amount will carry over every year

Costs of Medicare – Part D

- Base premium is \$35.02 per month (only used to calculate IRMAA and penalty)
- Your premium will be higher or lower, depending on coverage purchased
 - 2018 WI average premium information¹
 - WI weighted average premium = \$44.82
 - WI minimum premium = \$19.70
 - WI maximum premium = \$157.70
 - 9% increase vs. 2017
 - Means-based increases if income is over \$170,000 married filing joint (\$85,000 single)

¹ Source: The Kaiser Family Foundation's *Medicare Part D: A First Look at Prescription Drug Plans in 2018 (Appendix)*

Income-Related Monthly Adjustment Amount (IRMAA) – Part D

Modified Adjusted Gross Income (2016 MAGI determines 2018 premium)		2018 Medicare Part D Premium
Single	Married Filing Joint	
\$85,000 or less	\$170,000 or less	Your Plan Premium
\$85,001 - \$107,000	\$170,001 - \$214,000	\$13.00 + Your Plan Premium
\$107,001 - \$133,500	\$214,001 - \$267,000	\$33.60 + Your Plan Premium
\$133,501 - \$160,000	\$267,001 - \$320,000	\$54.20 + Your Plan Premium
> \$160,000	> \$320,000	\$74.58 + Your Plan Premium

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Part D Deductible & Coinsurance

Medicare's standard benefit design; individual plans vary and may cover more

	Paid by Insured	Threshold
Annual Deductible	\$405	n/a
Initial Coverage Period	25% of drug costs (\$3,345 * .25 = \$836)	On the first \$3,750 of drug expenses (not out-of-pocket costs) after deductible
Coverage Gap (aka Donut Hole)	35% of cost for Brand Name Drugs* 44% of cost of Generic Drugs*	Lasts until out-of-pocket costs (TrOOP) reach \$5,000 (including deductible)
Catastrophic Coverage – Starts when total true out-of-pocket (TrOOP) costs reach \$5,000 (\$405 deductible + \$836 initial coverage + \$3,759 donut hole)	Greater of: <ul style="list-style-type: none"> • 5% or • \$8.35 for Brand Name Drugs and \$3.35 for Generic Drugs 	On all out-of-pocket costs in excess of \$5,000

* Discount on brand name drugs (50%) counts towards getting out of coverage gap, but amounts paid by Part D do not.

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Part D Premium Penalty

- 1% premium penalty for every month you are not enrolled (all other details are the same as Part B)
- The penalty amount will carry over every year
- Penalty increases if base premium increases

Medicare Supplement (Medigap) Plans

Medicare Supplement Plans

- Sold by private insurance companies
- Supplemental coverage for Medicare Parts A & B
- Plans follow federal & state laws to protect you

Medicare Supplement Plans

Medigap Benefits	A	B	C	D	F	G	K	L	M	N
Medicare Part A Coinsurance and 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%	✓	✓
Home health care coinsurance	✓	✓	✓	✓	✓	✓	50%	75%	50%	✓
Medicare Part A deductible		✓	✓	✓	✓	✓	50%	75%	50%	✓
Medicare Part B deductible			✓		✓					
Medicare Part B excess charges					✓	✓				
Foreign travel emergency (up to plan limits)			✓	✓	✓	✓			✓	✓

- Plan F also has a high-deductible option in some states. The deductible is \$2,240 in 2018.
- Out-of-pocket limit for Plan K = \$5,240, for Plan L = \$2,620.
- MA, MN, and WI have different policy structures.
- Starting in 2020, Plan F will no longer cover the Part B deductible for new policies purchased after that date.

Example of Wisconsin Supplement Plan Option

Age	Base Plan Only Premium	Part B Deductible	Add'l Home Health Care	Foreign Travel Emergency	100% Part A Deductible	Part B Excess Charges	Total
65	\$1,669	\$196	\$24	\$18	\$339	\$78	\$2,324
70	\$2,134	\$196	\$24	\$18	\$448	\$94	\$2,914
75	\$2,598	\$196	\$24	\$18	\$556	\$110	\$3,502
80	\$3,063	\$196	\$24	\$18	\$665	\$126	\$4,092
85+	\$3,378	\$196	\$24	\$18	\$774	\$142	\$4,532

Prices from 2018 WPS Medicare Companion (Area 1, SE WI)

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Total Medicare Costs Per Person at Age 65

MAGI Tier	Part B Premium	Part D Premium ¹	IRMAA	Medigap ²	Total
1 (Base)	\$1,560 ³	\$538	\$0	\$2,324	\$4,422
2	\$1,608	\$538	\$798	\$2,324	\$5,268
3	\$1,608	\$538	\$2,010	\$2,324	\$6,480
4	\$1,608	\$538	\$3,222	\$2,324	\$7,692
5	\$1,608	\$538	\$4,432	\$2,324	\$8,902

¹ Weighted WI average premium from Slide 43.

² WPS policy premium at age 65, from previous slide; WI approximation of Plan F.

³ Assumes Medicare recipient was held harmless, assuming an average premium of \$130 per month.

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Total Medicare Costs Per Person at Age 80

MAGI Tier	Part B Premium	Part D Premium ¹	IRMAA	Medigap ²	Total
1 (Base)	\$1,560 ³	\$538	\$0	\$4,092	\$6,190
2	\$1,608	\$538	\$798	\$4,092	\$7,036
3	\$1,608	\$538	\$2,010	\$4,092	\$8,216
4	\$1,608	\$538	\$3,222	\$4,092	\$9,428
5	\$1,608	\$538	\$4,432	\$4,092	\$10,638

¹ Weighted WI average premium from Slide 43.

² WPS policy premium at age 80, from previous slide; WI approximation of Plan F.

³ Assumes Medicare recipient was held harmless, assuming an average premium of \$130 per month.

Medicare Advantage Plans

Medicare Advantage Plans

- All-inclusive plans
- Combine Parts A, B, and usually D
- May cover services not covered by Original Medicare (usually for an extra cost)
 - Vision
 - Dental
 - Alternative care
 - Gym memberships
- Emphasis on wellness and preventative care

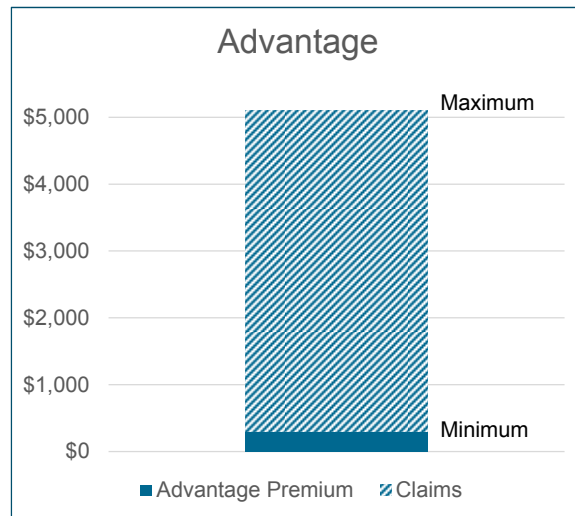
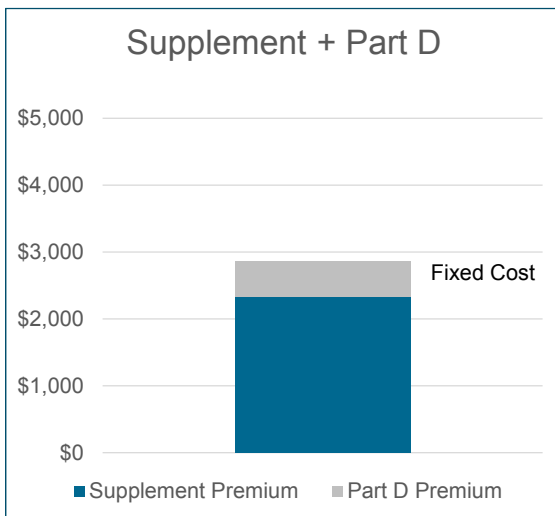
Enrollment Process for Medicare Advantage

- Enroll in Part A & B first
 - Pay Part B premium
- Enroll in Medicare Advantage plan with private insurance company
- MA plan may charge its own premium
- Most include prescription drug plan
- May not deny enrollment based on health status

Original Medicare vs. Medicare Advantage

Benefit	Original Medicare	Medicare Advantage
Monthly Premium (in addition to Part B)	Yes, for Part D and Medigap	Usually
Copays	Rarely	Yes
Annual policy changes	No	Usually
Prescription Drug Coverage	Must purchase separate plan	Usually included, but plans are available without it
Extra benefits (Dental, vision, etc.)	No	Available, but varies by plan
Network	National – Any provider that accepts Medicare	Varies by plan
Premium changes annually	Yes	Yes
Guarantee issue	Only during first 6 months after enrolling in Part B	Yes

Sample Annual Costs at Age 65



Cost Comparison Between Original Medicare and Advantage

Original Medicare:

- Supplement Premium = \$2,324
- Part D Premium = \$538

Advantage:

- Advantage Premium = \$300
- Out of Pocket Max = \$4,800

Caveats:

- Part B premium is in addition to the above costs and is the same under each option.
- Both options have pharmacy deductible and copays on top of what is shown here. Claim costs between the two types of plans re typically similar.

Medicare Advanced Planning Concepts

Planning Opportunities

- IRMAA changes
- Changes to Medicare Supplement Plans
- Working beyond age 65

New IRMAA Tier in 2019

Tier	Single MAGI	Married Filing Joint MAGI	Monthly Part B Premium	% of Total Part B Cost You Must Pay
1 (Base)	< \$85,000	< \$107,000	\$134.00	25%
2	Up to \$107,000	Up to \$214,000	+ 53.50	35%
3	Up to \$133,500	Up to \$267,000	+ 133.90	50%
4	Up to \$160,000	Up to \$320,000	+ 214.30	65%
5	Up to \$500,000	Up to \$750,000	+ 294.60	80%
6	> \$500,000	> \$750,000	+ 321.40	85%

Upcoming Changes to Medicare Supplement Plans

- Starting in 2020, first dollar coverage is not available for Part B
- New supplement plans will no longer be allowed to cover the Part B deductible
- Plans purchases prior to 2020 will be grandfathered in
 - Plans C and F could be phased out
 - Plan G becomes most comprehensive
 - Plan D would replace Plan C

Working Past Age 65

- If enrolled in employer plan covering 20+ employees, Special Enrollment Period (SEP) is available
 - Contact employer's plan administrator
 - Can spouse stay on plan when they reach age 65?
 - Enrolling during SEP avoids late enrollment penalty
 - Be mindful of coverage gaps
- Make sure employer's prescription drug plan is **creditable**

Working Past Age 65

- If plan contains HSA, enrollment in Medicare eliminates ability to make additional contributions
 - Forced enrollment in Part A when filing for Social Security
 - Make sure you stop HSA contributions (employee plus employer) on time
 - Part A coverage can be retroactive
 - Part A coverage begins the month you turn age 65 (if filing within 3 months of the month you turn 65)
 - Filing later than that, Part A is retroactive for up to 6 months
 - Coverage retroactive to the shorter of:
 - 6 months
 - The month you turned age 65

Helpful Resources

- Online Resources
 - www.medicare.gov
 - www.eldercare.gov
 - www.dhs.wisconsin.gov
- Useful Publications
 - Publications by the Center for Medicare and Medicaid
 - Medicare & You
 - Understanding Medicare Enrollment Periods
 - Choosing a Medigap Policy

Helpful Resources

- Plan Finders
 - Medicare Advantage & Part D Plan Finder
 - <https://www.medicare.gov/find-a-plan/questions/home.aspx>
 - Medicare Supplement Plan Finder
 - <https://www.medicare.gov/find-a-plan/questions/medigap-home.aspx>
- Resources for Wisconsin Residents
 - Wisconsin Guide to Health Insurance for People with Medicare 2018
 - Wisconsin Medigap Help Line (800) 242-1060

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