



SAVVY MEDICARE PLANNING

## 30 Minutes on Medicare Basics

What Baby Boomers Need to  
Know About Medicare



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## Your BCT Investment Team



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# Who Pays for Health Care in the U.S.?



## Before age 65

- ▶ Employer group health insurance
- ▶ Retiree health insurance
- ▶ COBRA
- ▶ Individual health insurance
- ▶ Other

## After age 65

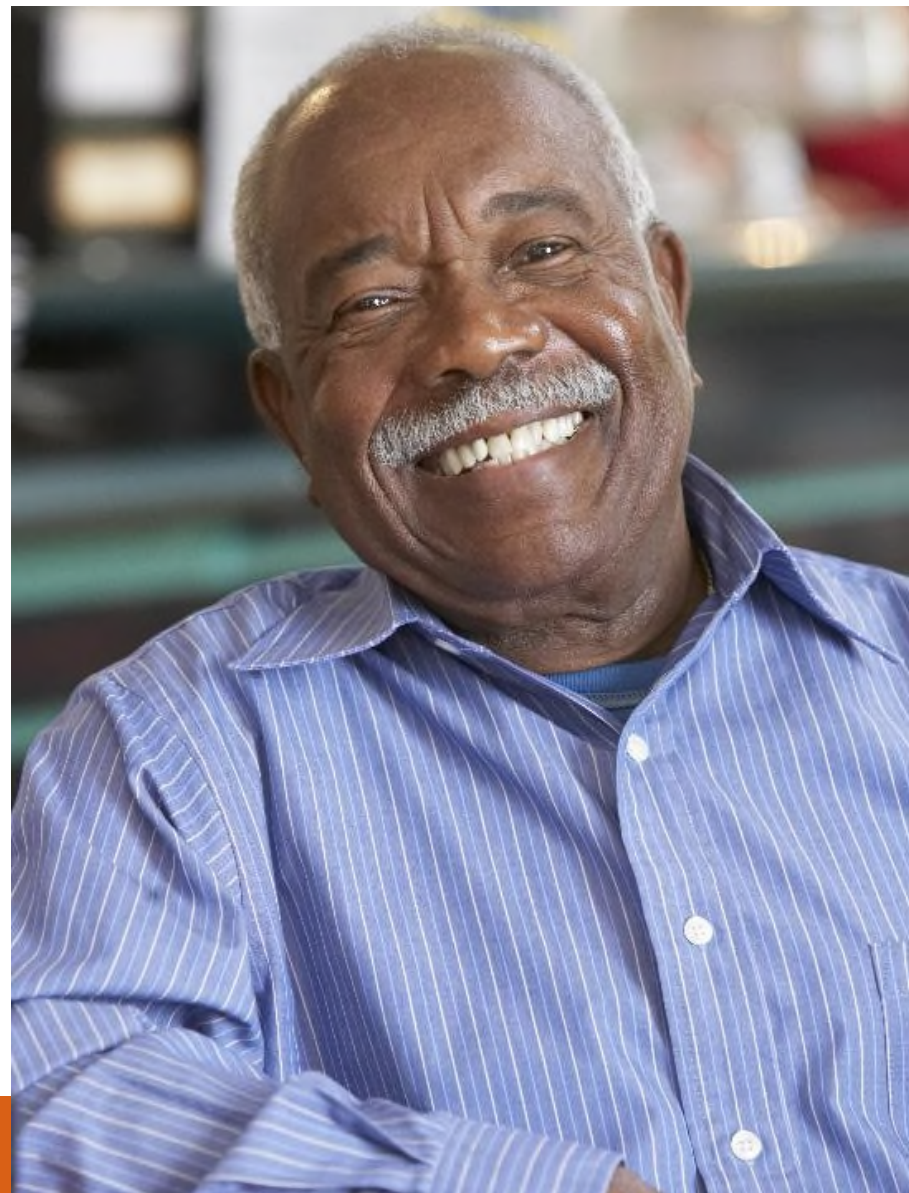
- ▶ Medicare pays first  
(except employer group plans that cover 20 or more employees if you or spouse is still working)
- ▶ Other insurance pays second



# What Is Medicare?

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- ▶ National health insurance program for people 65+
- ▶ Administered by the Centers for Medicare and Medicaid Services (CMS)
- ▶ Enrollment through the Social Security Administration (SSA)



# Who Is Eligible for Medicare?

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- ▶ **Everyone over 65**
  - All U.S. citizens
  - Legal residents who have lived in the U.S. continuously for at least 5 years
- ▶ **Some people under 65** who are eligible for Social Security disability benefits



# Four Parts of Medicare



**Part A**  
Hospital  
Insurance



**Part B**  
Medical  
Insurance



**Part C**  
Medicare  
Advantage



**Part D**  
Medicare  
Prescription Drug  
Coverage

Provided by Medicare

Provided by private insurer that  
contracts with Medicare

### Option 1: Original Medicare

(See pages 61–64)

This includes Part A and B.



**Part A**  
Hospital Insurance



**Part B**  
Medical Insurance

**You can add:**

(See pages 83–96)



**Part D**  
Medicare Prescription  
Drug Coverage

**You can also add:**

(See pages 79–82)



**Medigap**  
Medicare Supplement Insurance

(Medigap policies help pay your  
out-of-pocket costs in Original Medicare.)

### Option 2: Medicare Advantage (Part C)

(See pages 65–78)

These plans are like HMOs or PPOs, and  
typically include Part A, B, and D.



**Part A**  
Hospital Insurance



**Part B**  
Medical Insurance



**Part D**  
Medicare Prescription  
Drug Coverage

(Most plans cover prescription drugs.  
If yours doesn't, you may be able to join a  
separate Part D plan.)



# Medicare Enrollment



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## BASIC PRINCIPLE OF ENROLLMENT

Unless you are covered by an employer group plan that covers 20 or more employees,\* you must enroll in Medicare when you turn 65.

*\*Coverage must be based on  
current employment of self or spouse*

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## What if You Don't Enroll in Medicare on Time?

- ▶ You may pay late-enrollment penalties.
- ▶ Your health care expenses may not be covered by insurance.
- ▶ Your private insurance options may be limited.

# How Do You Enroll in Medicare?

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- ▶ If you are receiving Social Security when you turn 65:
  - Medicare Parts A and B are automatic (can decline if don't want Part B)
  - Coverage starts 1<sup>st</sup> of month turn 65
  - Parts C and D are not automatic; must choose private insurer and proactively enroll



# How Do You Enroll in Medicare?

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- ▶ 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

# When Your Coverage Starts

If you sign up:	Coverage starts:
Before the month you turn 65	The month you turn 65
The month you turn 65	The next month
1 month after you turn 65	The next month
2 or 3 months after you turn 65	The next month

Source: [www.medicare.gov/basics/get-started-with-medicare/sign-up/when-does-medicare-coverage-start](https://www.medicare.gov/basics/get-started-with-medicare/sign-up/when-does-medicare-coverage-start)

# Who Signs up for Part A During the Initial Enrollment Period?

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- ▶ **(Almost) everyone who turns 65.**
  - Check with benefits administrator if still working and covered by a large ( $\geq 20$  employees), group health plan.
    - You may be advised to enroll in Medicare Part A to enhance hospitalization coverage offered by employer plan.
    - However...Do not sign up for Part A if employer plan ( $\geq 20$  employees) is a high deductible health plan paired with a health savings account and you want to keep contributing to the HSA. (HSA contributions must stop upon enrollment in Medicare.)

# Who Signs up for Part B During the Initial Enrollment Period?

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- ▶ People who are not covered by a comprehensive employer-sponsored group health plan that covers 20 or more employees when they turn 65 — i.e., people who are:
  - Not working
  - Self-employed
  - Employed by a company with <20 employees
  - On COBRA
  - Receiving retiree health benefits
  - Employed by a company whose health plan is less comprehensive than Medicare



# Who Signs up for Part D During the Initial Enrollment Period?

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- ▶ **People who have signed up for Parts A and B and want prescription drug coverage, either now or in the future.**
  - Must sign up when first eligible or face late enrollment penalty (unless covered by a plan with drug coverage at least as comprehensive as Medicare — called “creditable” coverage).
  - Two options for Part D
    - Standalone prescription drug plan
    - Medicare Advantage plan that includes drug coverage

# Special Enrollment Period

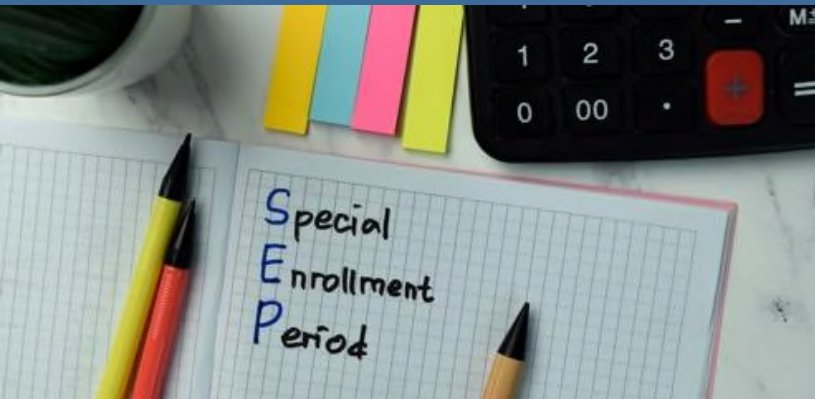
- ▶ For people who did not sign up for Parts B and D during their initial enrollment period because they were covered as a worker or spouse of a current worker by a large ( $\geq 20$  employees) group plan.

## Special enrollment period for Part B:

- ▶ Anytime before coverage ends
- ▶ The 8-month period starting the month group coverage ends

## Special enrollment period for Part D:

- ▶ Anytime before coverage ends
- ▶ Within 63 days after coverage ends



# Best Time To Enroll in Medicare

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## **To avoid late-enrollment penalties:**

Sign up during initial or special  
enrollment period

## **To avoid gaps in coverage:**

Sign up before current coverage ends



# General Enrollment Period



- ▶ If you missed the initial enrollment period, you can sign up during the general enrollment period, Jan. 1–March 31.
- ▶ Coverage starts the month after you enroll.

If you sign up during these months:	Your coverage will begin:
January	The month after you enroll
February	
March	



# Review of Enrollment Periods

## Initial Enrollment Period

For everyone age 65 who is not covered by an employer-sponsored group plan that covers 20 or more employees

- ▶ **Best time to sign up:** 3 months before 65<sup>th</sup> birthday
- ▶ Coverage starts 1<sup>st</sup> of month turn 65

## Special Enrollment Period

For everyone over 65 who is covered as a current worker or a spouse of a current worker under a large ( $\geq 20$  employees) group plan

- ▶ **Best time to sign up:** Before coverage ends
- ▶ Coverage starts first of month of enrollment (if enroll no later than month after coverage ends) or first of month following enrollment if later

## General Enrollment Period

For everyone over 65 who missed the initial enrollment period

- ▶ Runs Jan. 1–March 31
- ▶ Coverage starts the month after you enroll

# Medicare misstep

Confusing the Medigap Open (OEP)  
Enrollment Period with the Fall  
Annual Election Period (AEP)

## Medigap Open Enrollment Period (OEP)

- Part B effective date + 6 months
- The ONE time when you can enroll in Medigap with no health questions in most states
- **Occurs only once for most beneficiaries and then is gone**

## Annual Election Period (AEP)

- October 15–December 7
- You can change your Part D Drug Plan or MA Plan
- Can't use period to get Medigap without health questions

# How to Sign Up for Medicare Parts A & B



Go to [www.ssa.gov](http://www.ssa.gov)

Apply For Medicare Benefits

OR

Call Social Security at **800-772-1213**

For general information about eligibility, go to:  
[www.medicare.gov/MedicareEligibility](http://www.medicare.gov/MedicareEligibility)

# How to Sign up for Medicare Part D

1 Decide if you want

## Original Medicare

(Parts A & B + D)

If original Medicare, **shop for standalone prescription drug plan (PDP)** offered through a private insurer.

OR

## Medicare Advantage Plan

(Part C)

If enrolling in **Medicare Advantage plan with drug coverage (MAPD)**, shop for plan.

2 Apply for Part D through the private insurer or through Medicare at [www.medicare.gov](http://www.medicare.gov) or 1-800-MEDICARE (633-4227).



# Medicare and Private Insurance



# Out-of-Pocket Costs Paid by Medicare Beneficiaries

## ▶ Premiums

- Part B premiums paid to Medicare
- Private insurance premiums for
  - Part D drug plan plus Medigap policy or
  - Medicare Advantage plan

## ▶ Other out-of-pocket costs

- Deductibles
- Portion of doctor bills not paid by Medicare
- Services not covered by Medicare

# Monthly Premiums



## Paid to Medicare

- ▶ **\$0** if self or spouse paid into Social Security  $\geq 40$  quarters (10 years)
- ▶ \$278/mo. if 30–39 quarters SS
- ▶ \$506/mo. if  $< 30$  quarters SS



## Paid to Medicare

- ▶ **\$164.90/mo.** in 2023
- ▶ Plus income-related adjustment if applicable



## Paid to Private Insurer

- ▶ Varies with plan
- ▶ Plus income related adjustment paid to Medicare if applicable

# Monthly Premiums for Parts B & D Including Income Related Adjustment Amounts

MAGI Single	MAGI Joint	MAGI Married filing separately	Part B monthly premium paid to Medicare	Part B income-related adjustment amount paid to Medicare	Part D monthly premium (average) paid to insurer	Part D income-related adjustment amount paid to Medicare	Total Parts B & D premium
≤\$97,000	≤\$194,000	≤\$97,000	\$164.90	\$0.00	\$40.00	\$0.00	<b>\$204.90</b>
\$97,001–\$123,000	\$194,001–\$246,000		\$164.90	\$65.90	\$40.00	\$12.20	<b>\$283.00</b>
\$123,001–\$153,000	\$246,001–\$306,000		\$164.90	\$164.80	\$40.00	\$31.50	<b>\$401.20</b>
\$153,001–\$183,000	\$306,001–\$366,000		\$164.90	\$263.70	\$40.00	\$50.70	<b>\$519.30</b>
\$183,001–\$499,999	\$366,001–\$749,999	\$97,001–\$402,999	\$164.90	\$362.60	\$40.00	\$70.00	<b>\$637.50</b>
≥\$500,000	≥\$750,000	≥\$403,000	\$164.90	\$395.60	\$40.00	\$76.40	<b>\$676.90</b>

These do not include premiums for Medicare Advantage or Medicare supplement plans

# Deductibles (Amount You Pay)

PART  
A

**\$1,600**

per spell of illness

PART  
B

**\$226**

per year

- ▶ Waived for some preventive services such as flu shots, some mammograms and Pap smears, bone mass tests, prostate screening, diabetes tests, some others

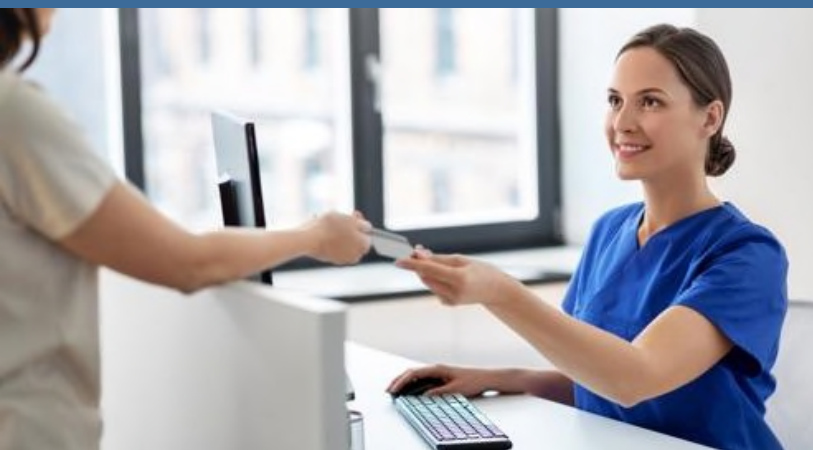
PART  
D

**\$505**

per year

# Coinsurance

(Amount You Pay)



## HOSPITAL:

**\$400**

for days 61–90

**\$800**

for days 91–150

## SKILLED NURSING:

**\$200**

for days 21–100



## ASSIGNED CLAIMS:

**20%**

of Medicare approved rate

## UNASSIGNED CLAIMS:

**20%**

of approved rate +  
balance of actual charge  
up to an additional 15% of  
the approved charge

# Part D Coinsurance

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

- ▶ Under standard drug plan design, beneficiary pays:

**\$505**  
deductible

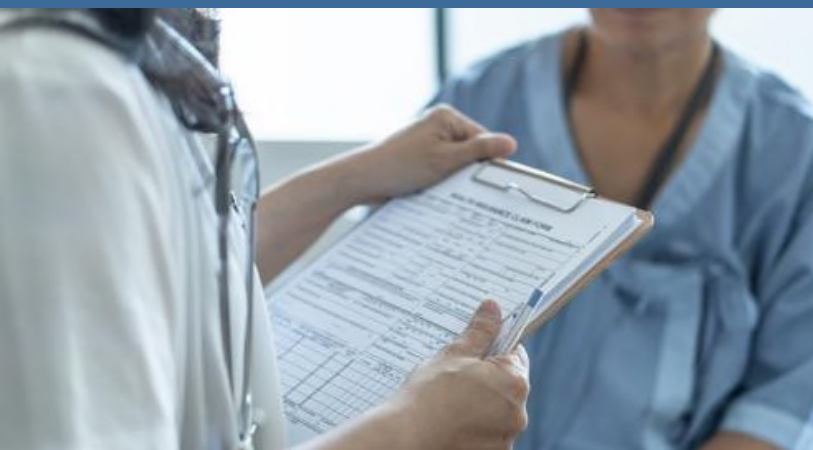
**25%**  
of drug costs after deductible has been paid

Small copayment  
once out-of-pocket spending has reached  
**\$7,400**

- ▶ **But...drug plans vary widely**
  - Some will pay more
  - It will be important to find a plan that covers the drugs YOU take



# What Medicare Covers



**Hospital**  
100% of first 60  
days



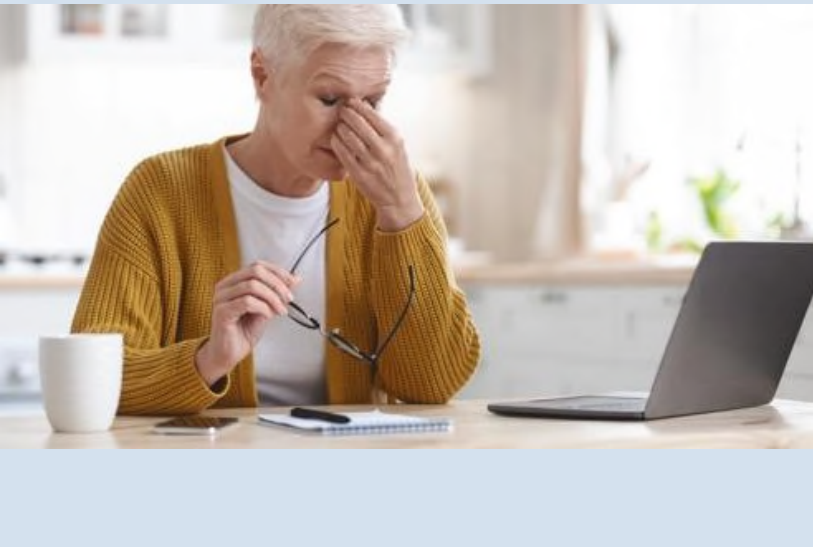
**Medical services**  
(doctor visits,  
outpatient services)  
80% of Medicare-  
approved amount



**Some  
preventive  
services**  
(flu shots, certain  
screenings)

See “Medicare & You” for complete list of covered services.  
Call 800-633-4227 or go to [www.medicare.gov](http://www.medicare.gov).

# What Medicare Does Not Cover



- ▶ Long-term care
- ▶ Care delivered outside the U.S.
- ▶ Dental care
- ▶ Vision care
- ▶ Hearing aids
- ▶ Cosmetic surgery
- ▶ Acupuncture and other alternative care
- ▶ Amounts over Medicare-approved amount
- ▶ Amounts not covered by deductibles and coinsurance (20%)

# What Private Insurance May Cover in Full or Part

- ▶ **Deductibles and coinsurance amounts, such as:**
  - The Part A deductible
  - Hospital costs after 60 days
  - The 20% of doctor bills that Medicare doesn't pay
  - Amounts the doctor charges over the Medicare-approved amount
- ▶ **Prescription drugs**
  - The deductible (maybe)
  - Most of the cost of certain drugs during initial benefit period and catastrophic coverage period (but not donut hole)

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# Medigap Policies

Medicare Supplement Insurance

- ▶ Private health insurance for individuals
- ▶ Sold by private insurance companies
- ▶ Supplement Original Medicare coverage Parts A and B
- ▶ Follow federal/state laws that protect you

# Medigap



- ▶ Medigap insurance companies can only sell a standardized Medigap policy
  - Identified in most states by letters
  - MA, MN, and WI standardize their plans differently
- ▶ Does not work with Medicare Advantage
- ▶ You pay a monthly premium
- ▶ Costs vary by plan, company, and location

# Medicare Advantage Plans



- ▶ Health plan options approved by Medicare
- ▶ Also called Medicare Part C
- ▶ Run by private companies
- ▶ Medicare pays amount for each member's care
- ▶ May have to use network doctors or hospitals
- ▶ Plan may include prescription drug coverage
- ▶ May include extra benefits like vision or dental
- ▶ Benefits and cost-sharing may be different

# Shop Carefully for Private Insurance



- ▶ **Medigap policies are standardized but premiums vary considerably**
  - ✓ Choose the policy that offers the coverage you need (A-N)
  - ✓ Choose a reputable company offering that policy at the lowest price
  - ✓ Make sure your health care provider processes the billing for the company you choose
- ▶ **Drug plan benefits vary considerably**
  - ✓ Choose the plan offering the coverage you need for the medicines you take
- ▶ **Medicare Advantage plans vary considerably**
  - ✓ Choose the plan offering the coverage you need for the medicines you take



# Medicare Supplements (Medigap) *Coverage by plan*

## Medigap Plan Comparison Chart

Medigap Plan Benefits	Plan A	Plan B	Plan C	Plan D	Plan F	Plan G	Plan K	Plan L	Plan M	Plan N
<b>Medicare Part A Coinsurance &amp; Hospital Costs</b> Up to an additional 365 days after Medicare benefits are used	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Medicare Part B Coinsurance or Copayment</b>	100%	100%	100%	100%	100%	100%	50%	75%	100%	*** 100%
<b>Blood</b> (First 3 Pints)	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
<b>Part A Hospice Care Coinsurance or Copayment</b>	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
<b>Skilled Nursing Facility Coinsurance</b>	X	X	100%	100%	100%	100%	50%	75%	100%	100%
<b>Medicare Part A Deductible</b>	X	100%	100%	100%	100%	100%	50%	75%	50%	100%
<b>Medicare Part B Deductible</b>	X	X	100%	X	100%	X	X	X	X	X
<b>Medicare Part B Excess Charges</b>	X	X	X	X	100%	100%	X	X	X	X
<b>Foreign Travel Emergency</b> up to plan limits	X	X	80%	80%	80%	80%	X	X	80%	80%
**Out-of-Pocket Limit							\$6,940	\$3,470		

## Putting it together

### Adding up the Costs for monthly Estimate

- Medicare with Medigap + Part D
- Part A: \$0
- Part B: **\$164.90** (for new enrollees)
- Part D: **\$31.50** (average)
- Plan G: **\$120\***

Total approximately: \$316/month+

*\*Medigap*: monthly premium varies by zip code, gender, age, tobacco usage

# A Final Word on Health Care Costs in Retirement



# What Can Cause Your Health Care Budget to Change in the Future?

- ▶ **Rising health care costs lead to:**
  - Higher insurance premiums
  - Higher out-of-pocket costs for services not covered by Medicare or Medigap
- ▶ **A change in health status may require:**
  - Expensive prescription drugs
  - More services not covered by insurance:
    - Dental
    - Vision
    - Hearing
    - Alternative care
    - Long-term care

# Planning for Future Health Care Costs



According to this source...	You will need to have this much at the start of retirement to pay for future medical expenses, not including long-term care
Fidelity	\$315,000 for couples
Employee Benefit Research Institute	\$142,000 for men \$159,000 for women \$296,000 for couples
Your own customized analysis	???

# Planning for Long-term Care



- ▶ Long-term care is not covered by Medicare or Medigap
- ▶ **Skilled nursing care:** No coverage after 100 days (average is 28 days)
- ▶ **Help with activities of daily living:** No coverage at all

# What Are the Costs of Long-Term Care Today?

Type of Care	Cost (U.S. median)
Homemaker services	\$163 per day
Home health aide services	\$169 per day
Adult day health care	\$78 per day
Assisted living facility	\$148 per day
Semi-private room in nursing home	\$260 per day
Private room in nursing home	\$297 per day

Daily Median Costs, National, 2021  
**Source:** Genworth Cost of Care Survey



# Why Plan for Long-Term Care?



- ▶ Spare family members the burden of caring for you
- ▶ Avoid having to spend down assets to go onto Medicaid
- ▶ Be able to direct your own care and obtain the kind and quality of care that you want

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# Three Reminders



**REMINDER #1:**

**Enroll in Medicare on time.**

**REMINDER #2:**

**Shop carefully for private insurance to go  
with Medicare.**

**REMINDER #3:**

**Plan for higher health care costs in retirement.**

**Ask For Help**

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**Thank you!**