

Medicare

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Key Topics

- Four parts of Medicare
- Eligibility and enrollment
- Health plan options and how to compare
- Election periods

Four parts of Medicare

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Medicare

- A national health insurance program administered by the federal government that provides health insurance coverage to most people 65 and older and to others who qualify at an earlier age due to disability.
- Managed by Centers for Medicare & Medicaid Services (CMS). Social Security is responsible for eligibility and enrollment.

Four parts



Medicare Part A – hospital insurance

- **Most people do not pay a premium for Medicare Part A (if they or their spouse earned 40 or more credits in Social Security-covered employment).**
- **Services (*copays, deductibles, and coinsurance apply*):**
 - **Hospitalization: \$1,288 for first 60 days, \$322/day for days 61–90, and \$644/day for days 91–150 (*lifetime reserve days*).**
 - **Skilled nursing facility care: Days 1–20 paid in full, then \$161/day for days 21–100.**
 - **Home health care.**
 - **Hospice care.**

For more information, see page 5 in the Resource Guide.

Medicare Part B – medical insurance

- **Standard Part B premium for those new to Medicare in 2016 is \$121.80.**
 - **A single person with income over \$85,000 or a couple with income over \$170,000 will pay more.**
- **Services (*\$166 annual deductible and 20% coinsurance apply*):**
 - **Physician services (including office visits, surgery and consultation).**
 - **Outpatient surgeries and procedures (including physical and occupational therapies).**
 - **Ambulance.**
 - **Durable medical equipment (DME).**
 - **Part B drugs.**

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For more information, see pages 6–7 in the Resource Guide.

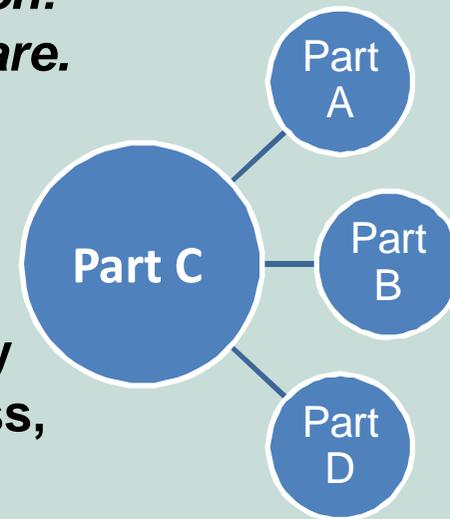


What Medicare Part A and Part B do not cover

- **Most dental services.**
- **Routine eye exams and eyeglasses.**
- **Routine hearing tests and hearing aids.**
- **Outpatient prescription drugs.**
- **Care received outside the United States and its territories (*in most cases*).**

Medicare Part C – Medicare Advantage Plan

- A health plan that contracts with Medicare, where Medicare transfers the administration of Medicare Part A and Part B benefits to the health plan. *Exception: Hospice is still covered by Original Medicare.*
- Plans must provide all Medicare Part A and Part B covered benefits.
- Most provide additional coverage that may include vision and hearing services, fitness, and dental.
- Most plans include Medicare Part D outpatient prescription drug coverage in at least some of their plan options.



For more information, see page 8 in the Resource Guide.

Medicare Part D – outpatient prescription drug coverage

- To be eligible, can have Medicare Part A or Part B.
- It is a voluntary benefit, but there may be a penalty for late enrollment.
 - Penalty equal to 1% of the national average base beneficiary premium for Part D (Year 2016 = \$34.10) for each uncovered month.
 - There are some situations when a penalty would not be applied, such as if enrollee has maintained other creditable drug coverage.

For more information, see page 9 in the Resource Guide.

Medicare Part D plans

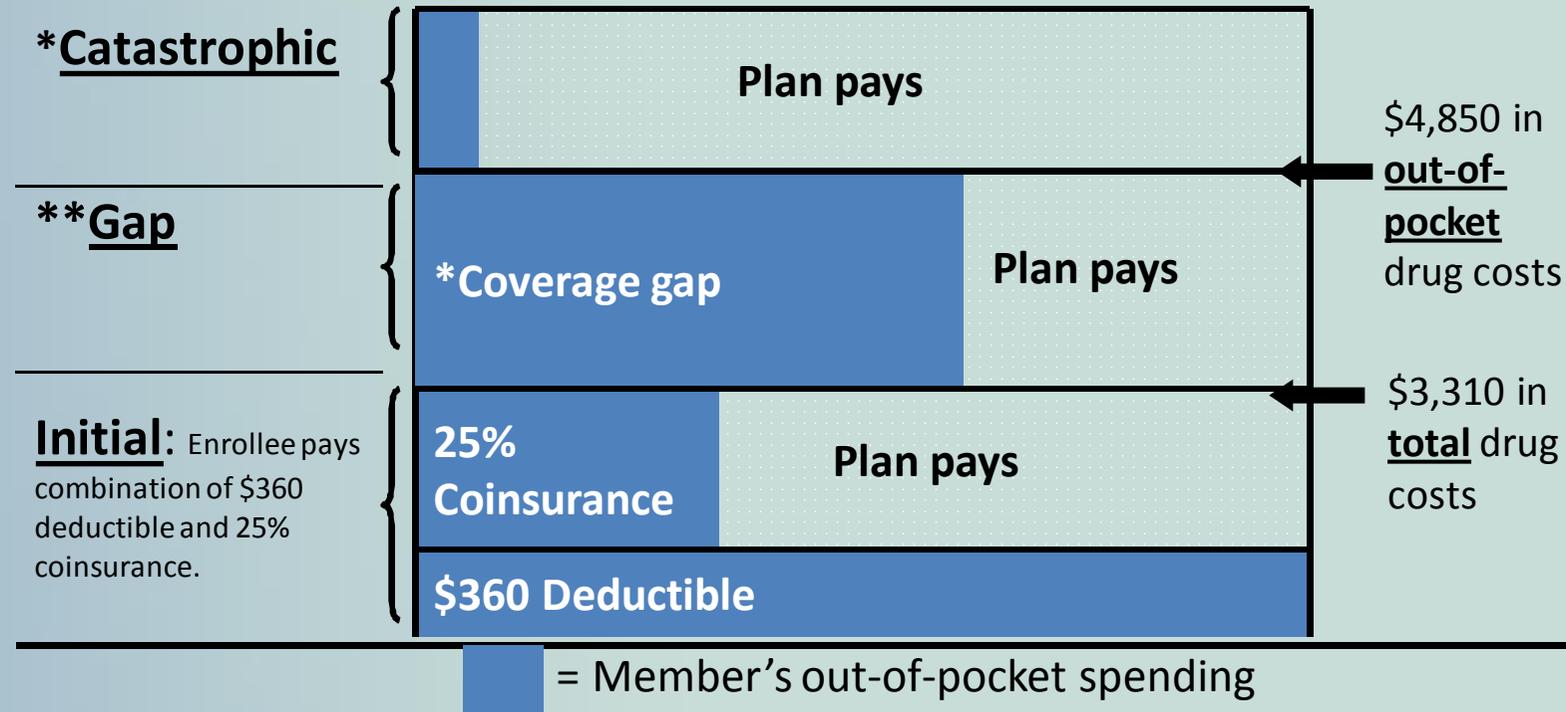
- **Offered by private companies that contract with Medicare.**
 - Medicare Advantage plans with Part D (MA-PDs).
 - Stand-alone Medicare prescription drug plans (PDPs).
- **Monthly premiums vary by plan.**
 - A single person with income over \$85,000 and a couple with income over \$170,000 will pay more.
- **Deductibles, copays, and formularies differ across plans. All must meet or exceed standard Part D benefit.**

For more information, see pages 9–10 and page 14 in the Resource Guide.

Standard Medicare Part D benefit

- **Initial coverage stage:**
 - Annual deductible \$360.
 - Enrollee pays 25% coinsurance until \$3,310 in annual prescription drugs costs reached (enrollee's cost plus plan's cost).
- **Coverage gap stage:**
 - Enrollee pays 58% on generics.
 - Enrollee pays 45% of the cost of brand-name drugs. Drug manufacturer discounts 50% on brand-name drugs, and plan pays 5%.
- **Catastrophic coverage stage:**
 - If annual out-of-pocket costs reach \$4,850:
 - Enrollee pays the greater of \$2.95 copay or 5% coinsurance on generics.
 - Enrollee pays the greater of \$7.40 copay or 5% coinsurance on brand-name drugs.

Visual of Standard Medicare Part D benefit



*Enrollee pays copay/coinsurance (greater of \$2.95 or 5% coinsurance on generics, greater of \$7.40 or 5% coinsurance on brand-name drugs).

**Enrollee pays 58% of cost of generics in gap. Enrollee pays 45% of cost of brand-name drugs in gap, plan pays 5%, and drug manufacturers discount 50%. This 50% discount WILL count toward enrollee's out-of-pocket costs as if paid out-of-pocket. Note: the 42% the plan pays on generics and the 5% plan pays on brand-name drugs in gap DO NOT count toward enrollee's out-of-pocket costs.

Formulary (list of covered drugs)

- **Each Medicare Part D plan has a formulary and is required to cover at least two chemically distinct drugs in specific drug classes (may cover more).**
- **Medicare excludes certain drug classes including:**
 - **Over-the-counter medications.**
 - **Vitamins and dietary supplements.**
 - **Drugs for weight loss or gain.**
 - **Drugs to treat the symptoms of a cough or cold.**
 - **Drugs to treat erectile dysfunction.**

Eligibility and enrollment

Eligibility

- **If individual worked more than 10 years (40 Social Security credits), is eligible for Medicare starting the first day of the month of his/her 65th birthday.**
 - **Exceptions:**
 - **If birthday falls on the first day of the month, Medicare starts on first day of the previous month.**
 - **Starts before age 65 for someone who is disabled and has collected Social Security disability for 24 months; someone with permanent kidney failure (end-stage renal disease); or someone with ALS (Lou Gehrig's Disease) who collects Social Security disability.**

Approaching Age 65? worksheet

- **There are two key questions to ask three months before turning 65:**
 - **Do I want Medicare Part A and Part B to begin at age 65?**
 - **Do I already receive Social Security or Railroad Retirement benefits?**
- **Based on the answers to these questions, the worksheet explains what to do and when.**

Enrolling in Medicare at age 65

- If one is already drawing Social Security benefits, will automatically receive Medicare card approximately three months before birthday month.
 - If wants Part A and B to start, do nothing.
 - If wants to waive Part B, return the card.
- If one is not yet drawing Social Security benefits but wants Medicare to start at age 65, must enroll in Part A and Part B through Social Security.
 - Can enroll online, over the phone, or at the Social Security office up to three months before birthday month.



Delaying Medicare Enrollment

- **Do not need to take Part B at age 65 if individual or his/her spouse is actively employed and has employer group coverage through that employer.**
- **If individual draws Social Security, Part A is automatic. If not, can waive Part A, as well as Part B.**

Note: If individual or spouse plans to work for three or fewer months beyond age 65, should work closely with SS to ensure that Part B can take effect on the desired date.

When employment ends or group coverage ends (whichever happens first)

- **Notify Social Security:**
 - Will start Medicare Part A six months prior to the date of notification (*if not already on it*).
 - May enroll in Medicare Part B to start any future month without penalty. Need to complete SSA-40B (application for Medicare) and have employer complete CMS-L564 (employer verification form).

Note: There is an eight-month window to apply for Part B without penalty. However, there is only a two-month window to enroll in a Part D plan without penalty.

Delaying enrollment without employer group coverage

- May only apply during the General Enrollment Period of each year — January 1 to March 31.
- Coverage will not begin until July 1 of that year.
- Will be assessed a 10% monthly late enrollment penalty for each full year individual waived Medicare Part B, for as long as he/she has Medicare Part B.

Health plan options and how to compare

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Health plan options

- **Original Medicare (Part A and Part B) covers about 50% of overall health care costs.**
- **To help cover the remaining costs, there are two options:**
 - **Enroll in a Medigap plan – i.e., a supplement.**
 - **Enroll in a Medicare Advantage plan.**
- **Veterans**
 - **Contact the local Veteran Service Office to determine eligibility for benefits.**
 - **VA benefits do not coordinate with Medicare (VA cannot bill Medicare for services).**

Medigap plans

- **Plans that pay after Medicare pays:**
 - **Medicare supplements/Basic and Extended Basic**
 - **Example: AARP/United Health Care**
 - **Medicare supplements/Plans F, K, L, M, and N**
 - **Example: Colonial Penn**
 - **Medicare Select Plans**
 - **Example: BC/BS Senior Gold**

For more information, see page 11 in the Resource Guide.

Features of Medigap plans

- **Pay second to Medicare, and only pay on Medicare-approved services, unless otherwise noted.**
- **Members receive billing statements/paperwork from Medicare and from the Medigap plan.**
- **Sold by private insurance companies.**
- **Need to purchase Medicare Part D separately for an additional premium.**
- **May set different premiums for rural versus urban, smoker versus non-smoker.**
- **Health screening after first six months on Medicare Part B.**
- **Regulated by the Minnesota Department of Commerce (not Medicare).**

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Medicare health plans

- **Coordinated Care Plans**
 - **Health Maintenance Organization-Point of Service (HMO-POS) Plans:**
 - *UCare for Seniors*
 - **Health Maintenance Organization (HMO) Plans:**
 - **Senior Preferred**
 - **Preferred Provider Organization (PPO) Plans:**
 - *EssentiaCare*, **Humana Choice**
- **Private Fee-for-Service (PFFS) Plans**
 - **Humana Gold Choice**
- **Cost Plans**
 - **HealthPartners Freedom, Medica Prime Solution, Platinum Blue**

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For more information, see pages 12–13 in the Resource Guide.



Features of Medicare health plans

- **Must be permanent resident of plan's service area to be eligible.**
- **Have contracted provider network.**
- **Must provide emergency coverage (in and out-of-network).**
- **Include an annual member out-of-pocket limit for Part A and Part B services.**
- **Can offer Medicare Part D prescription drug coverage.**
- **No health screening, except end-stage renal disease.**
- **May offer fitness programs.**
- **Regulated by Medicare.**

How to compare plans

- **If currently on an employer plan, find out if they offer retiree coverage.**
- **Ask friends, relatives and neighbors or talk to health care providers.**
- **Review plan information online and/or request that sales kit be mailed.**
- **Attend informational meetings.**
- **Create a checklist (see sample).**

Election periods

Election periods

- **Initial Coverage Election Period (ICEP)**

- If new to both Medicare Part A and Part B, may enroll during the three months before, month of, and the three months after eligible for Medicare.
- Example:



- If have had Part A, and are applying for Part B, the ICEP is limited to the three months prior to enrollment in Part B.
- **Annual Election Period (AEP)**
 - From October 15 to December 7 of each year, for a January 1 effective date.

Election periods *(continued)*

- **Special Election Periods (SEPs) – exceptions that allow beneficiary to make changes anytime during the year, including:**
 - **If leaving an employer group health plan.**
 - **If making a permanent move and a new MA or Part D plan is available in new area.**
 - **If plan is terminating its contract with Medicare.**

Other things you should know

- **Guaranteed issue rights to Medigap plan**
 - If beneficiary joins a Medicare Advantage plan for the first time and wants to return to Original Medicare, will have special rights to purchase a Medigap plan within 12 months of joining (a “trial period”).
- **Medicare Advantage Disenrollment Period (MADP)**
 - Between January 1 and February 14 of each year, can disenroll from a Medicare Advantage plan and return to Original Medicare.

Thank you for attending today's presentation.

I hope you found it informative.

If you have additional questions, please feel free to contact me at:

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