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Essential Medicare Questions!

According to statistics from *The Alliance for Lifetime Income*, 4.1 million Americans will turn 65 in 2024. Amazingly, that trend will continue each year through 2027. This represents the single greatest number of Americans who are 65 or older in history. The “silver tsunami” has been coined by experts to describe the demographic growth. More to the point, age 65 remains the magic age for Medicare, and the deluge of 65-year-olds will have important choices to make regarding Medicare options. While not an exhaustive overview, we at least hope to provide information to guide you down the path.

What are the main “Parts” of Original Medicare?

The main components of Original Medicare are Part A and Part B. Part A is hospital coverage and Part B deals with physicians’ services. Many people opt to add Medicare Part D, Medicare drug coverage, to go along with Parts A and B. Part D is provided by private insurance companies who contract with the federal government.

Medicare Supplemental Insurance, or Medigap, are standardized plans offered through private insurance companies contracted by the government. There is an additional monthly premium for Medigap policies, but they help pay out-of-pocket costs like coinsurance, deductibles, excess charges, and skilled nursing care not covered by Original Medicare. Some plans offer additional coverage, like medical care outside the United States. In most states, Medigap plans are identified as plans A-D, F, G, and K-N.

What is a Medicare Advantage Plan?

Medicare Advantage plans, or Part C, are Medicare authorized plans offered by private insurance companies. Advantage plans include coverage for Part A, Part B, and usually Part D. There are typically both Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options available.



When do I enroll in Medicare?

When to begin the Medicare enrollment process is the most common question. The answer depends on where one fits into three main categories of people:

- 1) Age 65 and already receiving Social Security benefits: you will be automatically enrolled in Original Medicare Parts A and B. You would still need to consider enrolling in Medicare Part D during the Initial Enrollment Period (described below).
- 2) Age 65 and not receiving Social Security benefits: there is an Initial Enrollment Period during the 7-month window encompassing the 3 months leading up to your age 65 birth month, your birth month, and the 3 months after (if you were born on the 1st of a month, your window is 4 months prior to your birth month, birth month, and the 2 months after). Enrolling during the prescribed window is crucial as there are penalties when applying for Medicare Part B and Part D outside the timeframe. Additionally, you can elect to use a Medicare Advantage plan during this Initial Enrollment Period.

- 3) Age 65 and covered by an employer health plan: if you are covered by your employer's health plan or your still working spouse's plan, you have a Special Enrollment period extending 8 months from the time employment ends or coverage ceases. You may also enroll any time while covered by a workplace health plan. In fact, depending on your employer's plan, you may be able to have coverage under both Medicare and the workplace health plan.

Given the process can be a bit cumbersome, the suggestion is to begin the Medicare enrollment process early within the open window, allowing time to vet and research your options.

How do Original Medicare and Medicare Advantage differ?

With Original Medicare, you receive Part A at no cost and pay a monthly premium for Part B and, if you choose, for drug coverage under Part D. For Part B covered services, you typically pay 20% coinsurance on the Medicare approved amount after meeting your deductible. There is **no** yearly limit on out-of-pocket expenses unless you have a Medigap policy. One primary appeal of Original Medicare is flexibility. You can visit any hospital or doctor without a referral or prior authorization (the doctor must accept Medicare).

Medicare Advantage plans must follow the rules set forth by Medicare. You receive Part A and Part B via the private insurer, and still pay the monthly Part B premium. Most private insurance plans do not have an additional premium for Part B. Most plans will include drug coverage. Out-of-pocket costs will vary by plan and may be lower or higher than Original Medicare. Medicare Advantage plans **have** an annual limit on out-of-pocket expenses for services covered under Part A and B. Importantly, Medicare Advantage plans often offer additional coverage such as dental, wellness programs, and eyeglasses. Keep in mind, Medicare Advantage plans can become costly when out-of-network. Advantage plans require you to use doctors within the plan's network and service area. You may need a referral to work with a specialist and may not be able to access certain preferred providers.

Should I choose Original Medicare or Medicare Advantage?

This is a tough question and truly situational. Ultimately, the decision comes down to flexibility and cost. For those with preferred doctors, Original Medicare may be best. Likewise, if you travel across the country and may need care in a variety of places, Original Medicare is better. Medicare Advantage plans may limit your choice of providers and limit you to the service area for non-emergency care. In choosing Original Medicare, it is advisable to pay the additional premiums for Part D drug coverage and a Medigap plan. If flexibility is not a concern, and you cannot afford additional premiums for Part D and Medigap, then opt for a Medicare Advantage plan that wraps all coverage under one umbrella.

Above all, remember these decisions are not irrevocable once made. There is an Open Enrollment period from October 15 to December 7 each year and anyone with Medicare can join, switch, or drop a Medicare Advantage Plan.

What resources are available to assist in my decision making?

Seek help from your financial advisor and a qualified insurance agent (hopefully one previously vetted by your advisor). When looking at Medicare Advantage plans and Medigap, you will need the expertise of an insurance representative. There are a myriad of plans, and all are nuanced.

You can also conduct your own research.

The *Medicare and You* handbook is extremely helpful:

www.medicare.gov/Pubs/pdf/10050-medicare-and-you.pdf.

Additionally, the *State Health Insurance Assistance Program* (SHIP) is a wonderful resource: www.shiphelp.org.



**Medicare
& You**
The official U.S. government
Medicare handbook
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