



# The Brighter Side of Medicare

Making Medicare Simple



This material was developed by Protective in collaboration with *65 Incorporated*, an industry leader in unbiased Medicare guidance. *65 Incorporated* was co-founded by Diane J. Omdahl and Melinda A. Caughill. Diane is a registered nurse and one of the nation's foremost Medicare experts and Melinda is a noted Medicare speaker. *65 Incorporated* helps consumers and financial professionals with Medicare information and individualized guidance.

To learn more, please visit [65incorporated.com](https://65incorporated.com).

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# Your presenter

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Pierce Bostwick

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Regional Vice President, Protective



# The brighter side of Medicare

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## 1. Medicare, then and now

2. Steps of Medicare

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3. The importance of timing

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4. Focusing on type

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5. Medicare and health care costs

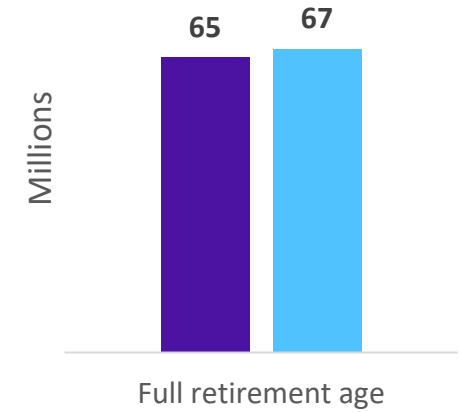
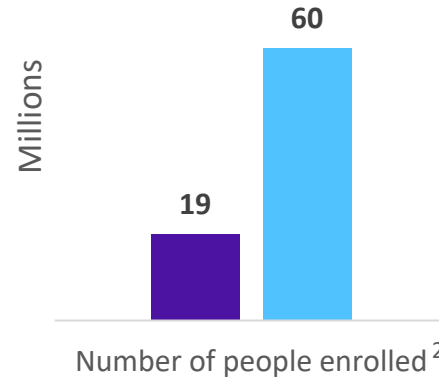
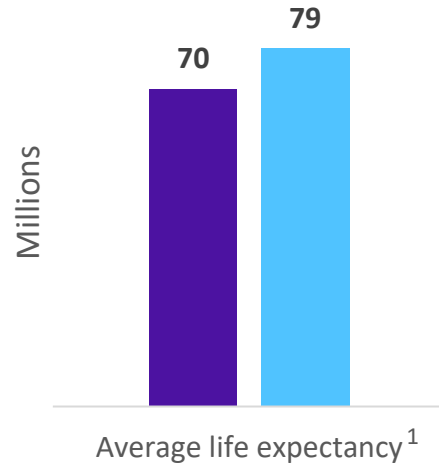
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6. Next steps

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# Medicare, then and now

1965  
vs.  
Now



Lower life expectancy	Higher life expectancies
Shorter time horizons	Longer time horizons
Less frequency of chronic conditions	Increased chronic conditions with age <sup>3</sup>
Less costs to plan for	Increased lifetime costs

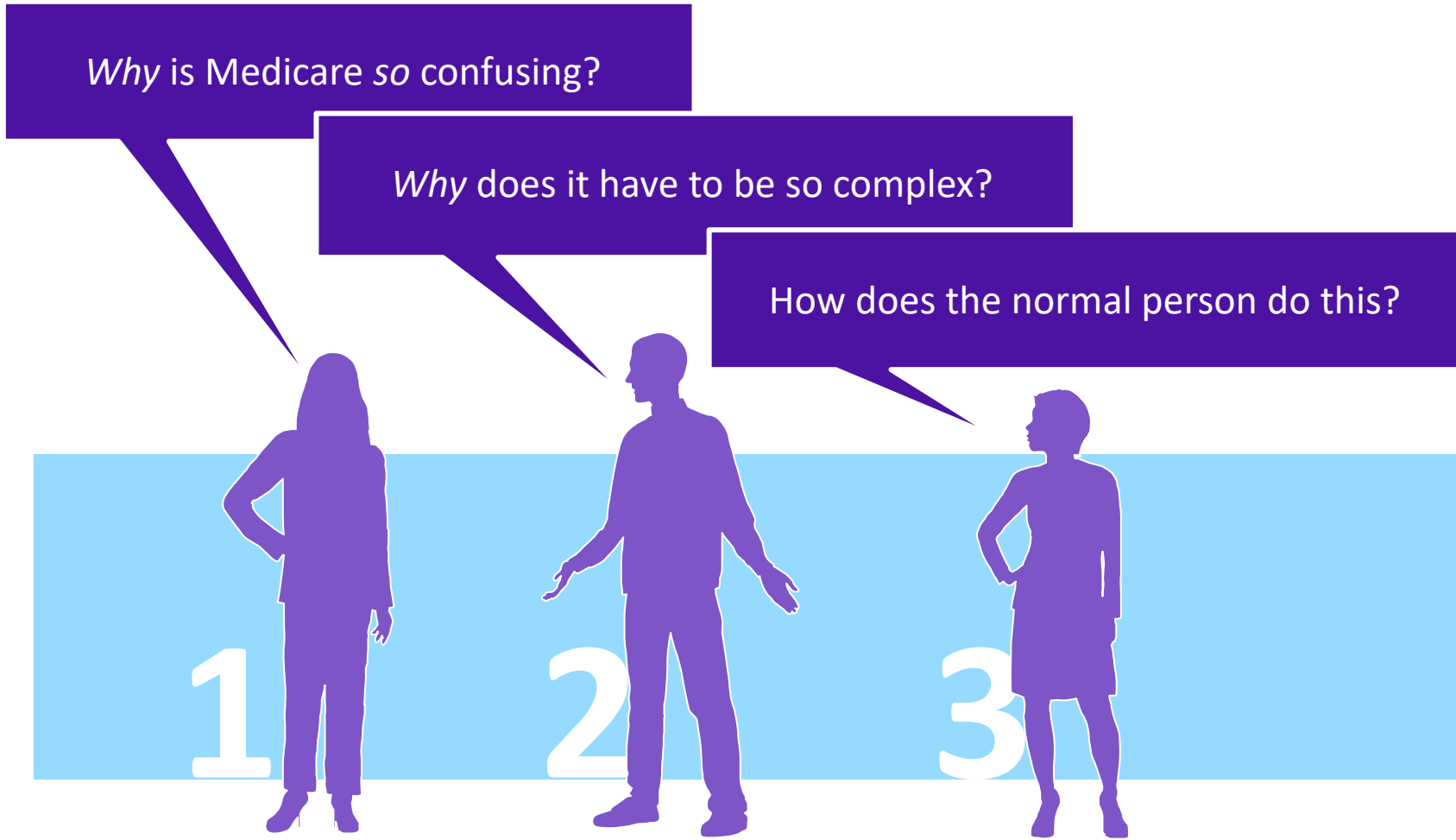
<sup>1</sup>“Thirty Years of Medicare: Impact on the Covered Population” Health Care Financial Review, 1996 Winter. And Division of Vital Statistics. E. Arias, Ph.D. and J. Xu, MD. National Vital Statistics Reports, Vol. 68, No. 7. June 24, 2019.

<sup>2</sup>“Medicare: An Overview of Medicare.” KFF, 13 Feb. 2019.

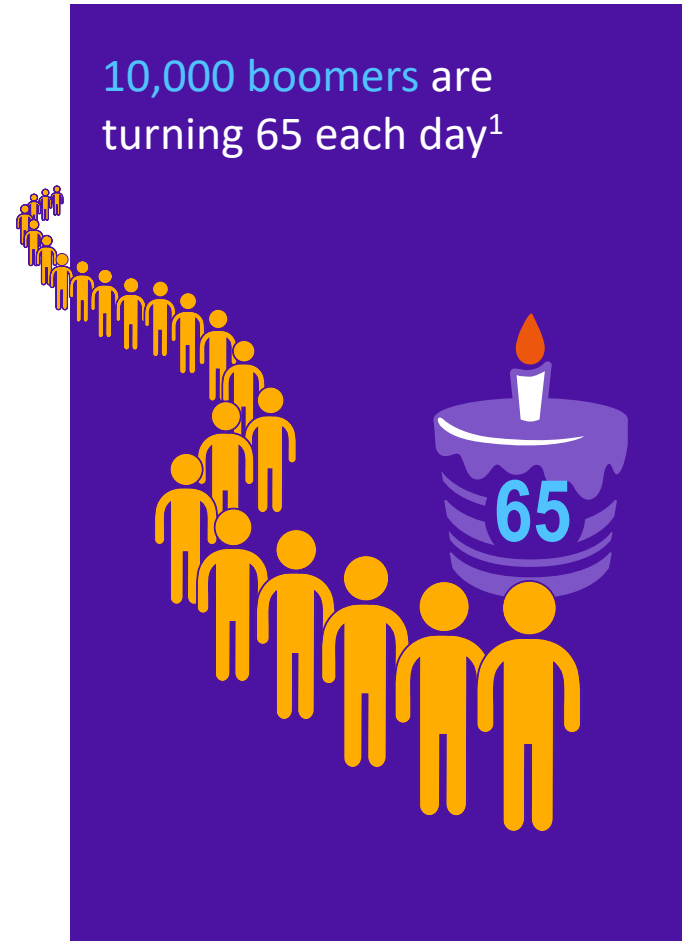
<https://www.kff.org/medicare/issue-brief/an-overview-of-medicare/><https://www.bmj.com/content/bmj/360/bmj.k496/F1.large.jpg>

# Medicare today

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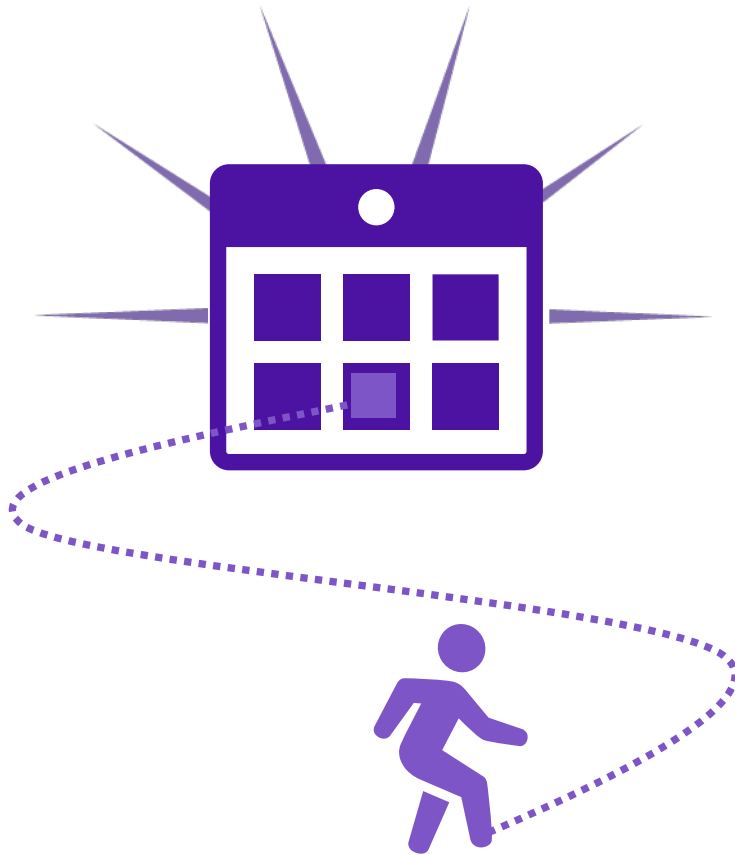


# Lots of noise



<sup>1</sup>“IRI Fact Book 2018, 17th Edition.” IRI, 3 May 2018.  
<https://www.irionline.org/research/article/iri-fact-book-2018-17th-edition-single-license-download/>

# Lots of enrollment periods



1. Medicare Advantage Disenrollment
2. Medicare Advantage Trial Period
3. Medigap Open Enrollment Period
4. No-Fault Loss Creditable Plan
5. Significant Network Changes
6. MA-PD, Part D Non-renewal
7. Plan Marketing Violations
8. Exceptional Circumstances
9. General Enrollment Period
10. Initial Enrollment Period
11. Retroactive Entitlement
12. Open Enrollment Period
13. Erroneous Enrollment
14. Low-Performing Plan
15. Part D Dual-eligible
16. Disabled Turning 65
17. Low-income Subsidy
18. Out of Institution
19. Not Legally Valid
20. Institutionalized
21. Losing Medicaid
22. CMS Sanctions
23. Federal Error
24. Dual-eligible
25. MADP Part D
26. Part D Dual
27. 5-Star Plan
28. Relocation
29. Part D GEP
30. Expatriate
31. Disabled
32. COBRA
33. Part B
34. EGHP
35. SEP65
36. SPAP

Source: 65 Incorporated, compiled from the Centers for Medicare & Medicaid Service manual and Social Security Program Operations Manual System.



# Lots of rules

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Social Security is in charge of Medicare enrollment, premiums, penalties and more.

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Social Security has over **2,700 rules** and thousands of codicils.

But, only **ONE** phone number.



# Who do you turn to for help?



Medical  
professionals



Neighbor  
or friend



Legal  
professionals



Human  
resources



Financial  
professionals



# The brighter side of Medicare

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1. Medicare, then and now
- 2. Steps of Medicare**
3. The importance of timing
4. Focusing on type
5. Medicare and health care costs
6. Next steps



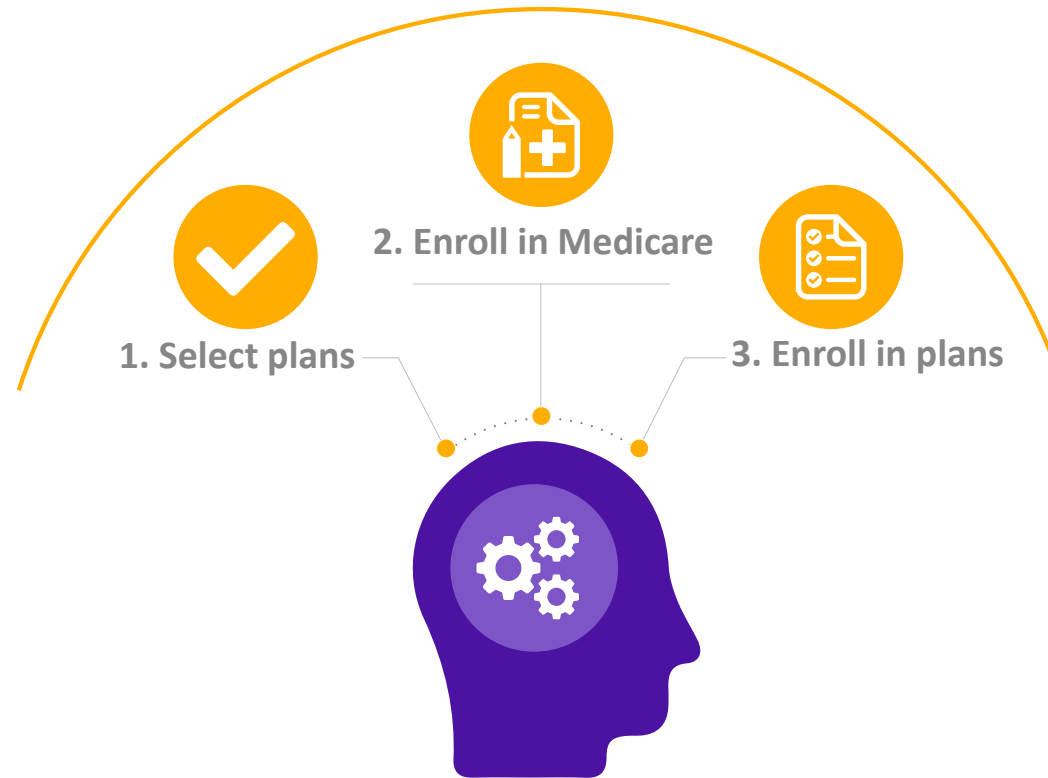
# Start by learning the steps of Medicare enrollment

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# Most people think Medicare is a *three-step* process

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# Medicare enrollment actually has *six steps*



# Luckily, you're here!



Just one Medicare mistake can cost a person **thousands of dollars** and often cannot be undone.



# The brighter side of Medicare

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# Key timing considerations

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Is it best to enroll in Medicare at age 65 or delay?

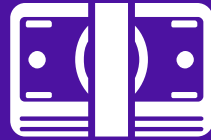


Factors that can impact timing:

- Social Security benefits status
- Type and quality of health coverage
- Employment status
- Employer size
- HSA status
- Plus more

# Consider Social Security

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Receiving Social Security benefits

- Enrolled in Medicare automatically as a condition of receiving benefits.
- Must keep Part A, hospital insurance.
- Part B, medical insurance:
  - Must one keep it?
  - If not, take action to suspend Part B.

**Not receiving Social Security?**

- Take action to enroll in Medicare.
- Medicare is NOT automatic.

# Consider employment status

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Must enroll in  
Medicare during the  
Initial Enrollment  
Period if:

- You don't have coverage or don't have employer group health coverage
- Will be giving up the coverage you have

# Consider group health plan coverage

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For a company with fewer than 20 employees

- Company can exclude those who are turning 65 from the group plan; Medicare would be the only payer.
- If Medicare-eligible individuals can continue with the coverage, the plan becomes secondary to Medicare.
- Either way, **enrollment in Part A and Part B is necessary.**

# Consider group health plan coverage

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For a company  
with 20 or more  
employees

- Company must offer the same benefits to all employees:
  - Cannot change premiums, costs, or coverage for Medicare-eligible individuals or dependents.
  - Cannot offer incentives to enroll in Medicare.
- Part A enrollment is not required but should be considered.
- Part B is not required or recommended in this situation.
  - You may want to compare your plan to Medicare.
  - If Medicare is better, then consider Part B.

# Consider Health Savings Account (HSA) contributions

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Once enrolled in Medicare, you are no longer eligible to contribute to an HSA.

- Those who keep a high-deductible health plan with an HSA should put off Social Security.
- If enrolling after full retirement age, it is important to know the impact of Social Security's automatic six month backdating policy for Part A effective date.
- Once enrolled, funds can be used for Medicare expenses, except Medigap premiums.

# Consider if you're no longer employed

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After leaving employment, you may have other types of coverage.

- Other types of coverage include COBRA, retiree (employer or union) or a severance package.
  - This coverage may be the same as the individual had when employed.
  - However, this type of coverage is secondary to Medicare.
- **Part A and Part B enrollment is a must.**
- Without Medicare, there is no primary payer.

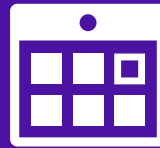
# Most common enrollment periods

## 1 Initial Enrollment Period (IEP)



7 months surrounding your birth month

## 2 Special Enrollment Period (SEP)



8 months from end of previous coverage or employment

## 3 General Enrollment Period



Jan 1- March 31, coverage starting July 1, for those who miss their IEP or SEP (This also applies for those who do not qualify for SEP)



# Late enrollment penalties

PART  
B



Permanently increases the monthly premium by **10%** of the standard Part B plan for every full year a person is not enrolled.

## Part B Example:

$$\begin{array}{ccccccc} \mathbf{3} & \times & \left( \mathbf{\$170.10} & \times & \mathbf{10\%} \right) & = & \mathbf{\$51.03} \\ \text{Years Delayed} & & \text{Part B Premium} & & & & \text{Monthly Penalty for Life} \end{array}$$

PART  
D



Permanently increases the monthly premium by **1%** of the standard Part D plan for each month without creditable drug coverage.

## Part D Example:

$$\begin{array}{ccccccc} \mathbf{48} & \times & \left( \mathbf{\$33.06} & \times & \mathbf{1\%} \right) & = & \mathbf{\$15.90} \\ \text{Months Delayed} & & \text{Part D Premium} & & & & \text{Monthly Penalty for Life} \end{array}$$



# Timing case study

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“Enrollment in Medicare is required at age 65.”



## Carol

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She enrolled in Medicare too soon, overpaying for coverage and limiting her future Medicare plan options.



Overpaid more than  
\$5,200 over 20 months



# Avoid these pitfalls for Medicare timing

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Assuming Medicare enrollment happens automatically at age 65



Believing you must enroll at age 65, no matter what, to avoid penalty



Delaying enrollment due to coverage under another plan that's considered a secondary payer



Continuing to contribute to an HSA while enrolled in Medicare

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# Choose the type of Medicare

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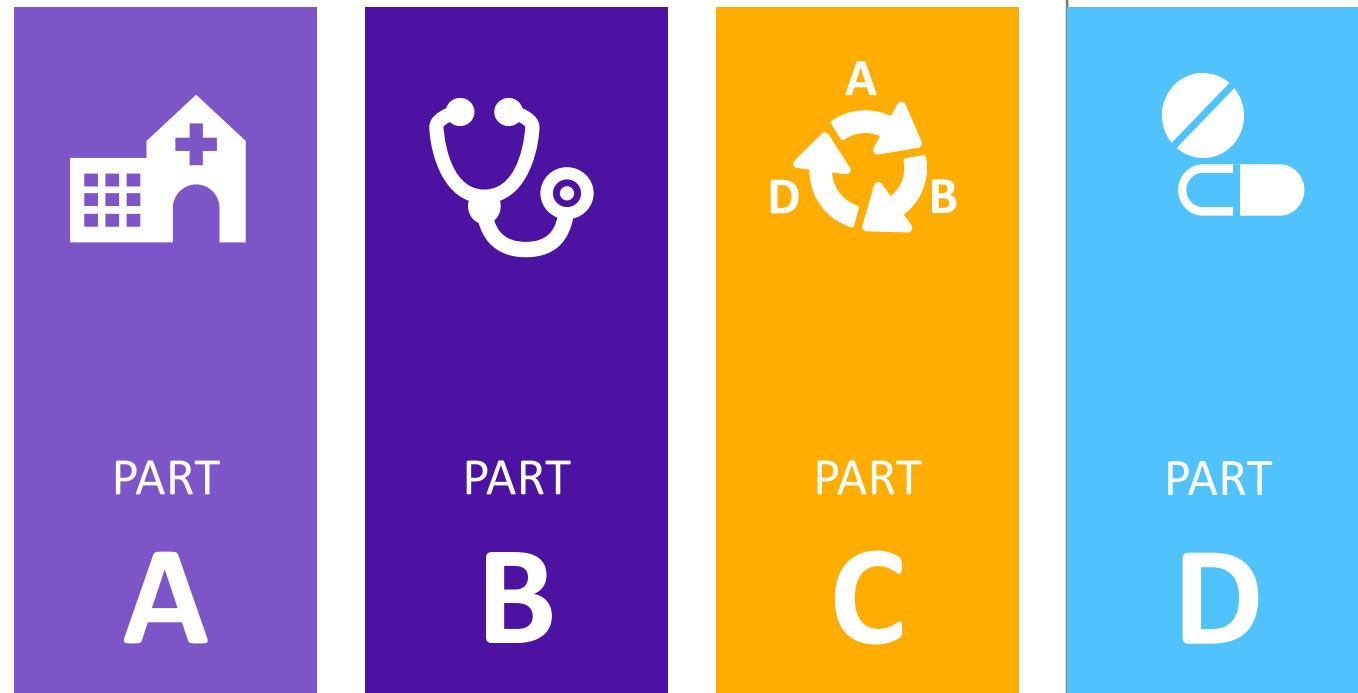


## Most common options:

- Original Medicare with a Medigap policy
- Medicare Advantage
- Not Medicare, but options for those over 65
  - Retiree coverage
  - VA coverage
  - FEHB plan

# Medicare has ~~four~~ parts and two types

three



# Medicare has ~~four~~ parts and two types

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three



## Hospital Insurance

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- Inpatient care in hospitals and skilled nursing facilities
- Home health care
- Hospice



# Medicare has ~~four~~ parts and two types

three



PART

**B**

## Medical Insurance

- Outpatient care and services required to treat a medical condition
- Doctor's visits and diagnostic tests
- Preventative services
- The standard part B premium is \$170.10/month in 2022<sup>1</sup>



<sup>1</sup>“2021 Medicare Part B Premiums Remain Steady.” CMS, 6 Nov. 2021.

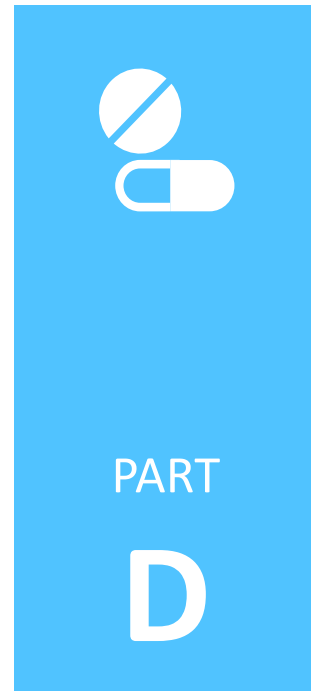
<https://www.cms.gov/newsroom/press-releases/2021-medicare-part-b-premiums-remain-steady>.



# Medicare has ~~four~~ parts and two types

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three



## Drug Coverage

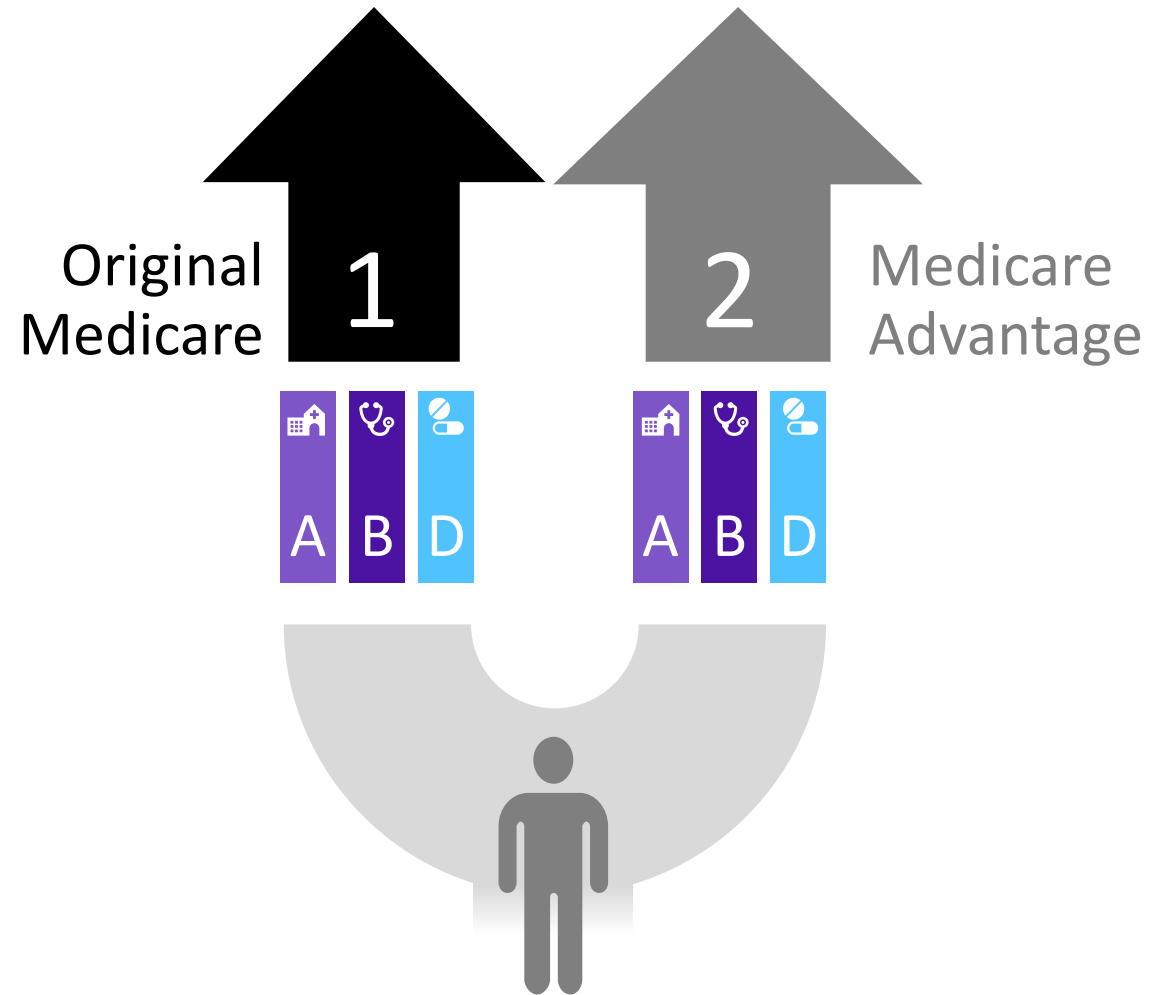
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- Administered by private insurance companies
- Helps cover the costs of prescription medications
- No over-the-counter drugs



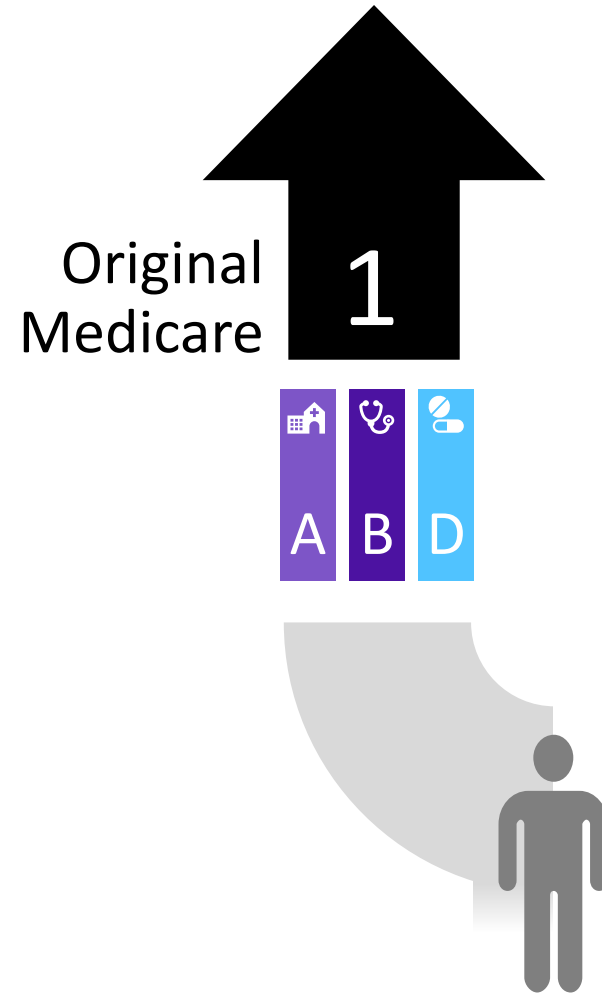
# The two types

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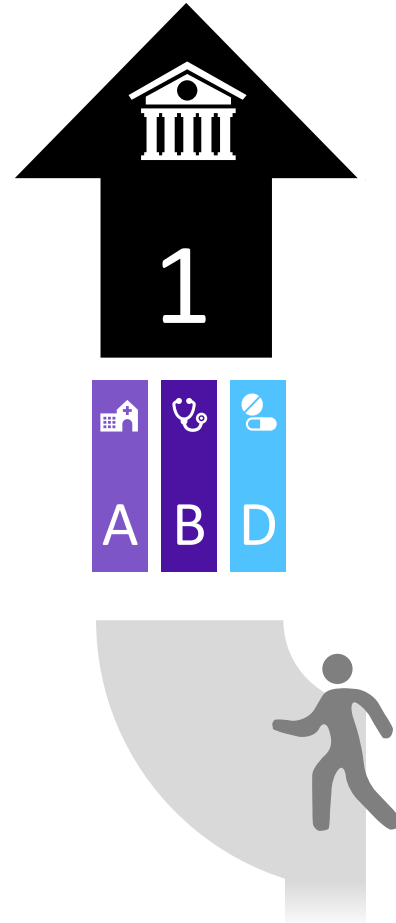


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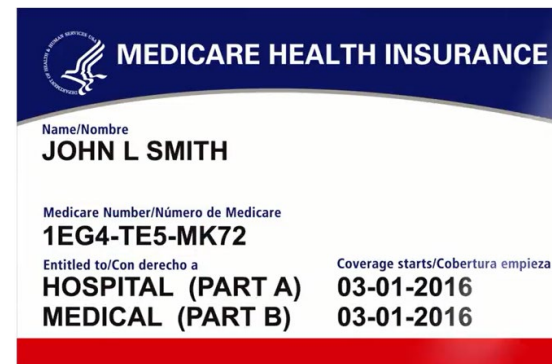


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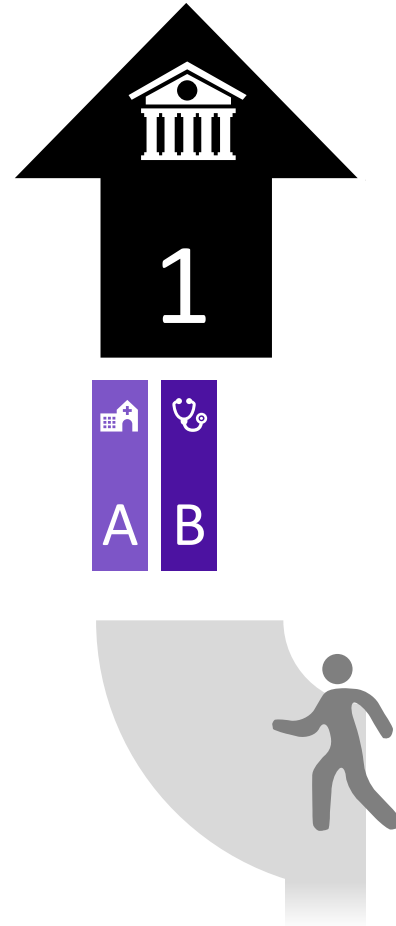
## Original Medicare

- Administered by the U.S. government
- See any provider who accepts Medicare
- Identified by your Medicare card



# The two types

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## Original Medicare

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Starts with Part A, Part B

- **Part A:** \$1,556 deductible<sup>1</sup> per 60-day benefit period
- **Part B:** 20% of coinsurance on health care services<sup>2</sup>
- No out-of-pocket limit

<sup>1</sup> "2021 Medicare Part B Premiums Remain Steady." CMS, 6 Nov. 2021.

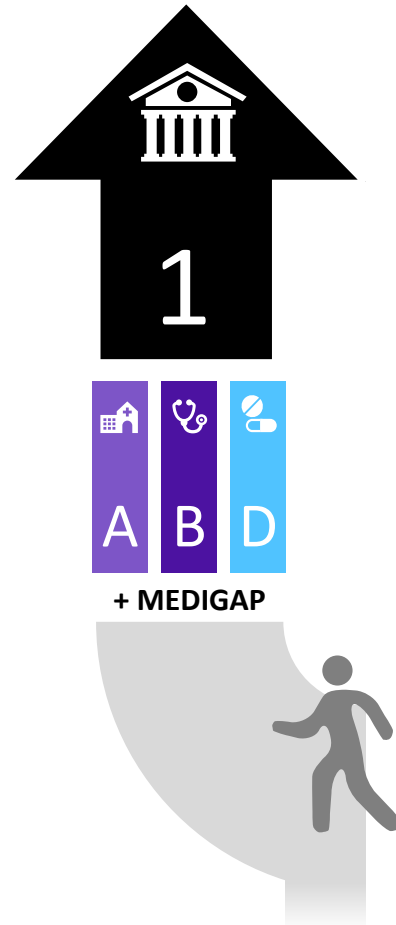
<https://www.cms.gov/newsroom/press-releases/2021-medicare-part-b-premiums-remain-steady>.

<sup>2</sup> "What Is Medicare Coinsurance? How Is It Different From a Copay?," MedicareAdvantage.com, 30 Jan. 2020.

[www.medicareadvantage.com/common-questions/what-is-coinsurance](http://www.medicareadvantage.com/common-questions/what-is-coinsurance).

# The two types

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## Original Medicare

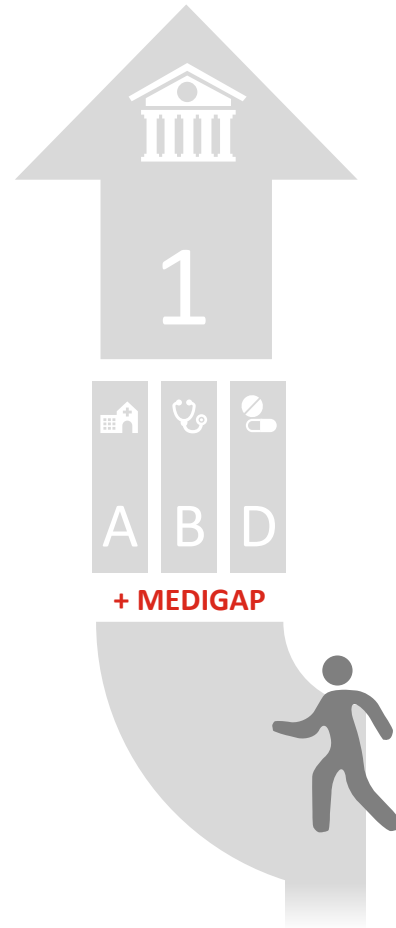
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For comprehensive coverage, add:

- Medigap policy
- Part D Prescription drug plan
- Most — if not all — of the out-of-pocket costs of Parts A and B will then be covered

# What is a Medigap policy?

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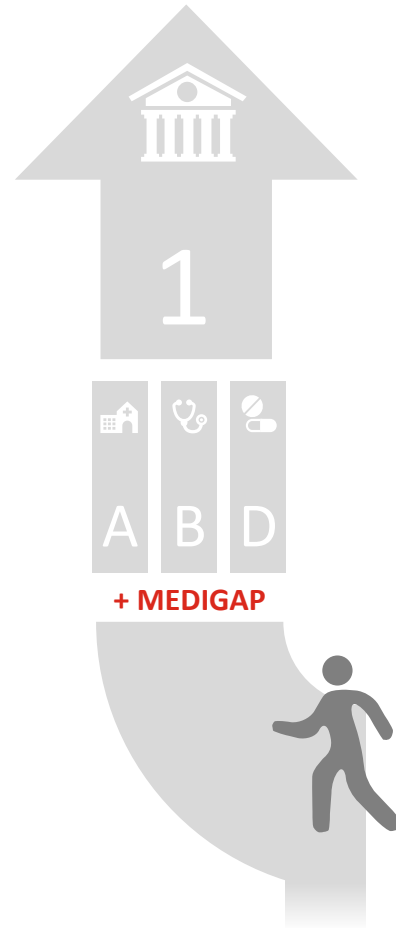
## Medigap policy

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- Also called “Medicare Supplement Insurance”
- Provides coverage of the payment “gaps” in Medicare Parts A and B
- Pay a monthly premium to have few, if any, out-of-pocket costs

# What is a Medigap policy?

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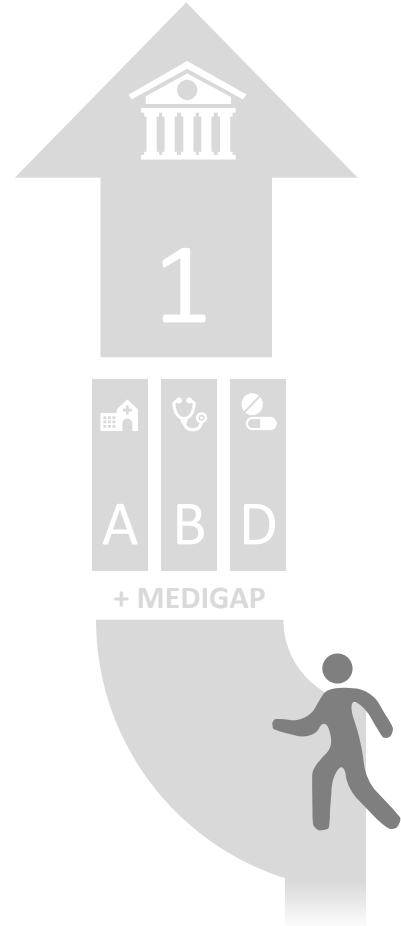
## Medigap policy

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- Federally-standardized Plans A through N must provide the same basic coverage regardless of carrier (MA, MN and WI use unique standardizations).
- A “guaranteed issue right” ensures you can get this coverage.



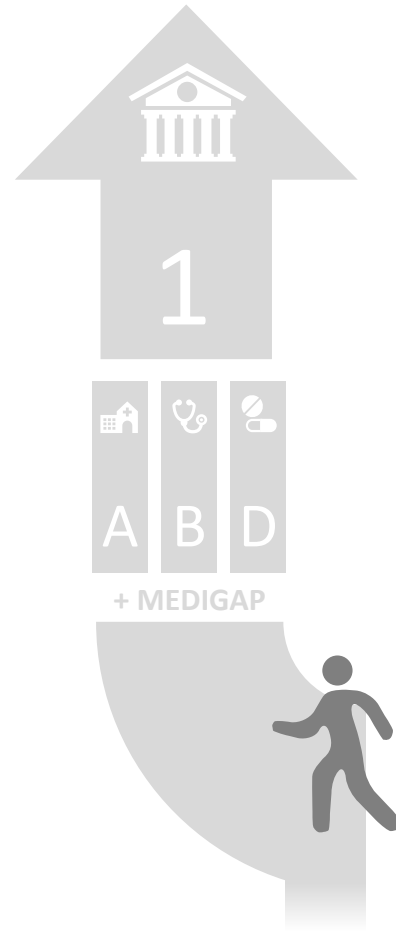
# What is a Medigap policy?



## Medigap policy

- Federally-standardized Plans A through N must provide the same basic coverage regardless of carrier (MA, MN and WI use unique standardizations).
- **guaranteed issue right**
  - Ensures that you can get a policy *without* medical underwriting.
  - Insurance companies cannot deny you coverage or raise premiums based upon your medical history.

# What is a Medigap policy?



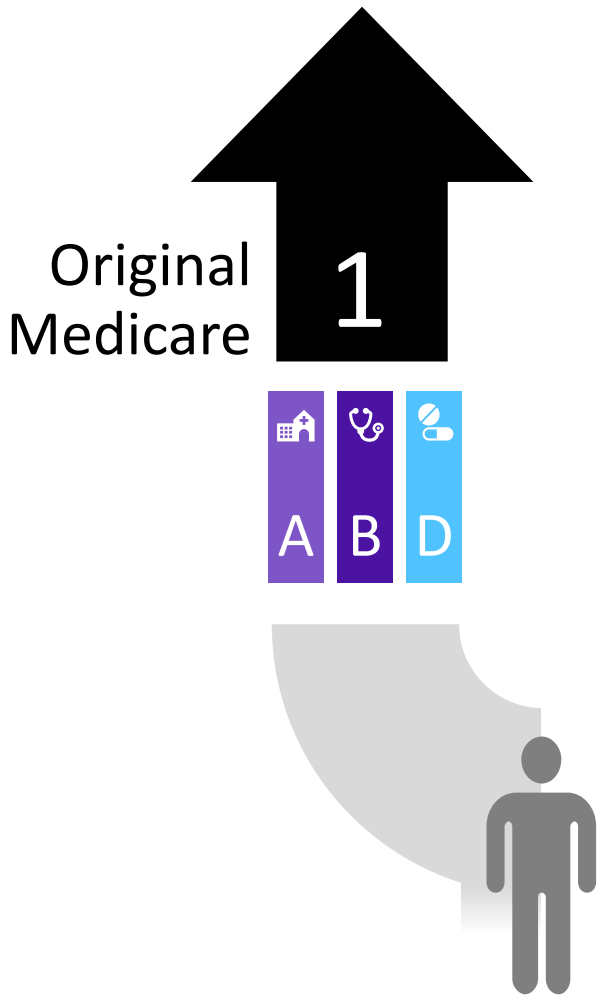
## Medigap policy

- Federally-standardized Plans A through N must provide the same basic coverage regardless of carrier (MA, MN and WI use unique standardizations).
- **guaranteed issue right**
  - Have this right for the first six months after Medicare Part B enrollment
  - After this period, **you may not be able to get a Medigap policy**
  - NY, CT, MA and ME provide extra guarantees



# The two types

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# The two types

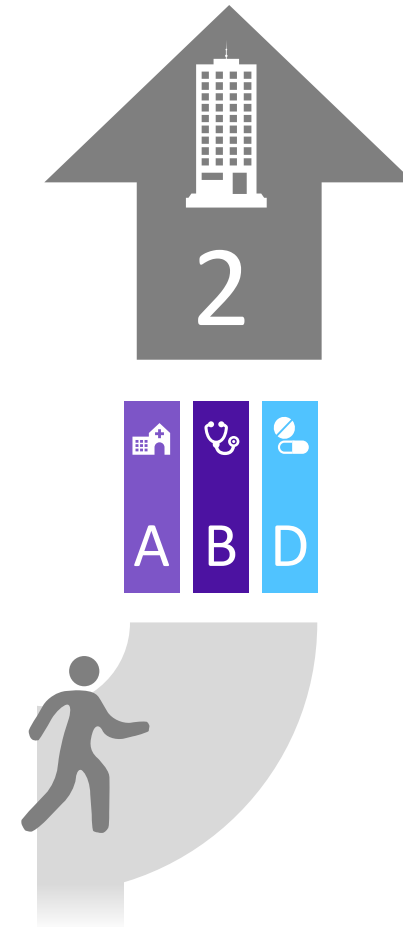
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## Medicare Advantage

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Medicare administered by a private insurance company:

- An insurance company makes the rules.
- Coverage is identified by an insurance card.



# The two types

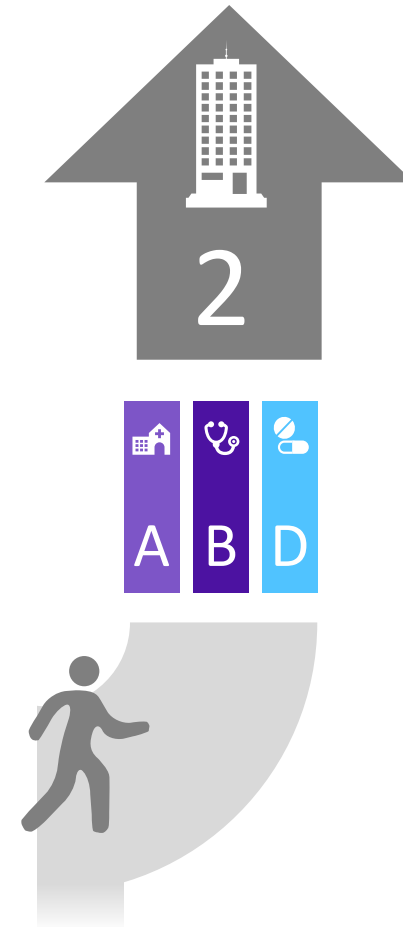
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## Medicare Advantage

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Medicare Advantage policies:

- Must provide Part A and Part B services.
- Can include Part D coverage.
- Very low or no premiums.
- Can add vision, hearing, dental coverage.



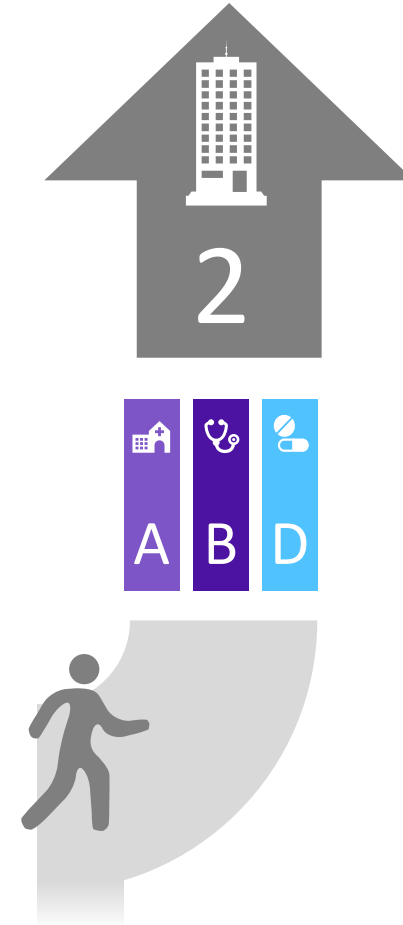
# The two types

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## Medicare Advantage

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- Referred to as an MA-PD plan
- Labeled “**Part C**” by Medicare
- Really a packaging of Parts A, B and D



# The two types

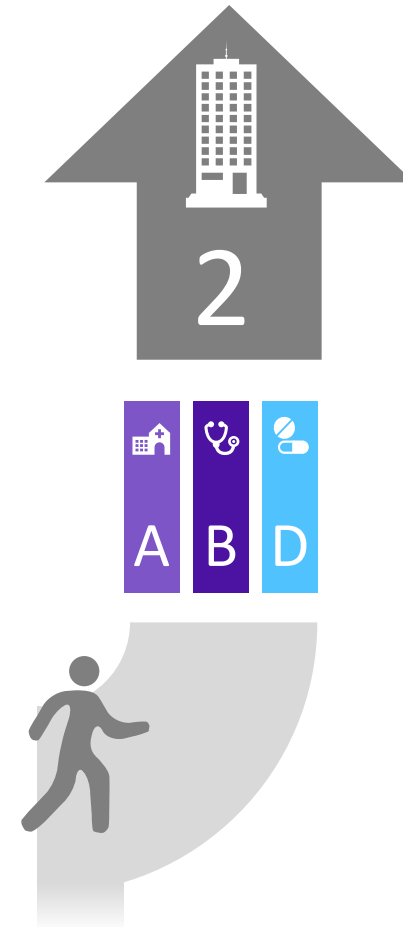
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## Medicare Advantage

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Rules of the insurance company must be followed:

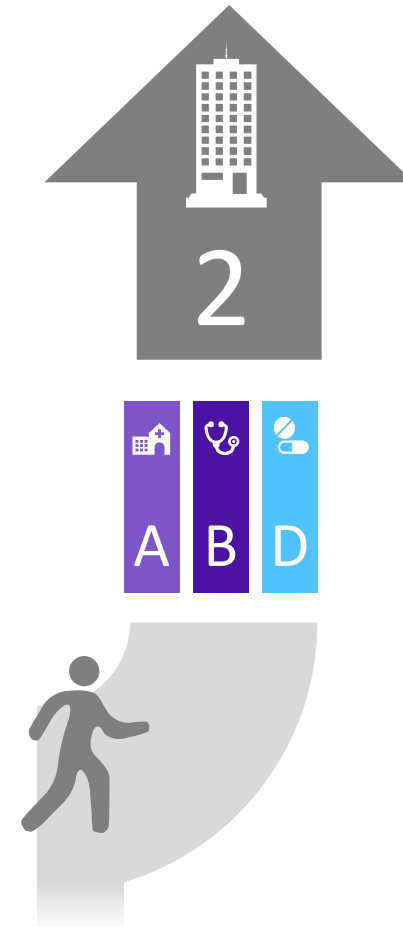
- See providers in a network that can change at any time.
- Pre-authorization for services is required.
- Be responsible for deductibles, co-pays and coinsurances whenever using health care services



# The two types

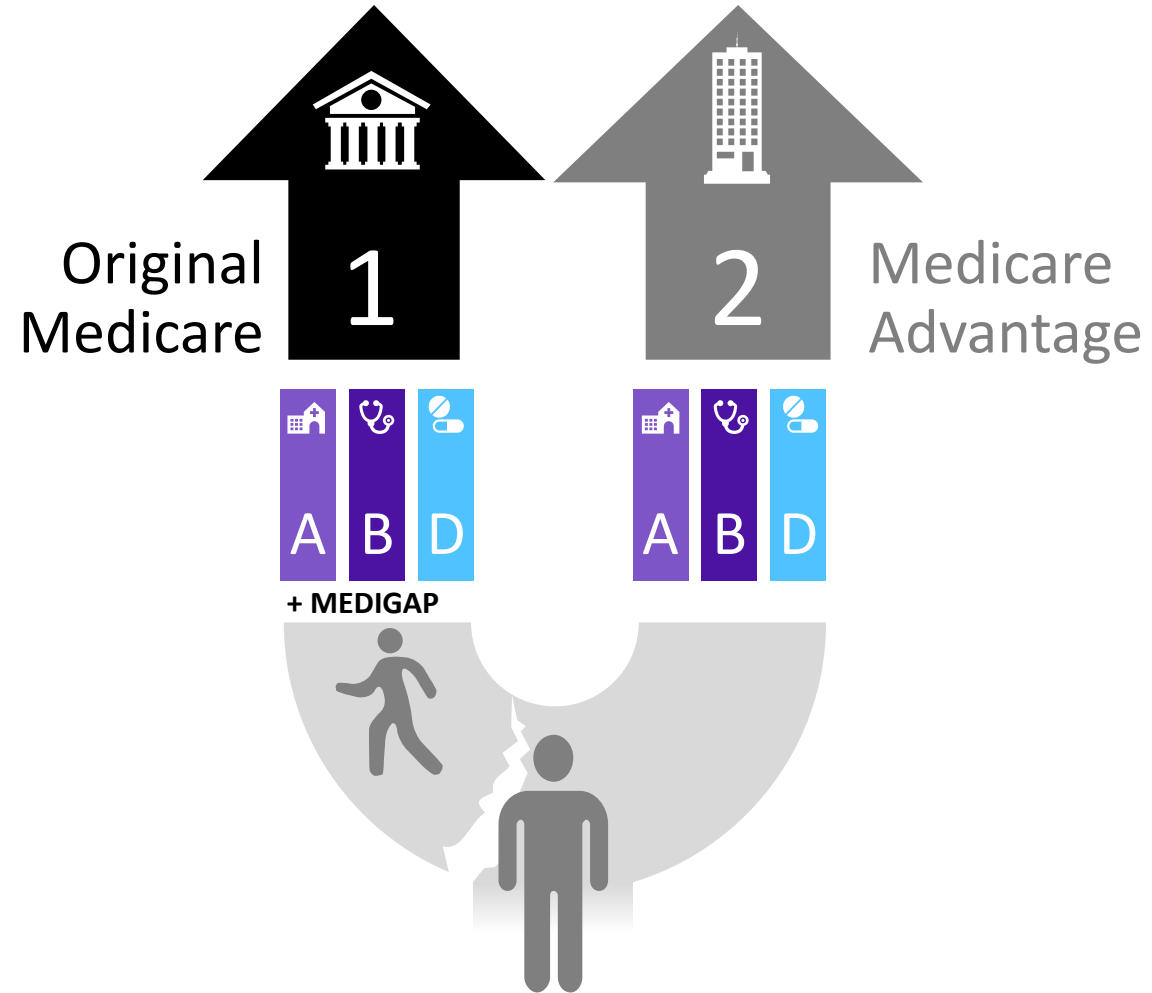
## Medicare Advantage

- Pay little or no monthly premiums.
- Face deductibles, copays and coinsurance for services.
- Spend up to the plan's out-of-pocket maximum.
- If you don't follow the rules, you may be responsible for paying the full cost of any health care services.

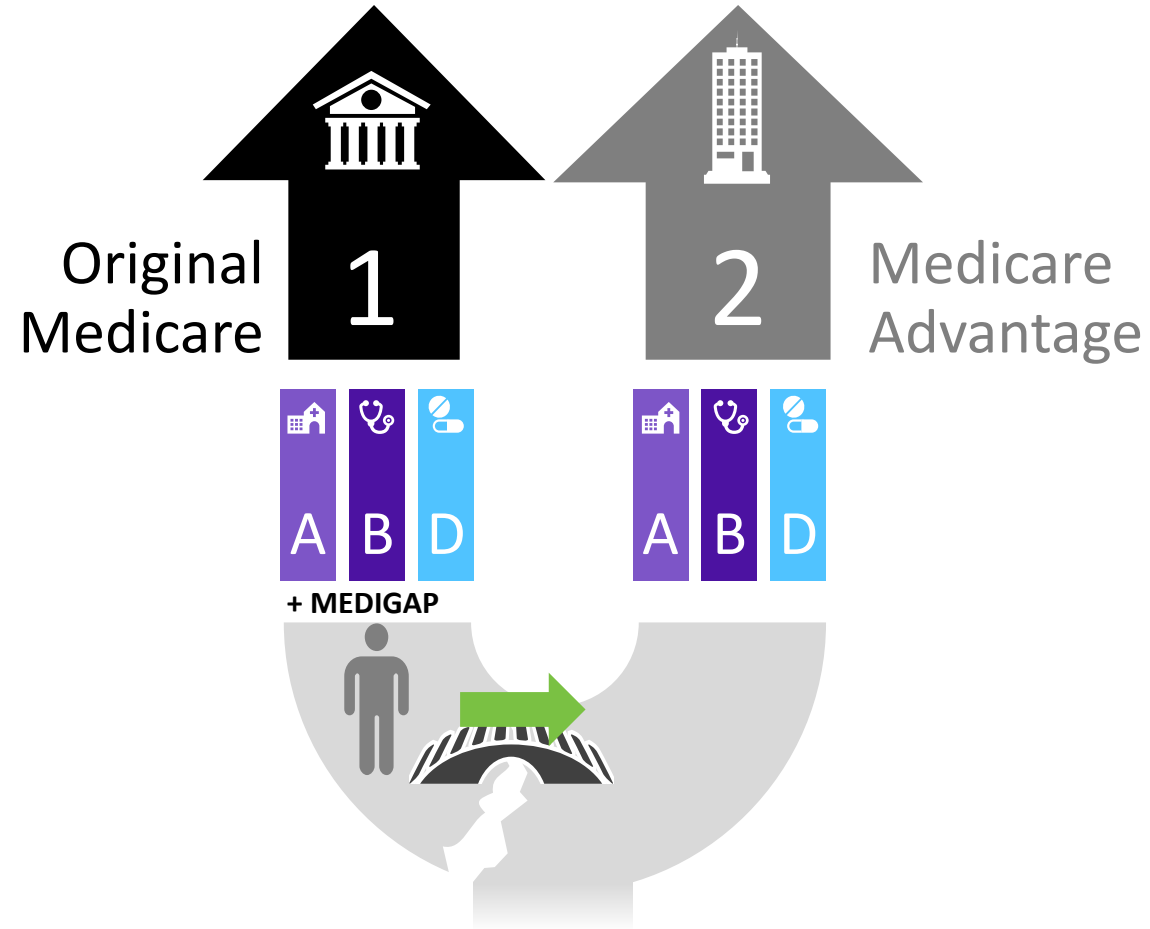




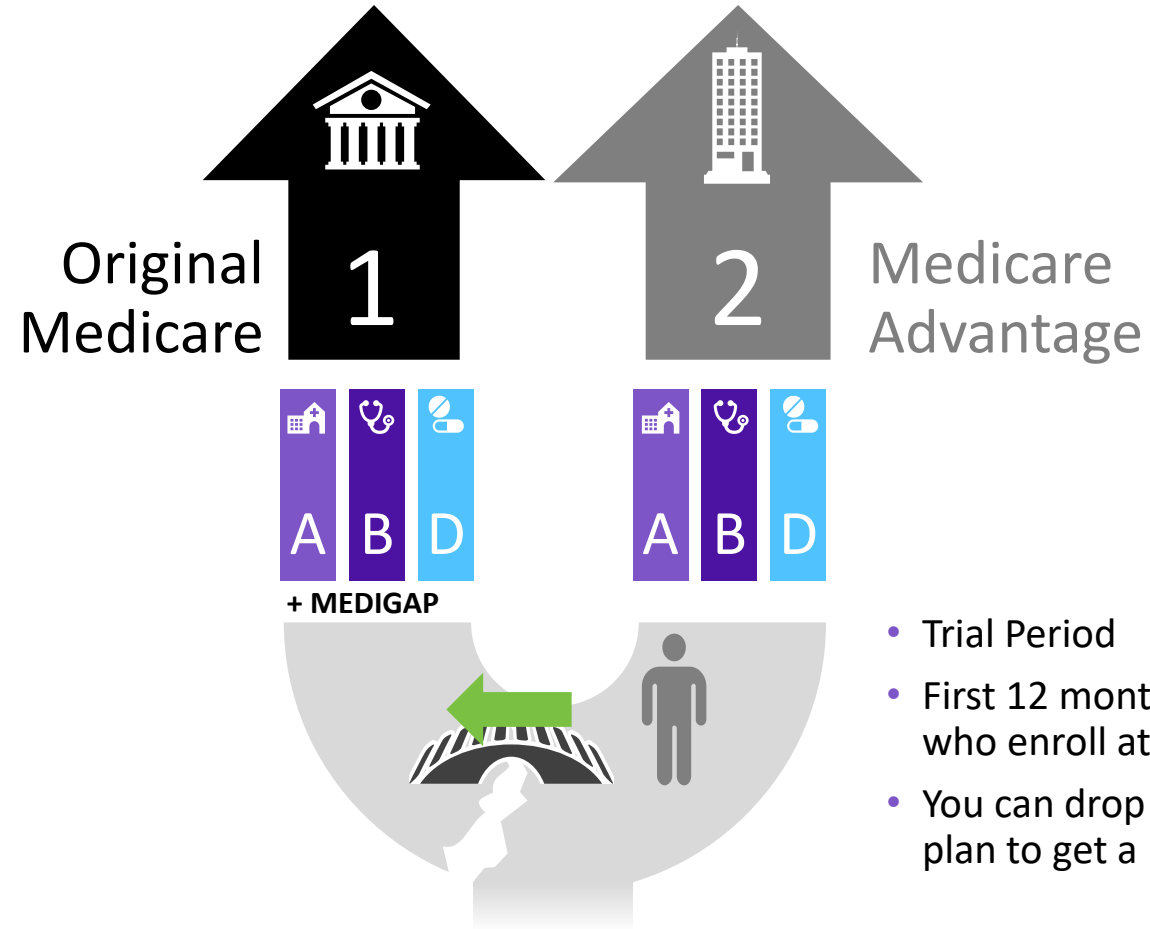
# Switching types



# Switching types

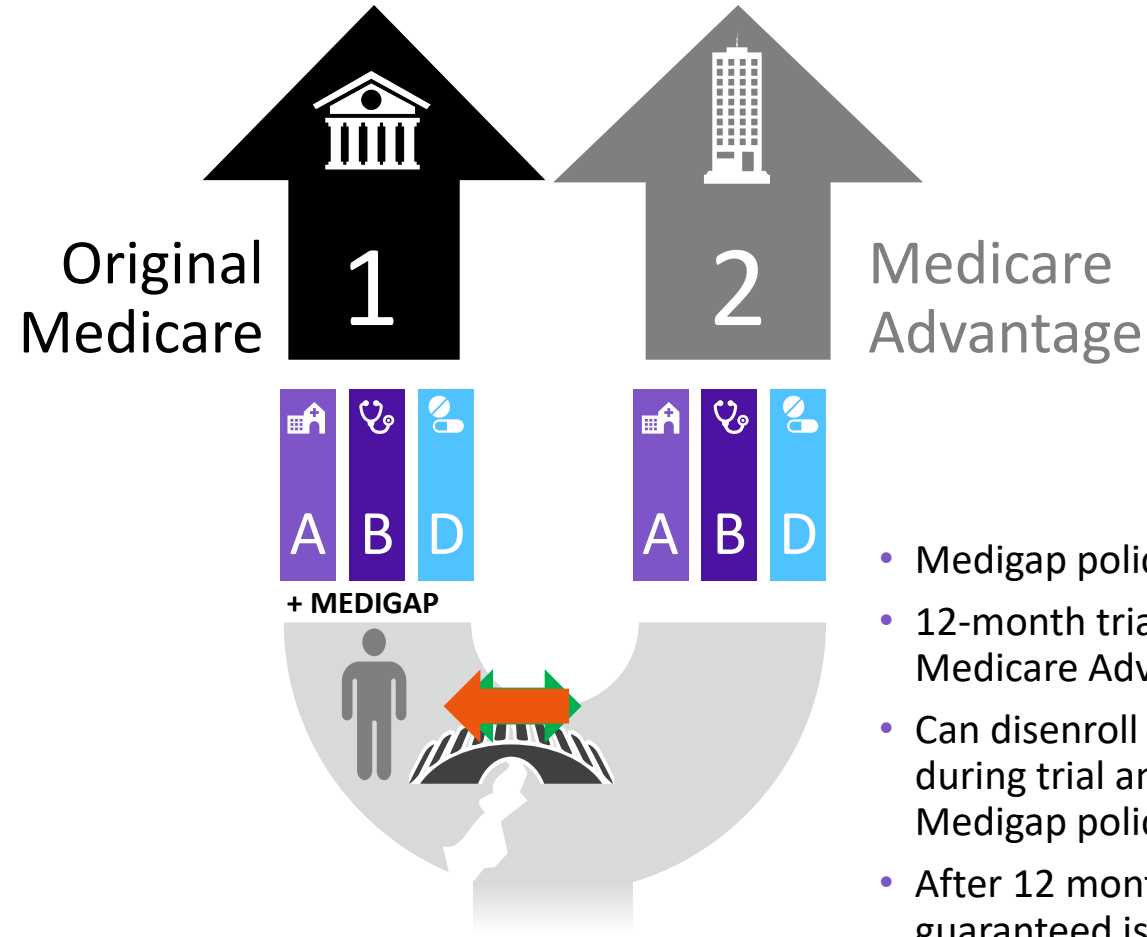


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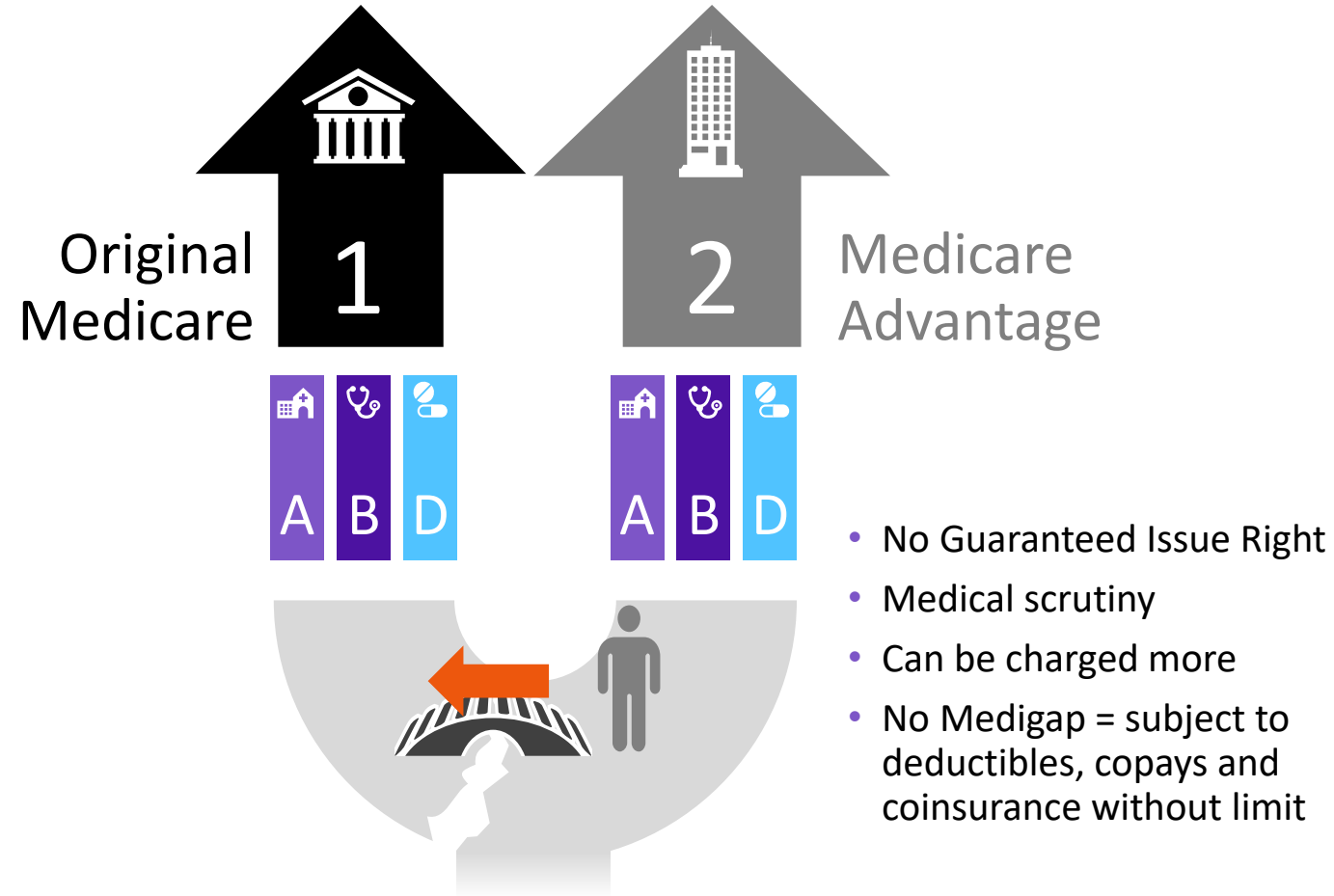


- Trial Period
- First 12 months for those who enroll at age 65
- You can drop the Advantage plan to get a Medigap

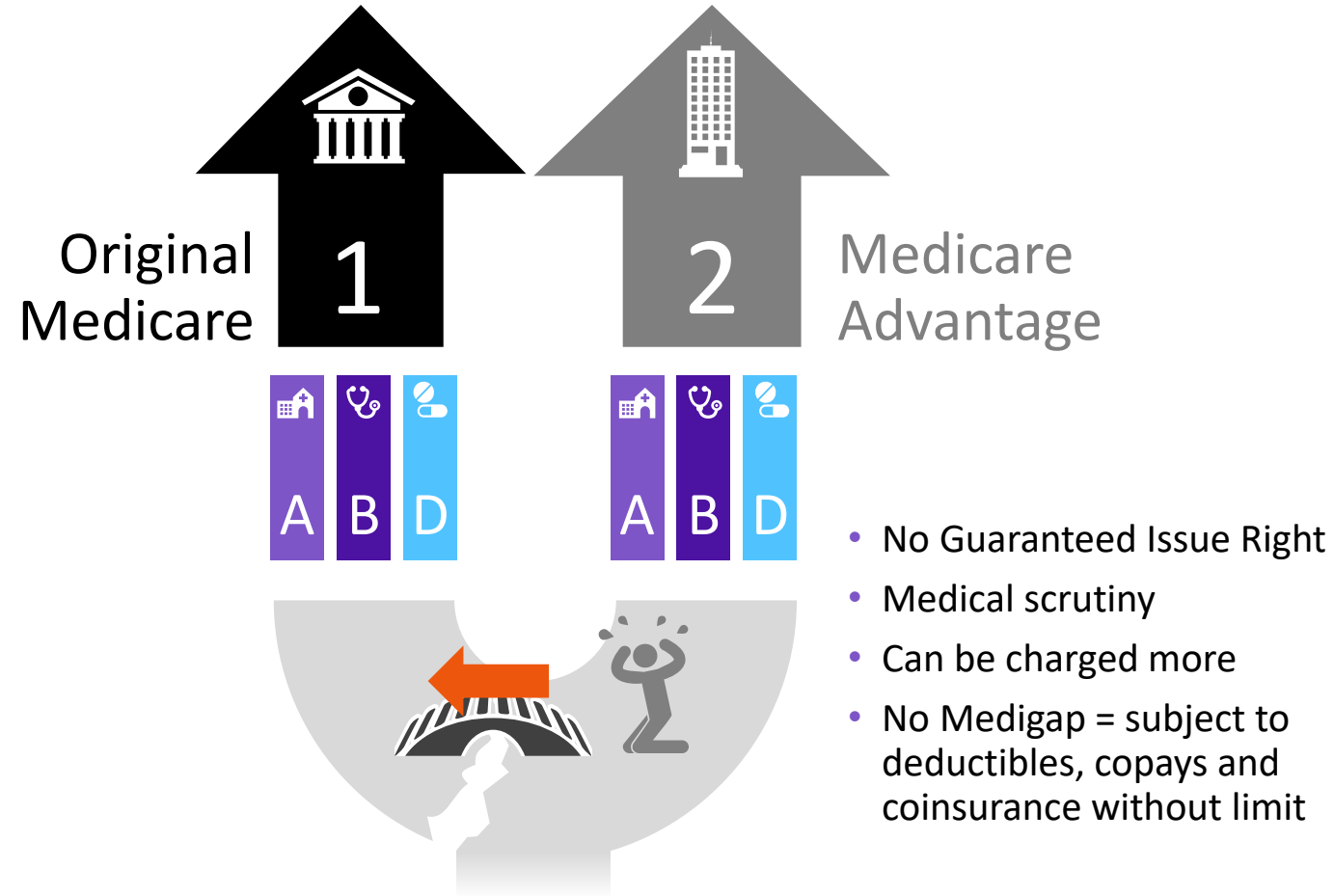
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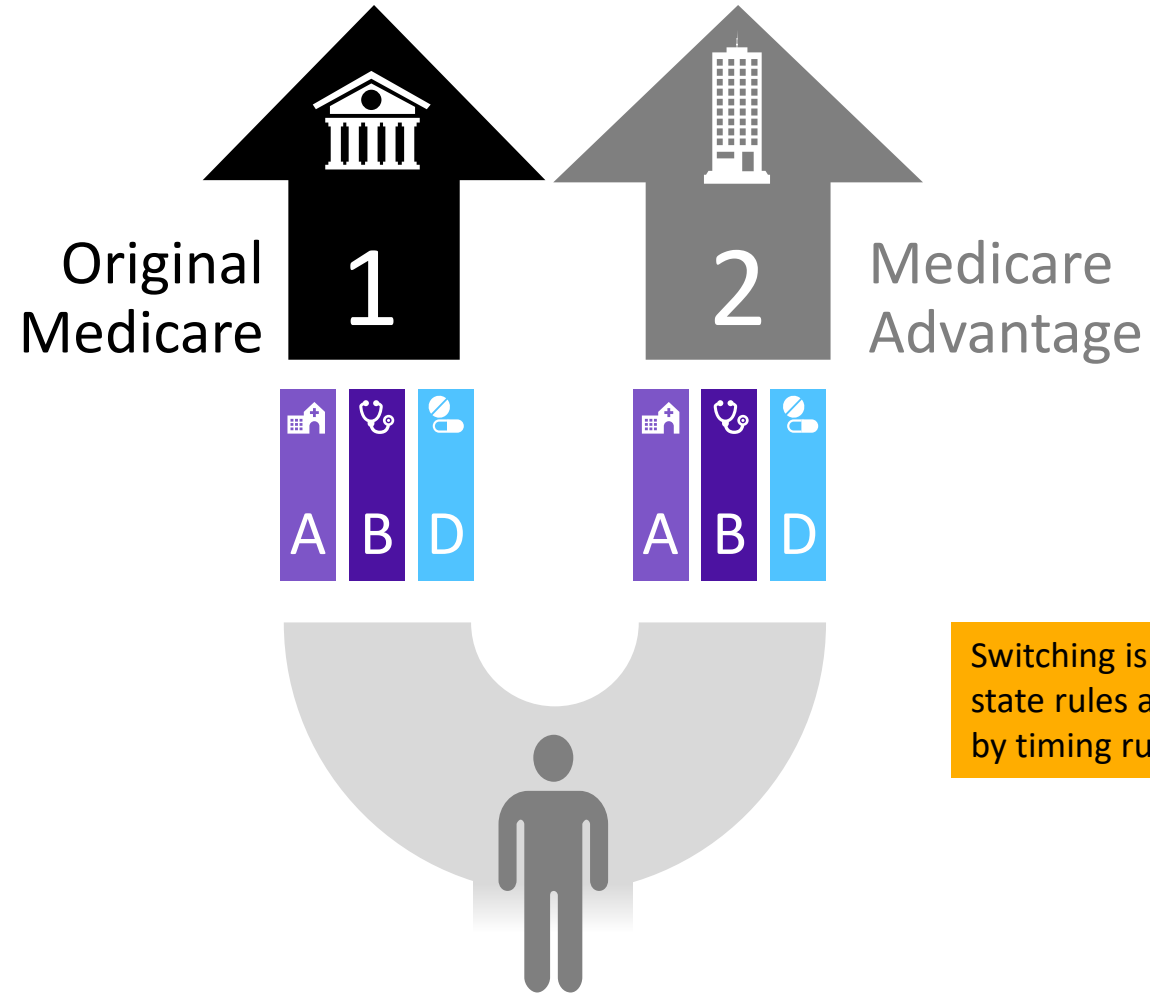
# Switching types



# Switching types



# Switching types in CT, MA, ME and NY



Switching is easier, but subject to state rules and may be restricted by timing rules

# Type case study

“Zero-premium plans mean free, or low-cost.”



## Roy

Costs are adding up after developing a chronic condition. But he can't easily switch from his zero-premium Advantage plan to Medicare Original because he lost his guaranteed issue right for a Medigap policy.



Faces thousands more in out-of-pocket costs with limits on his care.



# Avoid these pitfalls for Medicare type

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Assuming “zero premium” means “free” — out-of-pocket expenses and co-pays can be considerable.

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Not thinking through the considerations and rules of each Medicare type

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Making the same Medicare decisions as a friend or spouse — the coverage could be more costly and not work for your unique situation, and it could be difficult to change.

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Believing you can switch from Medicare Advantage to Original Medicare with a Medigap policy at any time — there are two times a year this can happen, and medical underwriting can apply.

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# Health care costs: the need for a plan



**6 in 10  
people are  
terrified**

of how health care costs may derail their retirement plans.<sup>1</sup>



**73% of  
people say**

one of their top retirement concerns is health care costs going out of control.<sup>1</sup>



**Many of  
retirement  
plans**

do not include health care costs and needs.<sup>2</sup>



**Less than  
15% have**

a person they trust to help them with these needs.<sup>2</sup>

<sup>1</sup> "2018 Health Care and Long-term Care Consumer Survey" Nationwide Survey, The Harris Poll, February 2018.

<sup>2</sup> "Finances in Retirement: New Challenges, New Solutions" Merrill Lynch and Age Wave, February 2017.

# What will health care expenses be like in retirement?



**Medicare households spend 40% more**

annually on health care expenses than non-Medicare households.<sup>1</sup>



**Depending on Medicare type, annual costs can average between \$2K - \$4k**

with no out-of-pocket spending limit in some cases.<sup>2</sup>



**A 65-year old couple may pay almost \$285K**

in health care expenses over a lifetime – not including long-term care.<sup>3</sup>



**Medicare doesn't cover long-term care costs.**

These costs can range from \$22K/year for home health care expenses, to \$82K+ for a nursing home stay.<sup>4</sup>



**High wage earners pay more**

for Medicare. Up to \$408.20/month more for Part B and \$77.90/month more for Part D.<sup>5</sup>

<sup>1</sup> Kaiser Family Foundation analysis of the Bureau of Labor Statistics Consumer Expenditure Survey, 2016.

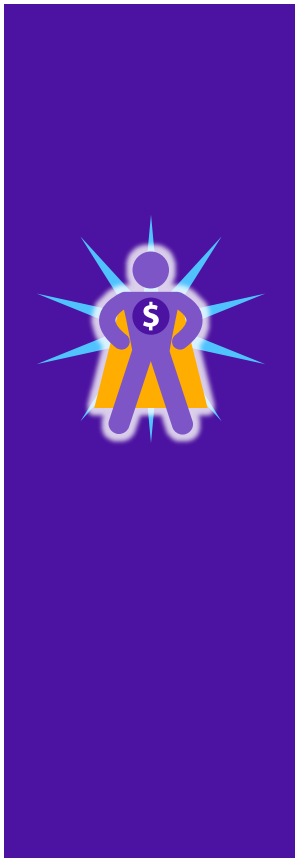
<sup>2</sup> Calculated by Protective Life, with costs based on 2020 Medicare premiums for Medicare Original and sample monthly \$29 Medicare Advantage plan.

<sup>3</sup> Planning for Health Care in Retirement: A Guide to Covering Your Medical Expenses. Fidelity Investments. 2018.

<sup>4</sup> "5 Benefits of Aging in Place." Retirement Living, 9 July 2021.

<https://www.retirementliving.com/5-benefits-of-aging-in-place>

<sup>5</sup> 2022 IRMAA as referenced at [www.medicare.gov](http://www.medicare.gov).



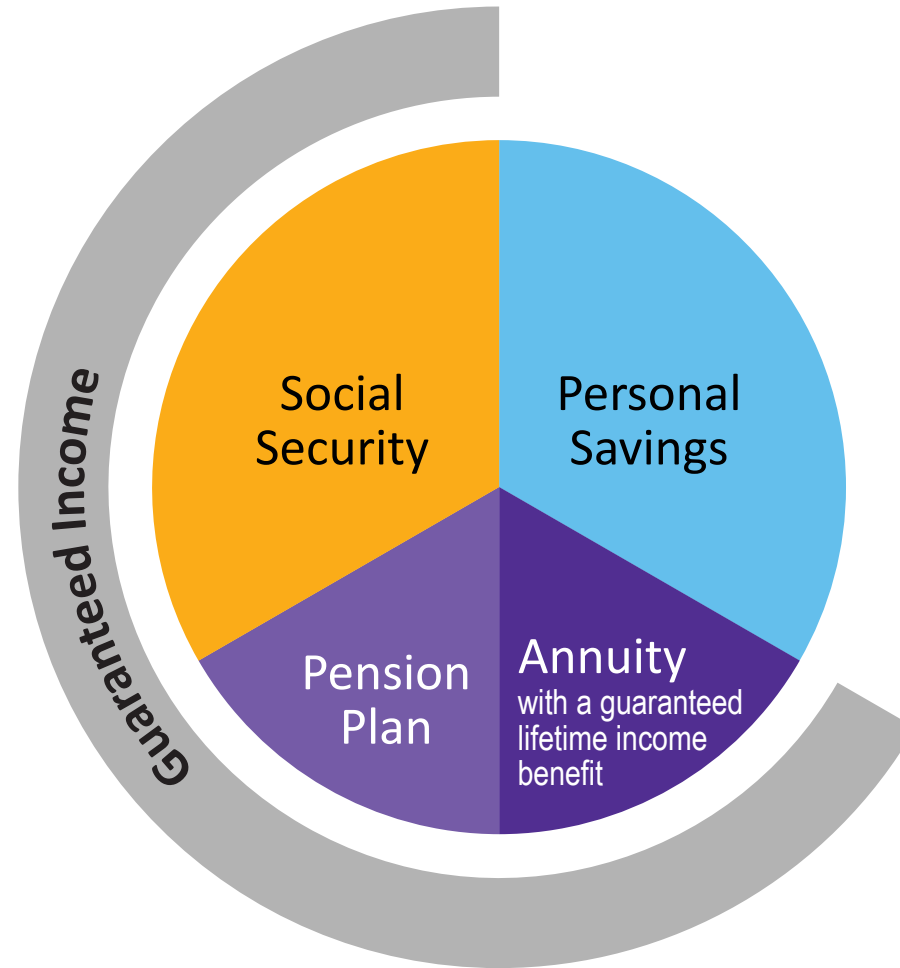
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You CAN address  
**health care costs**  
in retirement!

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# Health care cost planning: What will provide income?

Creating a reliable stream of income to cover costs





# The brighter side of Medicare

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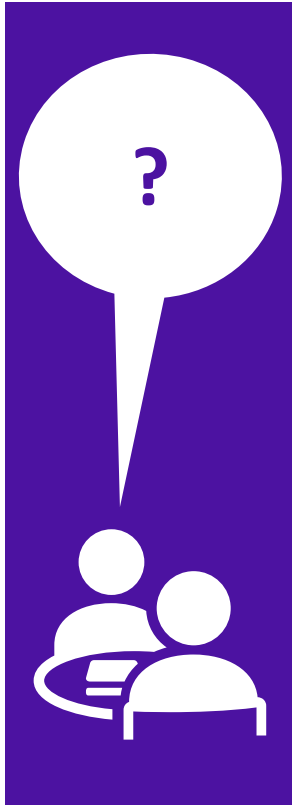
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# My next steps

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Meet with your financial professional



Depending on where you are in the Medicare decision process, ask the following questions:

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- **55 – 64-year-olds:**  
What steps can I take for income and accumulation planning for future health care expenses?
- **Those turning 64:**  
What key considerations affect my personal situation, and what do I do next to appropriately plan? When is my IEP or will I wait for an SEP?
- **Over 65:**  
When can we meet to review my annual coverage needs and what I might want to consider changing for next year?



# Important information

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