

June 15, 2023

“The greatest of follies is to sacrifice health for any other kind of happiness” Arthur Schopenhauer

An important, yet often complex milestone in our lives is Medicare. The decoupling of the Social Security and Medicare start ages, along with many of us working longer has created some confusion surrounding these important healthcare decisions. Below is a primer on some of the important points to remember about Medicare, enrollment timing, and the best resource for general questions. Your personal situation may require more detailed analysis, please reach out to your PCM advisor if you have specific questions or would like a referral to a Medicare and health insurance specialist.

MEDICARE PARTS EXPLAINED

Part A – is the main part of Medicare that covers inpatient hospital stays, care in a skilled nursing facility following an inpatient admission, hospice, and some home health care. Part A is provided at no cost if you (or your spouse) paid into Medicare during your working years. Medicare Part A can also be purchased at \$506 per month if work credits haven’t been earned.

Part B – was created in 1965 alongside part A and covers doctors’ services, outpatient care, medical supplies, and preventive services. Every participant pays for this service, starting at \$164.90 per month in 2023, then scaling upwards based on your modified adjusted gross income. These premiums are deducted from the monthly Social Security payment or are paid directly prior to starting Social Security. Part B is a required part of Medicare for everyone, there are substantial and permanent penalties for late enrollment if you don’t meet an enrollment exception.

Part C (Advantage Plan) – is another health plan choice offered as part of Medicare. Part C is offered by private insurers who are approved by Medicare. If you join an Advantage Plan, the plan will provide all of Part A and Part B, with additional medical coverages. The cost is based on what the policy covers, co-pays, and deductibles. These plans can include coverage for, vision, hearing, dental, and transportation, however, the coverage tends to be very minimal. They generally have a limited provider network and service area, out-of-pocket cost differences and can require referrals, similar to HMO and PPO type health insurance. It is very important to review part C plans closely to ensure that your providers and hospitals are included, and if the plan covers services outside of your home state if you travel frequently or snow bird. Part C plans do not cover international medical needs.

Part D – is the prescription plan provided through the Medicare system, the premiums are paid through Social Security, with plans chosen independently. Part D is technically optional, however, if you don’t have other prescription coverage it is required, additionally there is a permanent penalty for late/non-enrollment. Prescriptions make up 12% of health spending in the U.S. and a majority of that being spent by people over age 65. It is important to review part D plan offerings every year to ensure changes in the plan formularies don’t inadvertently exclude any necessary medications.

Parts F, G, K, L, M, N: aka Supplement Plans – are individual policies sold by private insurers to fill the gaps in original (Parts A & B) Medicare. They cover part A & B copayments, coinsurance and deductibles, and can also provide coverage for international travel. Their main purpose is to cover hospital and skilled nursing costs after the Medicare limits are reached. These policies do not cover vision or dental, hearing aids or long-term care. They are also not allowed to provide prescription coverage; part D is used in all cases. These plans are identified by the other Medicare letters – F, G, K, L, M, and N. Each of these plans have a structure of cost share and coordination with Medicare. Insurance companies will then offer each of these levels of coverage for different prices most often based on the location of the insured along with the plan’s claims experience over the past years. During the initial enrollment period you choose your letter and then during each annual open enrollment period you are encouraged to revisit the offerings of the insurers within your ‘letter’ as there can be changes to providers within the network, some specific coverage changes, as well as cost.

Guaranteed issue rights – This right under Medicare creates a legal obligation for private insurers to sell someone eligible for Medicare a Medicare supplement or advantage plan without penalties for pre-existing conditions, or other health problems either in the past or the present. Guaranteed issue rights are only applicable during the initial enrollment period. In practice this means that once a supplement letter group is decided upon, there are very few exceptions that will allow a change in the level of policy in the future. After the initial enrollment period an insurer can charge more for pre-existing conditions or choose not to issue coverage at all. There are currently 7 states that have enacted laws to minimize this risk.

ENROLLMENT

- You will be automatically enrolled in Medicare at age 65 if you are receiving Social Security, SS Disability, or Railroad Retirement.
- You will need to sign up for Medicare on your own and must pay attention to the Initial Enrollment Period Rules if you plan to start Social Security at full retirement age or later.
- The Initial Enrollment Period is the 7 months that includes your birth month and the 3 months before and after.
- Medicare Parts A and B must be enrolled in during the enrollment period to avoid a lifetime late enrollment penalty for both Part B and D. In addition to the penalties, enrollment is delayed until the January 1 – March 31 general enrollment window with coverage starting on July 1st.
- There are exceptions to the penalties, however, because the part B penalty is 10% of the Part B premium amount and is permanent, it is of utmost importance to be sure you don't stumble into a penalty.

PAYING FOR PREMIUMS

- Premiums for Medicare part B and D are deducted from your Social Security benefits monthly.
- If you have not started Social Security or Railroad Retirement Medicare will bill on a quarterly basis for Part B and monthly for Part D. You can also opt for a variety of payment options through your Medicare online account.
- Supplement premiums are paid directly to the insurer.

WHAT IF I WORK PAST AGE 65?

- Depending on the size of the employer that is providing health coverage, you may be able to delay some or all of Medicare, without penalty.
- Some employer plans have policies regarding how the plan will integrate with Medicare for current employees. Speaking to the benefits coordinator for your employer prior to age 65 will help determine the plan rules.
- You may continue to contribute to an HSA if you are not enrolled in any part of Medicare. HSA contributions are no longer allowed once enrolled in Medicare.
- The benefit for Medicare Part A will be back dated by 6 months (but not prior to age 65), because of this you must stop contributing to an HSA six months prior to starting Medicare. Additionally, employer contributions to an HSA are not allowed for Medicare enrollees. HSA contributions while being enrolled in Medicare will result in needing to correct the contribution amounts.
- Existing amounts in a Health Savings Account can be used to pay (or reimburse) for Medicare premiums and any other medical services not covered by Medicare.
- An 8-month special enrollment window to start Medicare without a penalty begins when employer coverage ends.

There are many other details regarding open enrollment, special enrollment periods, costs, coordination with employer and retiree coverage that are not covered here but may be applicable to your specific situation. The medicare.gov website is a great source for information and is also where you may log in to manage your Medicare coverage. As always, please let your advisor know if you have questions or would like to discuss Medicare in more detail.

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