

Ready to Explore Medicare?

**Leif Peterson
2022**



Gallagher

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Welcome



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1. Introduction

2. Definitions

3. Parts of Medicare

4. Turning 65 and Medicare eligibility

5. Medicare plan options

6. How to compare plans

7. Medicare and HSA's



Definitions

Medicare

- A national health insurance program administered by the federal government that provides health insurance coverage to most people who are age 65 and older or who meet special criteria.
- Covers about 50% of overall health care costs.
- 1-800-633-4227 (24 hours a day/seven days a week) or www.medicare.gov

Social Security (SS)

- A federal program of benefits providing workers and their dependents with retirement income, disability income, and other payments.
- Also responsible for Medicare eligibility and enrollment.
- 1-800-772-1213 or www.ssa.gov

Medical Assistance or “Medicaid”

- A state-run program that provides hospital and medical coverage for people with very limited income and resources.
- Apply through your county of residence.
- Can qualify for both Medicare and Medicaid (“dual eligible”).

Parts of Medicare



Part A – Hospital Coverage



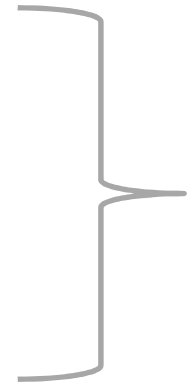
Part B – Medical Coverage



Part C – Medicare Advantage



Part D – Outpatient Prescription Drug



Original Medicare –
enroll via the federal
government



Enroll via a health
insurance carrier
like Blue Cross,
Humana, etc.

Medicare Part A – Hospital Insurance



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Most people do not pay a premium for Medicare Part A
(if you or your spouse paid into Social Security for 10 years).

Services *(2022 co-pays, deductibles, and coinsurance apply):*

- ❖ Hospitalization: \$1,556 deductible for first 60 days, \$389/day for days 61–90, and \$778/day for days 91–150 *(lifetime reserve days)*.
- ❖ Skilled nursing facility care: Days 1–20 paid in full, \$194.50/day for days 21–100.
- ❖ Home health care.
- ❖ Hospice care.
- ❖ Blood in a hospital or skilled nursing facility.

Medicare Part B – Medical Insurance



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- Part B premium in 2022 is **\$170.10** per month per person (and increases on a sliding scale based on household income)
 - ❖ **If income is more than \$91,000 as a single filer or \$182,000 as a joint filer, the Part B premium will be higher.**
- Services (*\$233 annual deductible and 20% coinsurance apply*):
 - ❖ Physician services (including office visits, surgery, consultation).
 - ❖ Outpatient surgeries and procedures (including physical and occupational therapies).
 - ❖ Ambulance.
 - ❖ Durable medical equipment (DME).

Medicare Part B – 2022 premiums



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| If your yearly income in 2020 (for what you pay in 2022) was | | | You pay each month (in 2022) |
|--|---|--|---------------------------------|
| File individual tax return | File joint tax return | File married & separate tax return | |
| \$91,000 or less | \$182,000 or less | \$91,000 or less | \$170.10 |
| above \$91,000 up to \$114,000 | above \$182,000 up to \$228,000 | Not applicable | \$238.10 |
| above \$114,000 up to \$142,000 | above \$228,000 up to \$284,000 | Not applicable | \$340.20 |
| above \$142,000 up to \$170,000 | above \$284,000 up to \$340,000 | Not applicable | \$442.30 |
| above \$170,000 and less than \$500,000 | above \$340,000 and less than \$750,000 | above \$91,000 and less than \$409,000 | \$544.30 |
| \$500,000 or above | \$750,000 and above | \$409,000 and above | \$578.30 |

Medicare Part C – Medicare Advantage (MA)



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Eligible when you have Medicare Part A and Part B.

Medicare transfers the responsibility of administering members' Part A and Part B benefits to the health plan.
Exception: Hospice continues to be covered under Part A

At a minimum, plans must provide all Medicare Part A and Part B covered benefits. Most provide additional coverage.

Most plans include Medicare Part D outpatient prescription drug coverage in at least some of their plan options.

Medicare Part D – outpatient prescription drug coverage

- Eligible when retirees have Medicare Part A or Part B.
- Voluntary benefit, but may be charged a penalty for late enrollment.
 - ❖ Equal to 1% of the national average base beneficiary premium for a stand-alone Part D Rx plan for each uncovered month. (For 2022, the national average monthly premium is \$33.37)
 - ❖ The penalty amount changes each year as the national average base premium changes
 - ❖ There is no penalty if had “creditable coverage” (at least as good as Part D) or when qualified for Extra Help for Part D. This can include employer coverage, if considered “creditable”

Medicare Part D – outpatient prescription drug coverage *(continued)*

- Offered by private companies that contract with Medicare.
 - ❖ Medicare Advantage plans with Part D (MA-PDs).
 - ❖ Stand-alone Medicare prescription drug plans (PDPs).
- Medicare Part D plans vary in what prescriptions are covered. Most follow the standard Part D benefit design (4 coverage phases), whether purchased on a stand-alone basis or as part of a Medicare Advantage plan



Medicare Part D – outpatient prescription drug coverage *(continued)*

2022 standard Part D benefit: 4 phases of coverage

1. **\$480 annual deductible**
2. **Initial Coverage:** Copays or coinsurance
3. **Coverage gap (i.e. donut hole):** retiree cost + plan's cost = \$4,430
 - ❖ You pay 25% of the plan's costs for all generic drugs
 - ❖ You pay no more than 25% of the plan's costs for brand-name drugs
4. **Catastrophic:** If annual out-of-pocket costs reach \$7,050:
 - ❖ Greater of \$3.95 co-pay or 5% coinsurance on generics.
 - ❖ Greater of \$9.85 co-pay or 5% coinsurance on brand-name drugs

Medicare Part D – High Income Surcharge



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| If your filing status and yearly income in 2020 was | | | |
|---|---|--|------------------------------|
| File individual tax return | File joint tax return | File married & separate tax return | You pay each month (in 2022) |
| \$91,000 or less | \$182,000 or less | \$91,000 or less | your plan premium |
| above \$91,000 up to \$114,000 | above \$182,000 up to \$228,000 | not applicable | \$12.40 + your plan premium |
| above \$114,000 up to \$142,000 | above \$228,000 up to \$284,000 | not applicable | \$32.10 + your plan premium |
| above \$142,000 up to \$170,000 | above \$284,000 up to \$340,000 | not applicable | \$51.70 + your plan premium |
| above \$170,000 and less than \$500,000 | above \$340,000 and less than \$750,000 | above \$91,000 and less than \$409,000 | \$71.30 + your plan premium |
| \$500,000 or above | \$750,000 and above | \$409,000 and above | \$77.90 + your plan premium |

Parts of Medicare



Part A – Hospital Coverage



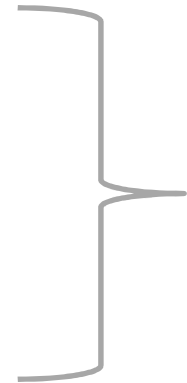
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Turning 65 and Medicare eligibility

- If retiree worked more than 10 years (40 SS quarters), they are eligible for Medicare starting the first of the month of your 65th birthday, unless it falls on the first (in most cases). If birthday falls on the first, Medicare starts on the first of the previous month.
- Before age 65 if:
 - ❖ Disabled and have collected SS disability for 24 months.
 - ❖ Have permanent kidney failure (end-stage renal disease).
 - ❖ Have ALS (Lou Gehrig's Disease) and have collected SS disability for 5 months.





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Turning 65 and Medicare eligibility

Initial Enrollment Period:

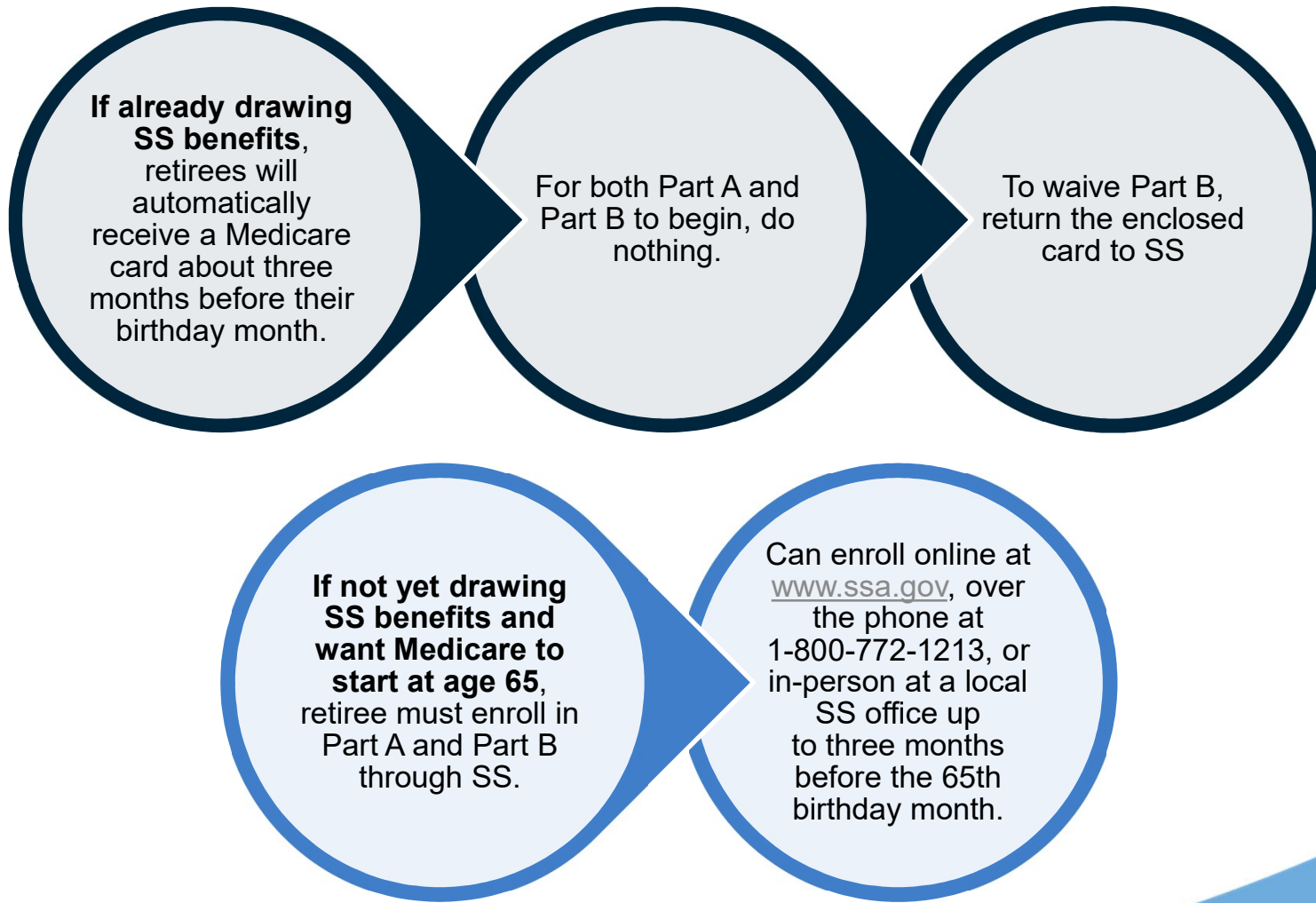
7-month period surrounding your 65th birthday



Turning 65 and Medicare eligibility (continued)



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Can retiree pick up Medicare Part A and/or B later?



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If retiree or spouse are **actively employed** and have employer group coverage with that employer, they may **waive Part A and B** to avoid paying the monthly premium and then pick it up at a later date without penalty.



Important note!

If retiree or spouse plan to work for three or fewer months beyond age 65, they should work closely with SS to ensure Part B is put into effect on the desired date

Can retiree pick up Medicare Part A and/or B later? *(continued)*



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When employment ends or employee leaves the employer group coverage* (whichever happens first), they can apply for Medicare Part B using a **Special Enrollment** for Part B.

From this date...

You have an **8 month** window to apply for Part B without penalty

You have a **2 month** window to enroll in a Part D plan without penalty

* COBRA and retiree insurance are not considered current employer insurance. **There is no Special Enrollment Period if individual has COBRA or retiree insurance**

Can retiree pick up Medicare Part A and/or B later? *(continued)*



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To use the **Special Enrollment Period for Part B:**

Contact SS to get **Form SSA 40B** (which you complete) and **Form L564** (which the employer completes).

Note: Some SS offices only require the 40B/SEP Combined form.

Turn in or upload the completed paperwork to your local SS office.

You can request a benefit verification letter from SS rather than waiting for your Medicare card to arrive.

Can retiree pick up Medicare Part A and/or B later? *(continued)*

- If employee/retiree waives Part A and/or B and does not qualify for a **Special Enrollment Period**:
 - ❖ They may only apply during the **General Enrollment Period** of each year, January 1st to March 31st.
 - ❖ Coverage will not begin until July 1st of that year.
 - ❖ They will be assessed a 10% monthly Late Enrollment Penalty for each year of delay for as long as they have Medicare Part B.

Medicare Enrollment Periods



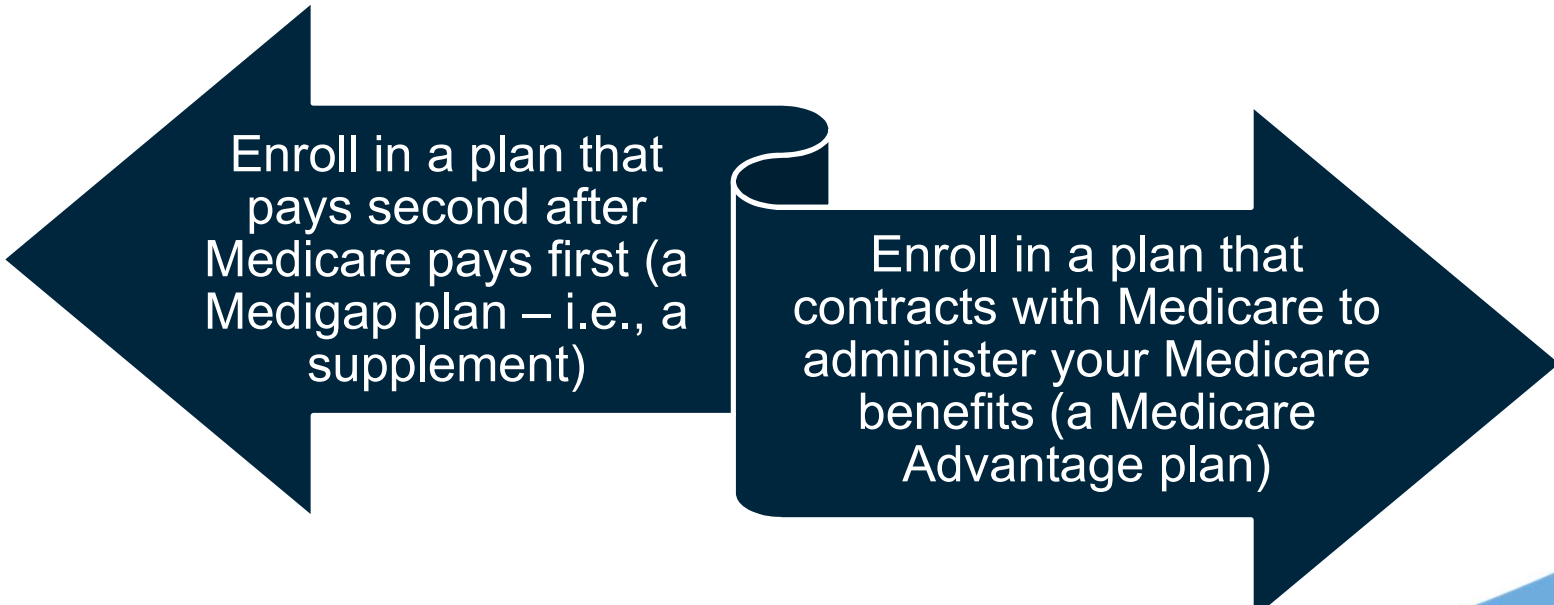
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Initial, Special and General Enrollment Periods

- I. Initial Enrollment Period (IEP)** 7-month period surrounding your 65th birthday
- II. Special Enrollment Period (SEP)** The period of time when you can enroll in Medicare or make changes to your plan when certain life events happen. Rules about when you can make changes and the type of changes you can make are different for each SEP.
- III. General Enrollment Period (GEP)** January 1st to March 31st each year if you miss IEP or SEP

Medicare plan options

- Original Medicare (Part A and Part B) covers about 50% of your overall health care costs.
- To help cover the remaining costs, there are two options:



Enroll in a plan that pays second after Medicare pays first (a Medigap plan – i.e., a supplement)

Enroll in a plan that contracts with Medicare to administer your Medicare benefits (a Medicare Advantage plan)

Medicare plan options: Medigap/Supplement plans

Plans that pay second after Medicare pays first.

Medicare
supplements/Basic and
Extended Basic

Medicare
supplements/Plans F,
G, L, and N

Medicare Select Plans

Medigap policies are
standardized, but are
standardized differently
in three states (MN, MA
and WI)

Similarities among Medigap plans



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- 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.
- Need to purchase Medicare Part D separately at 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.**

Unique characteristics of Medigap/Supplement plans

- **Guaranteed Renewable (coverage will never change)**
- Medigap plans don't include Part D Rx coverage (purchased separately)
- Premiums vary from company to company, but benefits are the same within a plan type (i.e. Basic, Extended Basic, Plan F, G, N, etc.)
- No provider network. Services covered by any provider that accepts Medicare

Medicare plan options: Medicare Advantage (MA) plans



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Plans that contract with Medicare to administer Medicare benefits. Also referred to as Part C.

- Coordinated Care Plans
 - ❖ Health Maintenance Organization-Point of Service (HMO-POS) Plans.
 - ❖ Health Maintenance Organization (HMO) Plans.
 - ❖ Preferred Provider Organization (PPO) Plans.
- Private-Fee-For-Service (PFFS) Plans
- Cost Plans (not available in all counties)

Similarities among MA plans

- Must be permanent resident of plan's service area to be eligible.
- Have contracted provider network but must provide emergency coverage both in and out of network.
- Can offer Medicare Part D prescription drug coverage.
- **Typically provides more preventive care**
- No health screening
- Virtually no paperwork once enrolled.
- Regulated by Medicare.

Medicare plan options



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Medigap/Medicare Supplement vs. Medicare Advantage

Medigap/Medicare Supplement

- Does not include Part D
- Guaranteed Renewable
- No provider network
- **Guaranteed issue w/in 6 months of Part B start date**
- If paired with all riders, can offer 100% coverage for services covered by Medicare Part A and B
- A Med Supp + stand-alone Part D plan may cost \$100 - \$260/mo.

Medicare Advantage

- Usually include Part D
- Annual Renewable
- **Can change plans yearly**
- Provider network
- Most plans are no deductible with copay and coinsurance responsibility
- Plans can vary in price from \$0 - \$180/mo.

Medicare and HSA's

What are the rules?

- IRS rules say that you can't contribute to an HSA if you're enrolled in Medicare.
- You can draw on funds already in the account but you can't add to them.
- If you're eligible for Medicare but have not filed an application for either Social Security retirement benefits or Medicare, you need do nothing.



Medicare and HSA's



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What if I have a High-Deductible Health Plan AND a Health Savings Account (HSA)?

- I. Once you enroll in any part of Medicare, you won't be able to contribute to your HSA. If you would like to continue making contributions to your HSA, you can delay both Part A and Part B until you (or your spouse) stop working or lose that employer coverage.

- II. You will NOT pay a penalty for delaying Medicare, as long as you enroll within 8 months of losing your coverage or stopping work (whichever happens first).

NOTE: *If delaying Medicare beyond age 65 and you qualify for premium-free Part A, your coverage will go back (retroactively) up to 6 months from when you sign up. So, you should stop making contributions to your HSA 6 months before you enroll in Part A and Part B*

Medicare and HSA's (cont'd)

What are my options?



If you're eligible for Medicare but have not filed an application for either Social Security retirement benefits or Medicare, you need to do nothing



If you're entitled to Medicare because you signed up for Part A at age 65 or later (perhaps not realizing that it can affect the use of your HSA) but have not yet applied for Social Security retirement benefits, you can withdraw your application for Part A



But if you have applied for, or are receiving, Social Security benefits—which automatically entitles you to Part A—you cannot continue to contribute to your HSA

Contacts



Insurance | Risk Management | Consulting

Arthur J. Gallagher – Individual lines and Medicare resource

Leif Peterson

952-345-2302

Leif_peterson@ajg.com



