

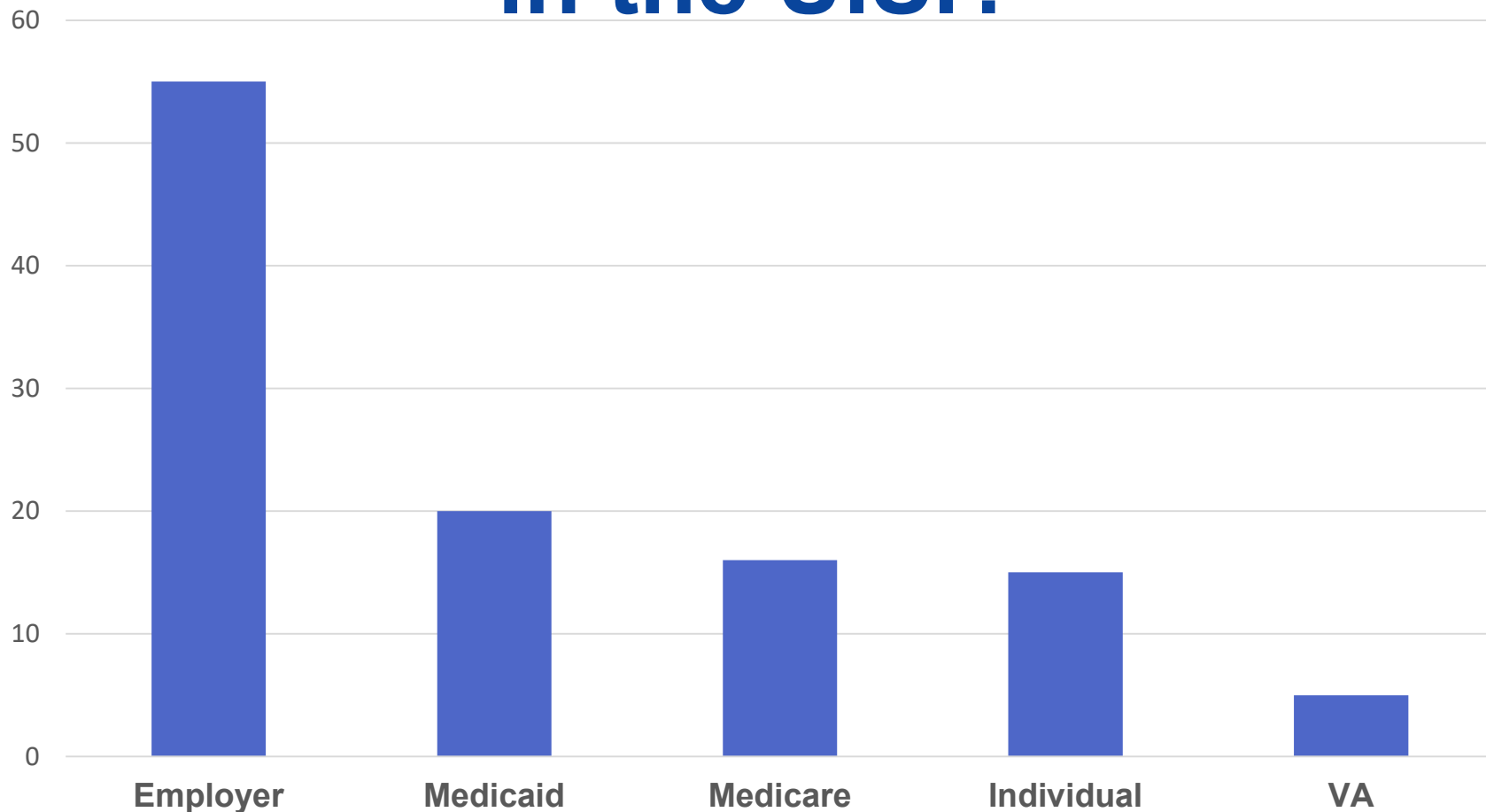
Five Facts Boomers Need to Know About Medicare



Elaine Floyd, CFP®
Director of Retirement and Life Planning
Horseshmouth



Who provides health insurance in the U.S.?

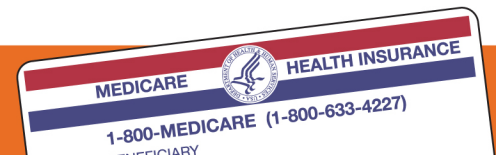


Percentage of the population covered by each type of plan.

Source: U.S. Census Bureau, Health Insurance Coverage in the United States, 2016

Issue #1

Making the transition from employer insurance to Medicare



Why it's a problem

- People don't know when they can, should, or must enroll in the different parts of Medicare
- No one is advising them
 - HR doesn't know
 - Health insurance is product-driven: Group plan agents don't sell Medicare
- Consequences of doing it wrong
 - Coverage gaps: Clients get stuck with medical bills after the fact
 - Late-enrollment penalties

Your role

- Know the rules about who must enroll in Medicare and when
- Facilitate smooth transition to Medicare at the proper time



Issue #2

Not getting the right private insurance to go with Medicare



Why it's a problem

- Medicare alone is not enough
 - High deductibles for Part A
 - 20% coinsurance for Part B
 - No limit on out-of-pocket costs
- Supplemental insurance is provided by private insurance companies
 - Medigap: Benefits are standardized but prices are not – people are paying too much
 - Part D plans vary widely – must find the right plan for the drugs you are taking (or not)
 - Medicare Advantage tricks and stunts – narrowing networks, reducing benefits, raising premiums

Your role

- Tell clients they will need supplemental insurance to go with Medicare
- Help them decide between 1) Original Medicare + Medigap + Part D plan, and 2) Medicare Advantage
- Shop for supplemental insurance 5 months before enrolling in Medicare
- Refer client to licensed agent or State Health Insurance Program (SHIP)



Issue #3

Not understanding how much health care will cost in retirement



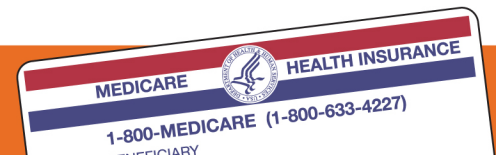
Why it's a problem

- Employer has been subsidizing premiums: After retirement clients are on their own
- Premium sharing comes out of paycheck; clients not used to budgeting for health insurance
- Many people think Medicare is free and covers everything
- They don't think about health care when planning for retirement



Your role

- Help clients estimate first-year health care costs
 - Premiums for Medicare and private insurance
 - Out-of-pocket costs for noncovered services
- Estimate lifetime health care expenses
- Make a plan for long-term care



Laurie's story

- Turned 65 in March 2011
- Had individual health plan: Was paying \$800/month for \$1,500-deductible policy
- Knew nothing about Medicare
- I had to guide her:
 - First decide on supplemental insurance
 - Then choose drug plan
 - Finally, enroll in Medicare 3 months before March 1
 - Needed at least 5 months lead time



Elaine's story

- Same as Laurie's, 3 months later
- Opted for Medigap to get guaranteed issue during 6-month open enrollment period
- One year later enrolled in MA plan
- One year later changed mind and went back to Medigap for guaranteed issue
- Pros and cons of Medigap vs. MA



The retirement health care challenge

1. Smooth transition from employer insurance to Medicare
 - Avoid late-enrollment penalties
 - Avoid coverage gaps
 - Secure adequate coverage with private insurance
 - Fill Medicare gaps
 - Cover prescription drugs



The retirement health care challenge

2. Understand first-year health costs
 - All premiums must be paid out of pocket (no employer subsidy)
 - Additional costs: dental, copays, and more



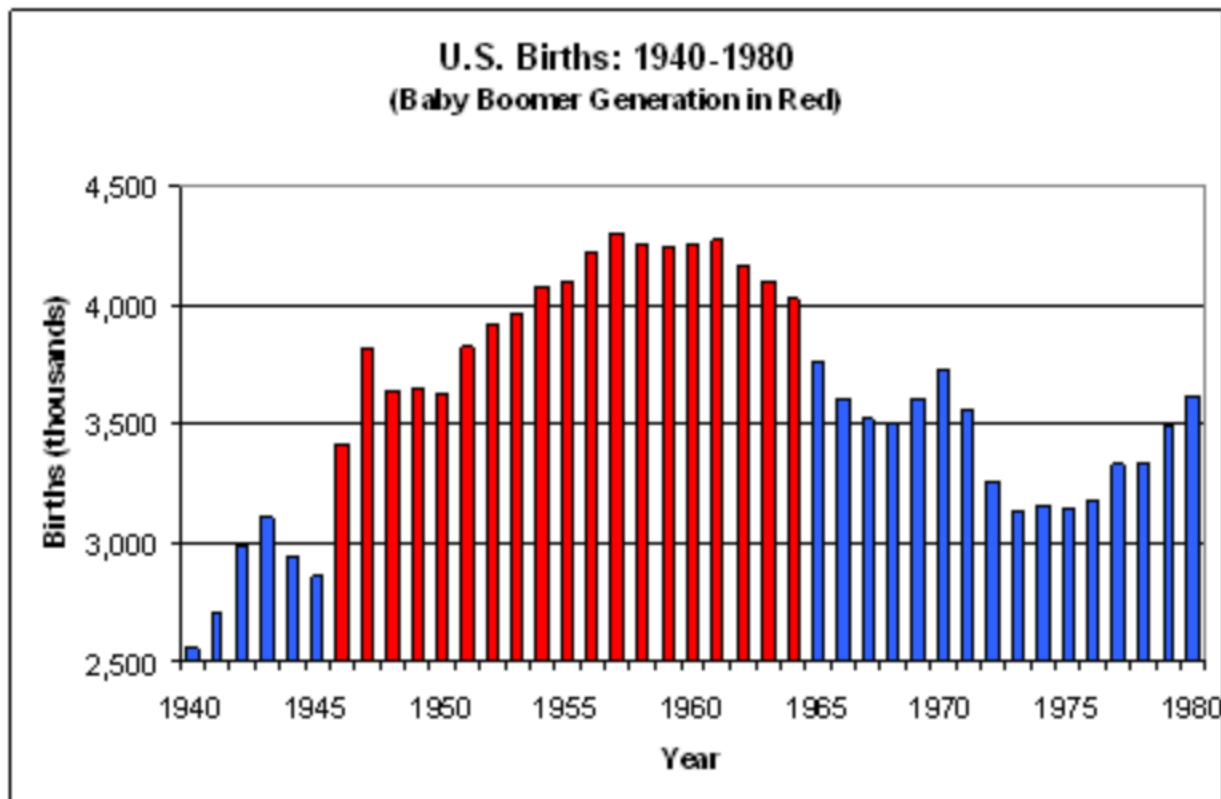
The retirement health care challenge

3. Start planning for lifetime health care expenses, including long-term care



Five Facts Boomers Need to Know About Medicare



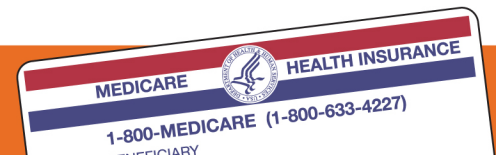


Source: Baby Boomer Magazine

<https://babyboomer-magazine.com/baby-boomer-generation-facts-and-statistics/>

Fact #1

**Medicare is mandatory once
you're over 65 and retired**



Coordination of benefits: Who pays?

If you are 65 or older, entitled to Medicare , and covered by . . .	Who pays first?	Who pays second?
A group health plan because you or your spouse are still working AND the plan covers 20 or more employees	Group health plan	Medicare
A group health plan because you or your spouse are still working and the plan covers fewer than 20 employees	Medicare	Group health plan
A group health plan with retiree coverage	Medicare	Retiree coverage
COBRA	Medicare	COBRA

20



Who pays?

If you are 65 or older, NOT enrolled in Medicare , and covered by . . .	Who pays first?	Who pays second?
A group health plan because you or your spouse is still working AND the plan covers 20 or more employees	Group health plan	You
A group health plan that covers fewer than 20 employees	Group health plan... maybe . They don't have to because if you are over 65 Medicare would be primary but only if you are enrolled	You
A retiree plan	You	You

1



Medicare is Primary Payer After Age 65—Unless . . .

- Client remains covered by an employer group plan that covers 20 or more employees
 - Coverage must be based on current employment (not retiree plan)
 - Coverage may be as worker or spouse



Everyone Else Must Enroll in Medicare at 65

- This includes clients with:
 - Small employer plan (<20 employees)
 - Retiree plan
 - COBRA
 - Individual health insurance policy



Medicare Enrollment is not Automatic

- Parts A and B are automatic if on Social Security
- If not on Social Security must proactively enroll in Parts A and B during initial or special enrollment period
- Must also shop for and choose private insurance to cover:
 - Prescription drugs through Part D
 - Gaps left by Medicare



Fact #2

If you don't sign up for Medicare on time you'll pay a late-enrollment penalty



Initial Enrollment Period

7-month period that begins 3 months before the month you turn 65

3 months before the month you turn 65	2 months before the month you turn 65	1 month before the month you turn 65	The month you turn 65	1 month after you turn 65	2 months after you turn 65	3 months after you turn 65
Sign up early to avoid a delay in coverage. To get Part A and/or Part B the month you turn 65, you must sign up during the first 3 months before the month you turn 65.			If you wait until the last 4 months of your Initial Enrollment Period to sign up for Part A and/or Part B, your coverage will be delayed. See chart below.			

Who is Exempt from Initial Enrollment Period?

- **Current** workers and **spouses** of current workers who are covered by an employer group health plan
- May sign up during **special enrollment period**



Special Enrollment Period

- For people who did not sign up for Medicare during their initial enrollment period because they were covered by an employer group plan based on current employment (worker or spouse).
- Special enrollment period includes the following:
 - Anytime before coverage ends – Medicare starts the first of the month you enroll
 - The month coverage ends - Medicare starts the first of the month you enroll
 - The 8-month period after the month group coverage ends
 - Medicare starts the first of the month after enrollment.



General Enrollment Period

- If missed the initial enrollment period, can sign up during the **general enrollment period**, Jan.1 – March 31.
- Coverage starts July 1.
- May face gap in coverage
- May pay late-enrollment penalty

If you sign up during these months:	Your coverage will begin on:
January	July 1
February	
March	



Late Enrollment Penalty

- Late enrollment penalty applies if:
 - Client is not covered by an employer-sponsored group plan and does not sign up during his **initial** enrollment period (7-month period surrounding 65th birthday)
 - Client is covered by a group plan when he turns 65 but fails to sign up during his **special** enrollment period (8-month period after group coverage ends).



Fact #3

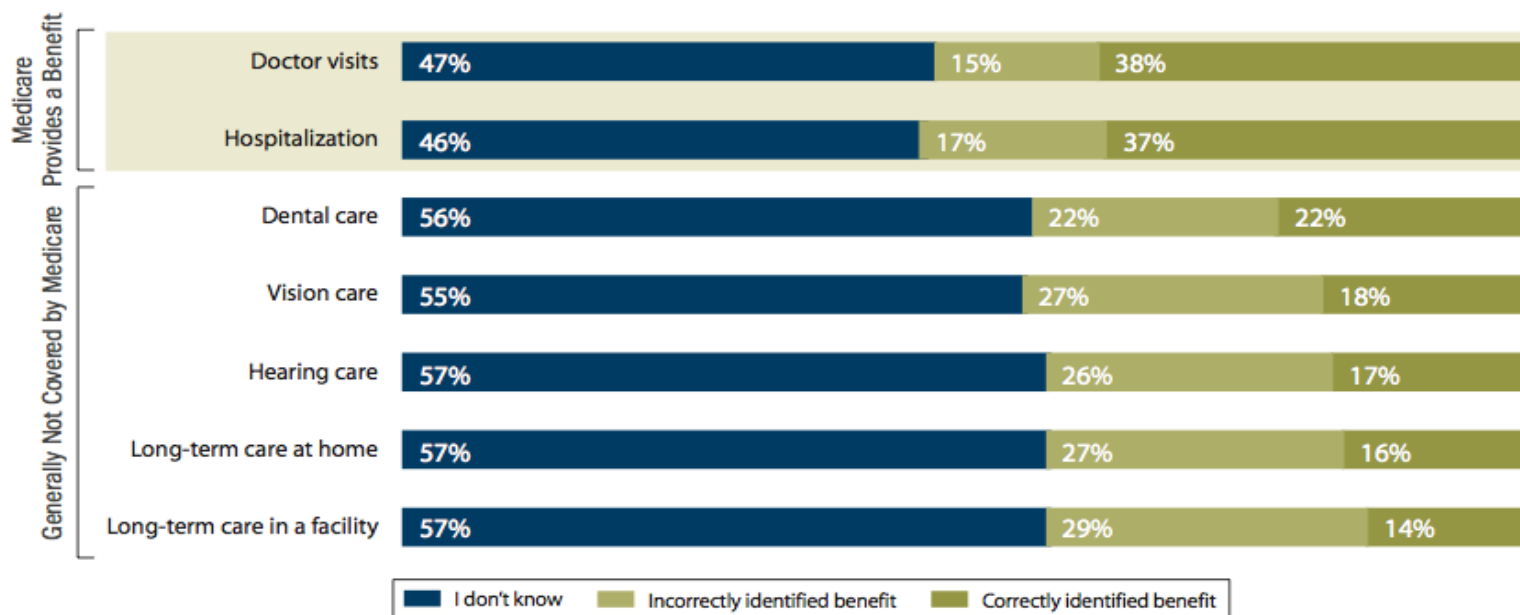
Medicare doesn't cover everything



Boomers Can't Identify Benefits

Understanding of Coverage for Specific Services

Pre-Medicare Boomers age 47 to 64



n=400

Prescription drug benefit excluded due to the individualized nature of its cost structure.

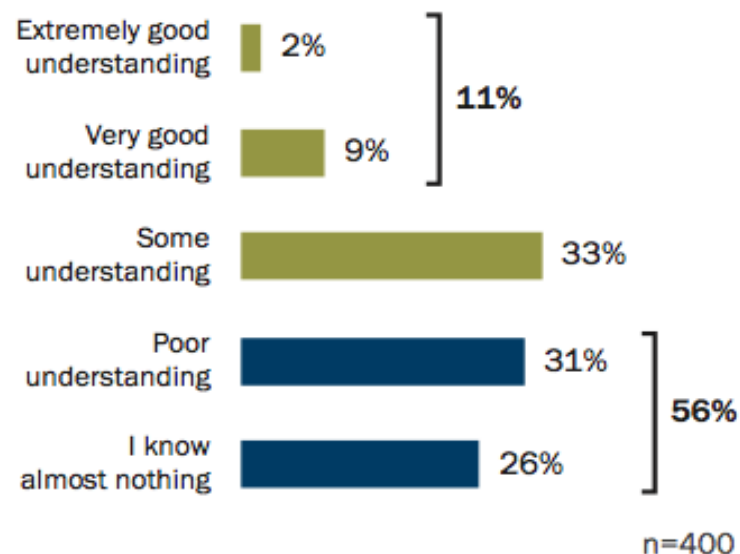
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



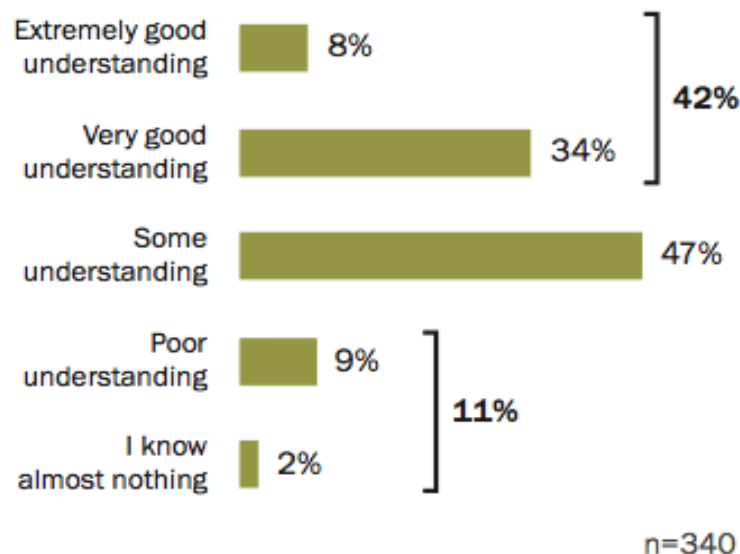
Gaps in Understanding

Overall Understanding of Medicare Benefits and Costs

Pre-Medicare Boomers age 47 to 64



Middle-income Americans with Medicare age 65 to 75



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.

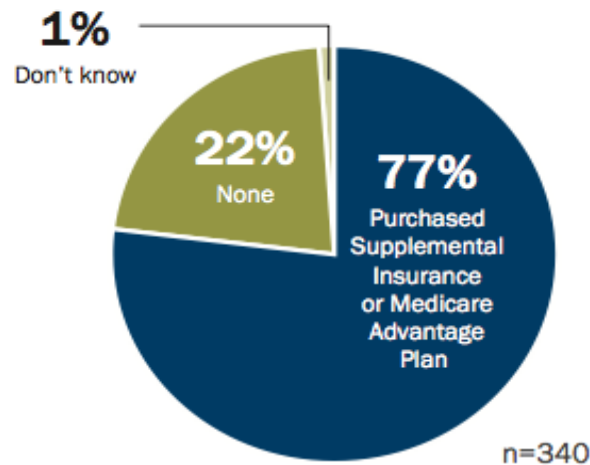
What is not covered by Parts A and B?

- Care delivered outside the U.S.
- Dental care
- Vision care
- Hearing aids
- Cosmetic surgery
- Acupuncture and other alternative care
- Amounts over Medicare-approved amount
- Amounts not covered by deductibles and coinsurance (20%)
- Long-term care

Supplemental Insurance is Essential

Plans or Insurance Purchased to Supplement Medicare

Middle-income Americans with Medicare age 65 to 75



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.

What Clients Need To Know About Supplemental Insurance

- Medicare leaves too many gaps.
- With Medicare alone, there is no limit to out-of-pocket spending.
- The array of supplemental plans can be confusing.
- Medigap plans are standardized, but prices are not.
- Medicare drug plans and Medicare Advantage plans can change from year to year, requiring annual review of existing plans and survey of new offerings.
- How you can help: Help clients shop for the right plan and avoid the costly ones.



Fact #4

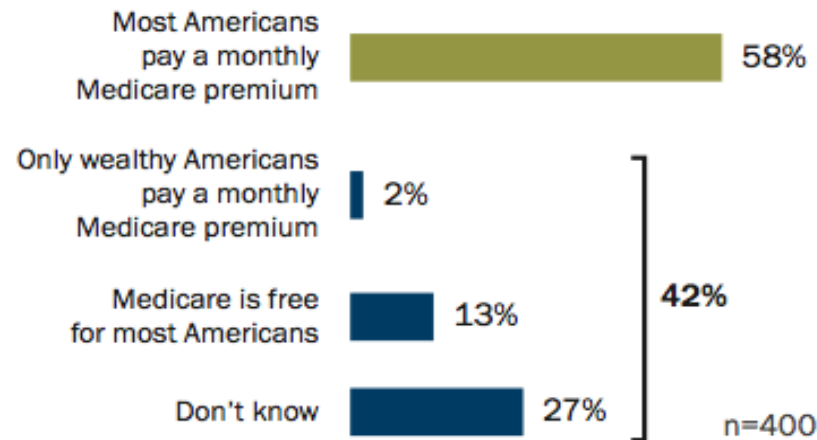
Your out-of-pocket health care costs in retirement will probably be higher than you expect



Medicare Is Not Free

Understanding of Medicare Monthly Premium

Pre-Medicare Boomers age 47 to 64

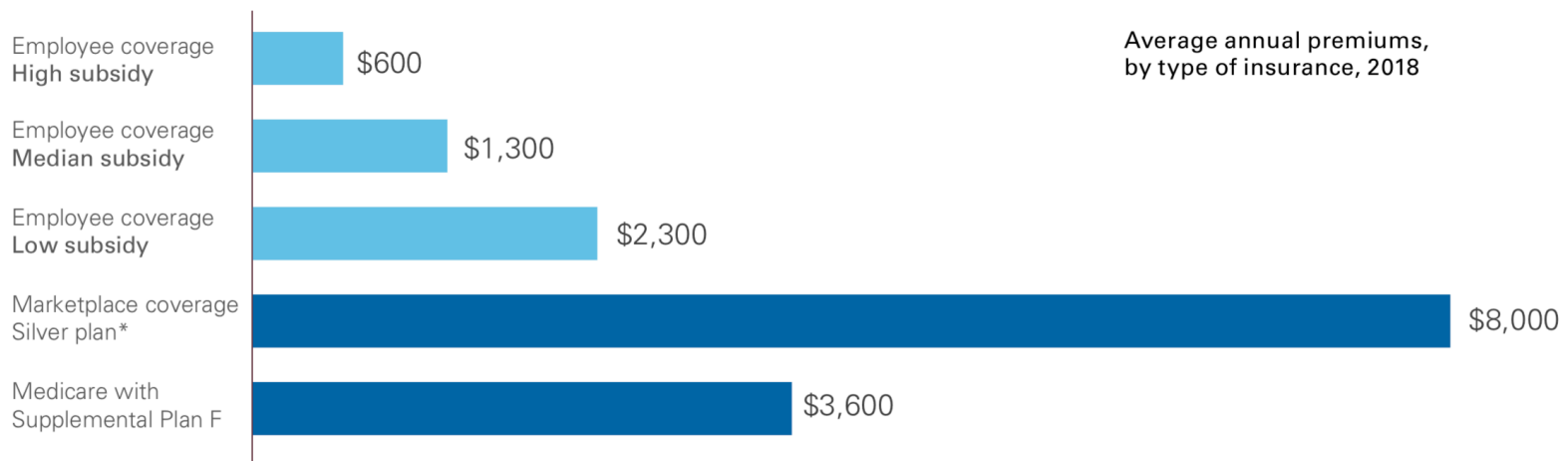


Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



Health insurance premiums before and after retirement

Figure 4. With the loss of employer subsidies, retirees need to cover additional insurance expenses



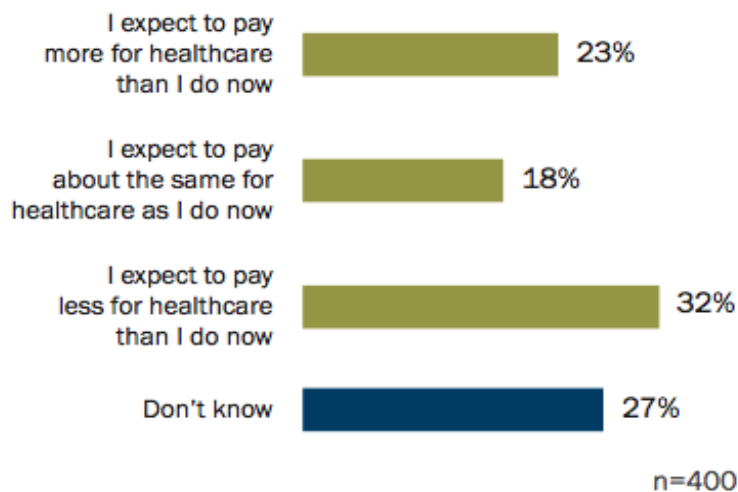
* Health insurance subsidies vary based on income and family size.

Source: Mercer's 2016 National Survey of Employer-Sponsored Health Plans, Mercer-Vanguard health care cost model, 2018.

Boomers Unsure of Health Care Costs

How Will Your Healthcare Costs Change on Medicare?

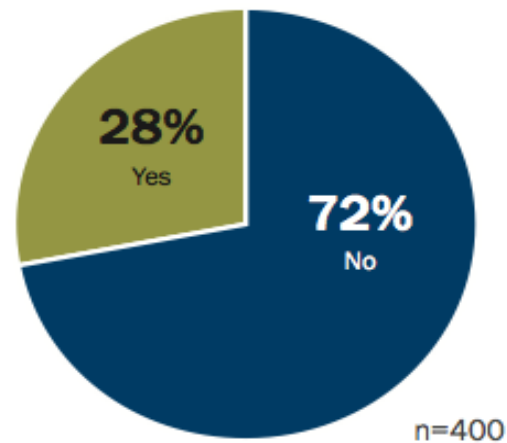
Pre-Medicare Boomers age 47 to 64



Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.

Boomers Unsure of Out-of-Pocket Costs

Correctly Identified Monthly
Premiums, Co-Pays and Deductible
as Costs Associated with Medicare



Source: Bankers Life and Casualty Company Center for a Secure Retirement,
Retirement Healthcare for Middle-Income Americans, 2012.

Most Medicare Beneficiaries Pay the Same or More for Health Care

How Have Your Healthcare Costs Changed with Medicare?

Middle-income Americans with Medicare age 65 to 75



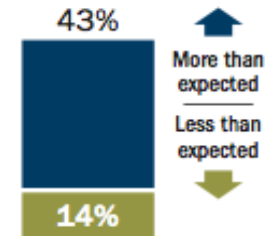
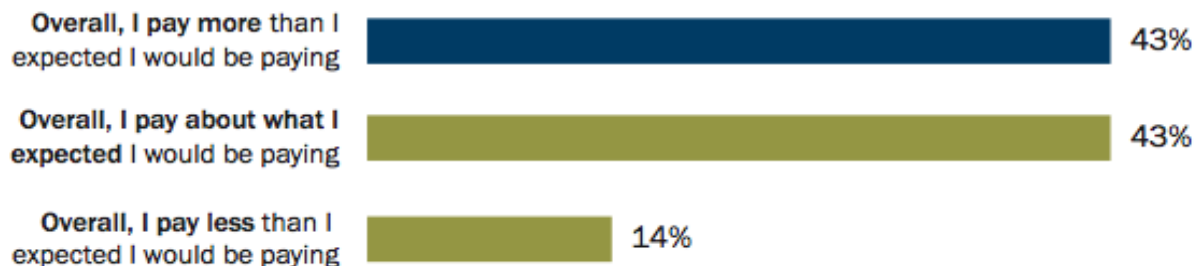
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



Medicare Beneficiaries Pay More than They Expected

Are Your Healthcare Costs What You Expected with Medicare?

Middle-income Americans with Medicare age 65 to 75

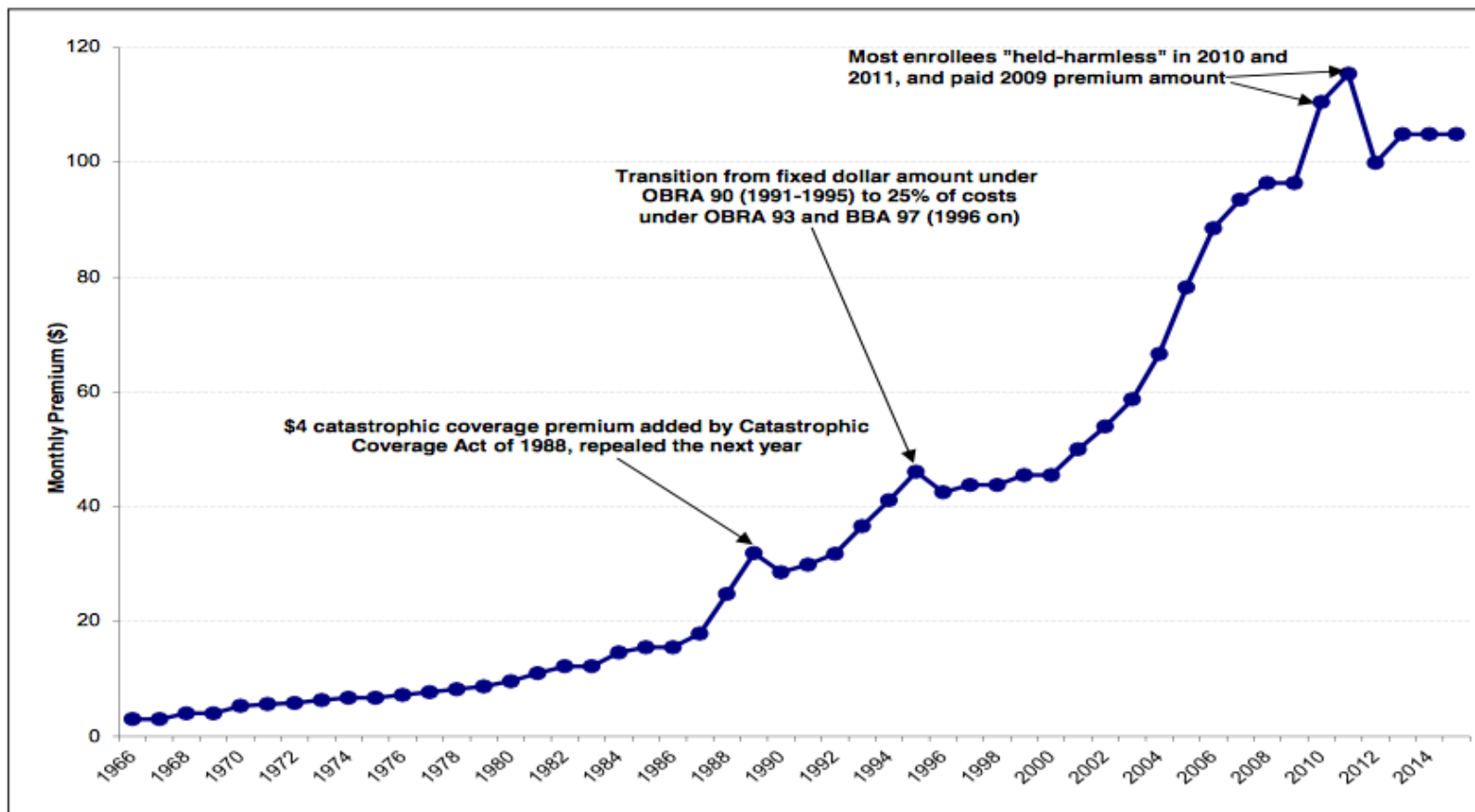


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Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



**Figure I. Monthly Medicare Part B Premiums
(1966-2015)**



Source: CRS figure, based on the 2015 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplemental Medical Insurance Trust Funds, Table V.E2.

Monthly premiums for high-income clients

MAGI Single	MAGI Joint	MAGI Married filing separately	Part B monthly premium paid to Medicare	Part B income- related adjustment amount paid to Medicare	Part D monthly premium (average) paid to insurer	Part D income- related adjustment amount paid to Medicare	Total Parts B & D premium
≤ \$85,000	≤ \$170,000	≤ \$85,000	\$135.50	\$0.00	\$40.00	\$0.00	\$175.50
\$85,001 - \$107,000	\$170,001 - \$214,000		\$135.50	\$54.10	\$40.00	\$12.40	\$242.00
\$107,001 - \$133,500	\$214,001 - \$267,000		\$135.50	\$135.40	\$40.00	\$31.90	\$342.80
\$133,501 - \$160,000	\$267,001 - \$320,000		\$135.50	\$216.70	\$40.00	\$51.40	\$443.60
\$160,001 - \$499,999	\$320,001 - \$749,999	\$85,001 - \$414,999	\$135.50	\$297.90	\$40.00	\$70.90	\$544.30
≥\$500,000	≥\$750,000	≥\$415,000	\$135.50	\$325.00	\$40.00	\$77.40	\$577.90

Health Care Costs in Retirement

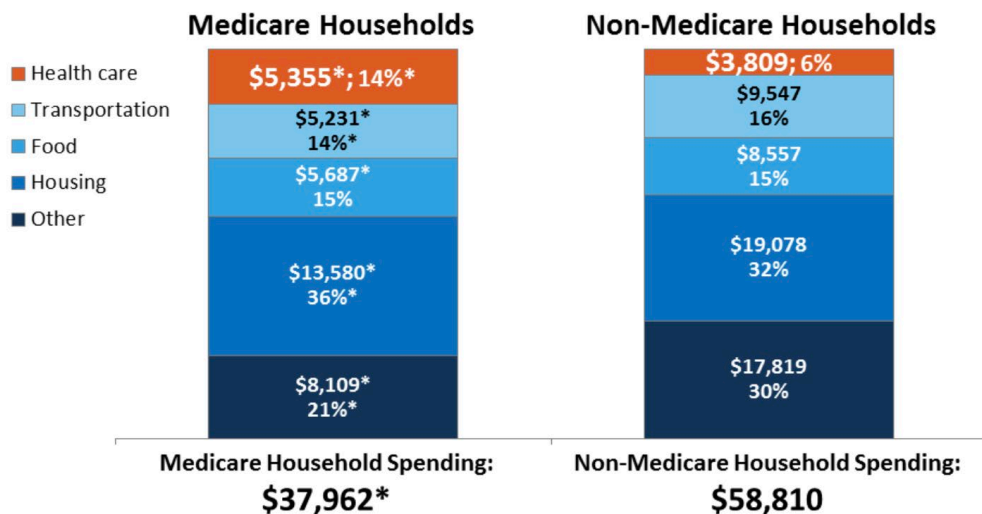
- Monthly premiums
- Deductibles
- Copayments
- Coinsurance amounts
- Out-of-pocket costs for non-covered services



How Much Do Medicare Households Spend on Health Care?

Figure 1

The share of average total household spending on health-related expenses was more than twice as large for Medicare households than for non-Medicare households in 2016



NOTE: *Estimate statistically significantly different from the non-Medicare household estimate at the 95 percent confidence level.
SOURCE: Kaiser Family Foundation analysis of the Bureau of Labor Statistics Consumer Expenditure Survey Interview and Expense Files, 2016.



Figure 1: The share of average total household spending on health-related expenses was more than twice as large for Medicare households than for non-Medicare households in 2016



Fact #5

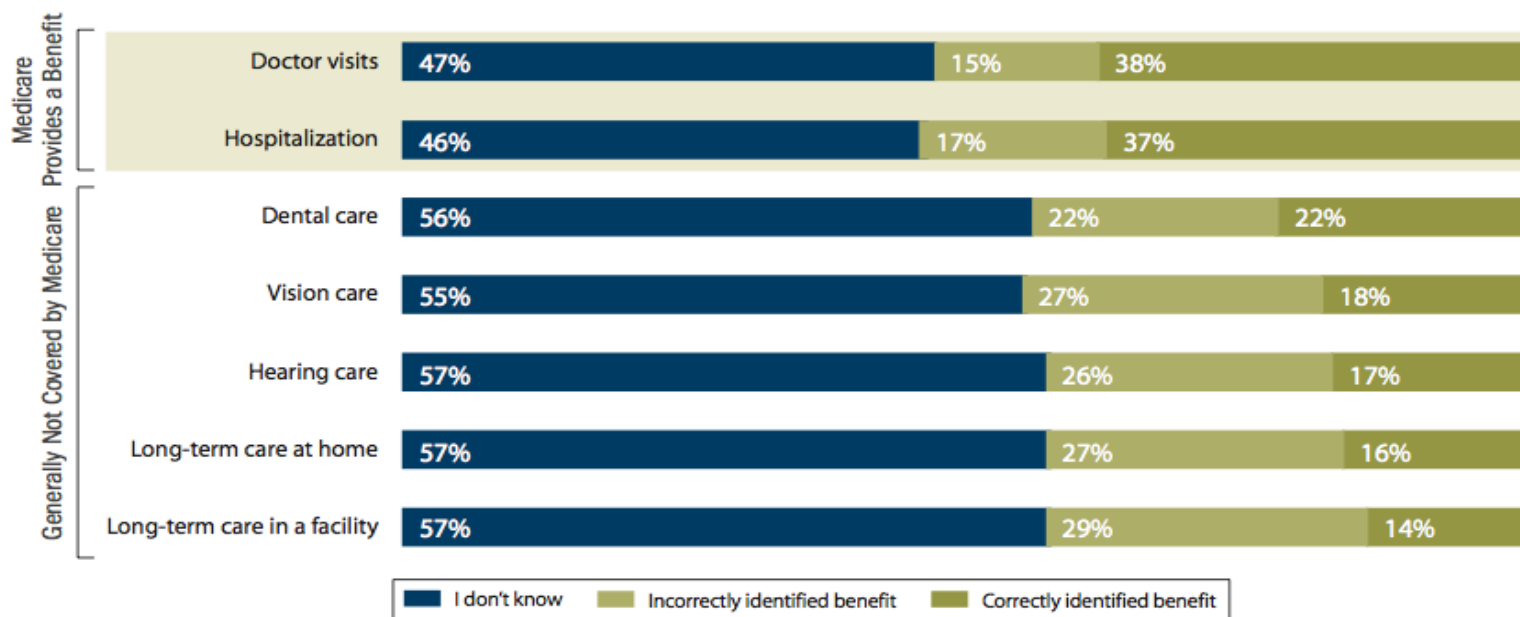
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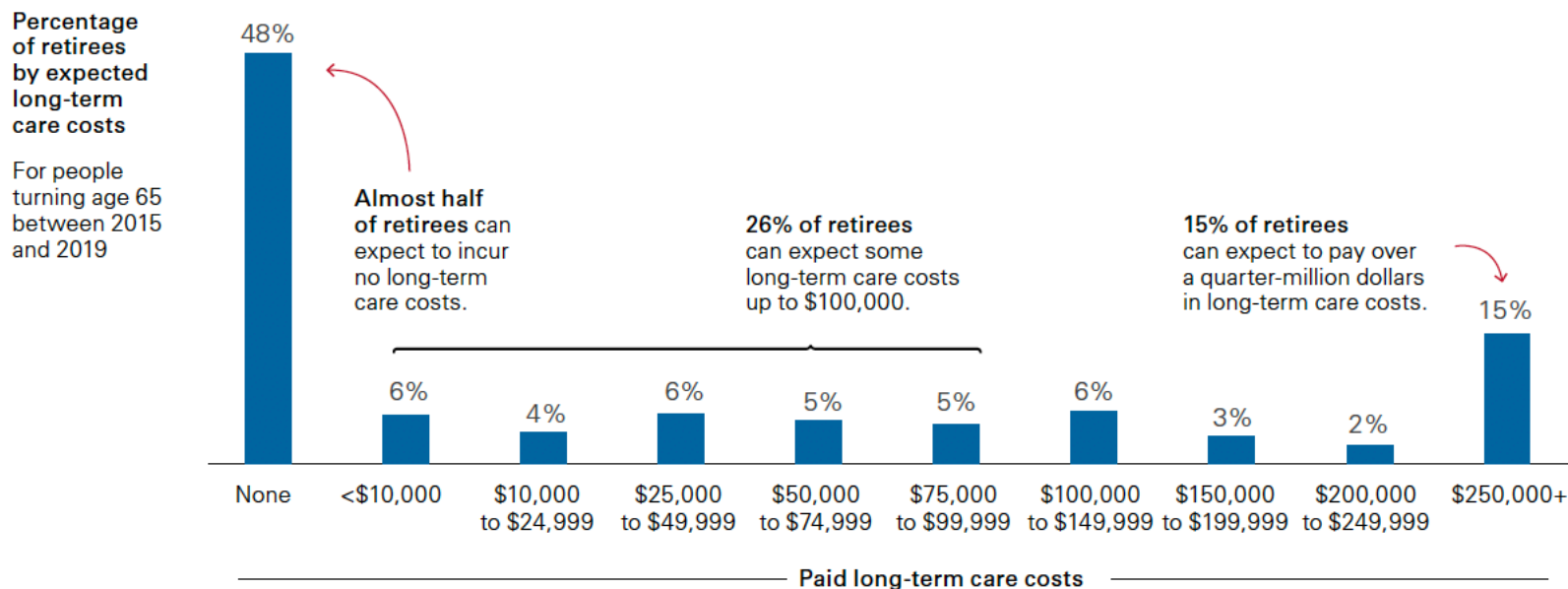
Prescription drug benefit excluded due to the individualized nature of its cost structure.

Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



Who Will Need Long-term Care?

Figure 13. Costs for paid long-term care vary considerably



Source: Assistant Secretary for Planning and Evaluation (ASPE) Issue Brief, Long-Term Services and Supports for Older Americans: Risks and Financing, ASPE Research Brief, revised February 2016, Table 5.

Recommendations for Consumers

- Make good health a priority
- Don't wait to learn about Medicare
- Understand what isn't covered
- Talk openly about your health care future
- Plan ahead for healthcare costs

Bankers Life and Casualty Center for a Secure Retirement, May 2011



Recommendations for Advisors

- Prepare to educate your clients about Medicare
- Alert clients to Medicare enrollment periods
- Guide them on supplemental insurance
- Help them evaluate options for paying for long-term care
- Build future health care costs into the retirement income plan



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Part 2: Interact

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When you're stuck on a particular client case get your questions answered

Elaine Floyd, CFP®
Director of Retirement & Life Planning



...Then Educate Your Clients

Part 3: Promote

Client Workshop Promotions

FINRA-reviewed:

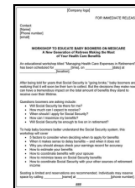
- Toolkit with:
 - ✓ Workshop descriptions
 - ✓ Brochure
 - ✓ Posters



2. Invitations



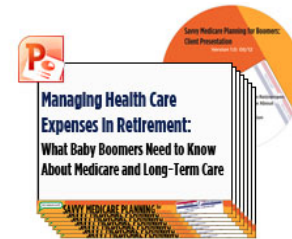
3. Press Release



Part 4: Present

Client Presentation

1. PowerPoint (45-slides)



2. Speaker Notes (20-pages)

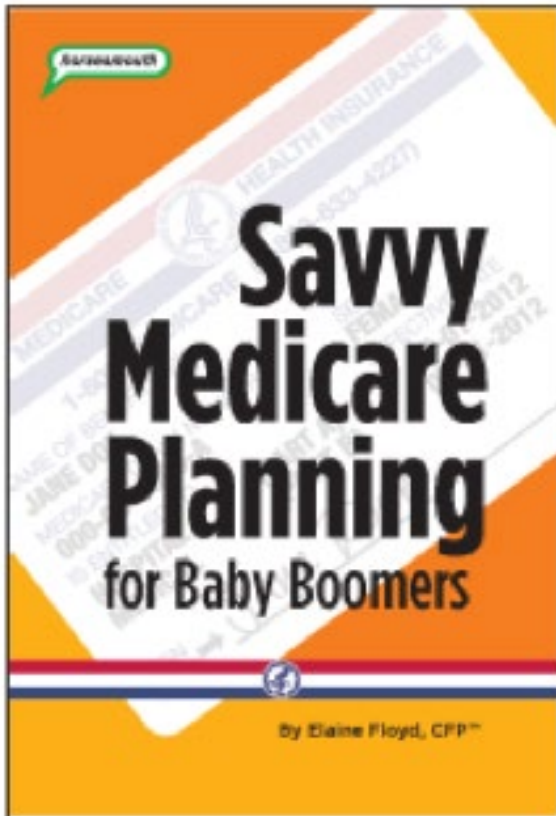


Part 5: Connect

Client Handouts

50 copies of the Baby Boomers Guide to Medicare





6 CE credits for CFP®

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Medicare basics

Session 2

Supplemental insurance

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Sean Bailey,
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Thank you!

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