

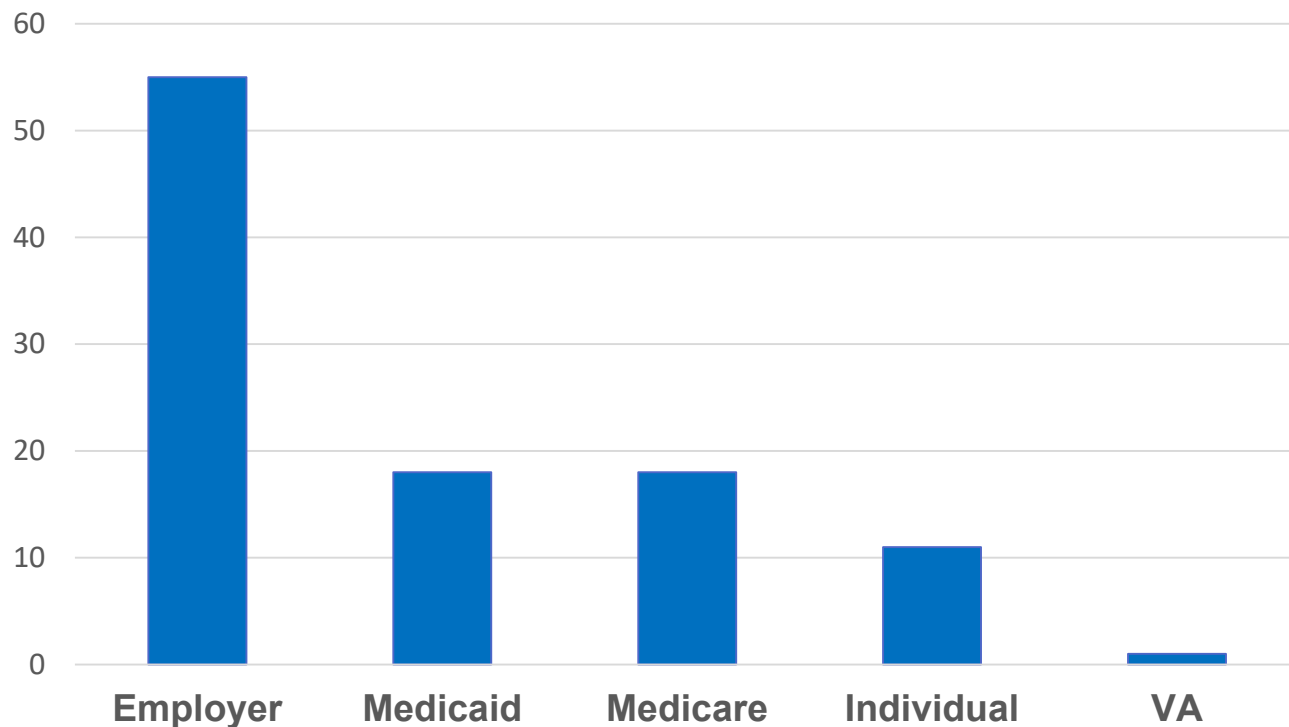
# Five Facts Boomers Need to Know About Medicare

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

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# Who provides health insurance in the U.S.?



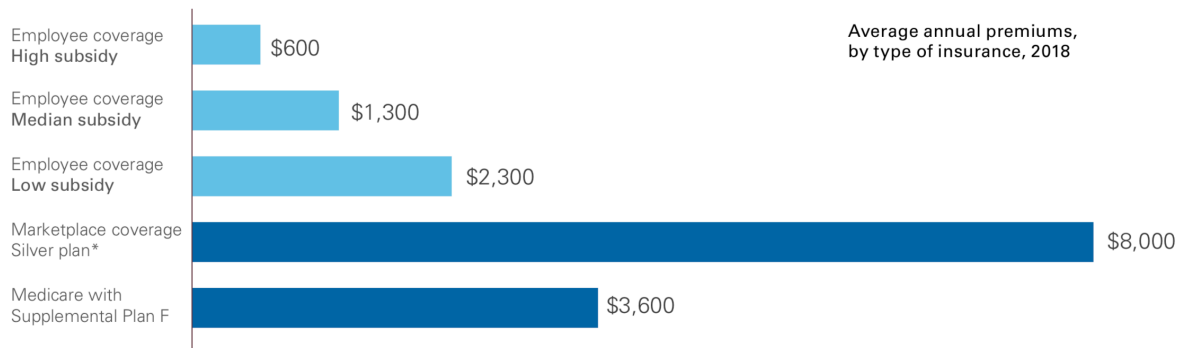
Percentage of the population covered by each type of plan.

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



# Health insurance premiums before and after retirement

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

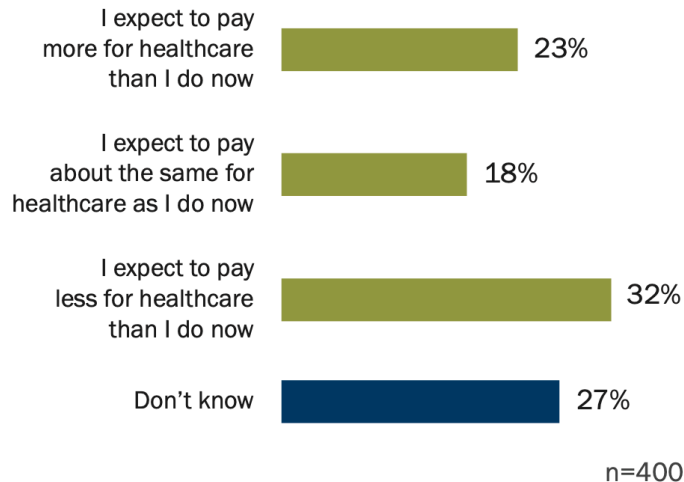


\* Health insurance subsidies vary based on income and family size.

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

## 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.

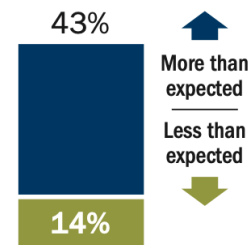
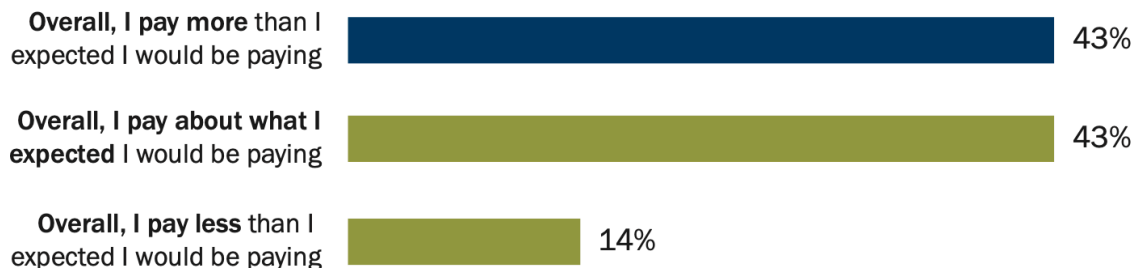
# Boomers Unsure of Health Care Costs



# Most Medicare Beneficiaries Pay the Same or More for Health Care

## Are Your Healthcare Costs What You Expected with Medicare?

Middle-income Americans with Medicare age 65 to 75



n=340

## Fact #1

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



# 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 dependent



# Everyone else must enroll in Medicare at 65

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



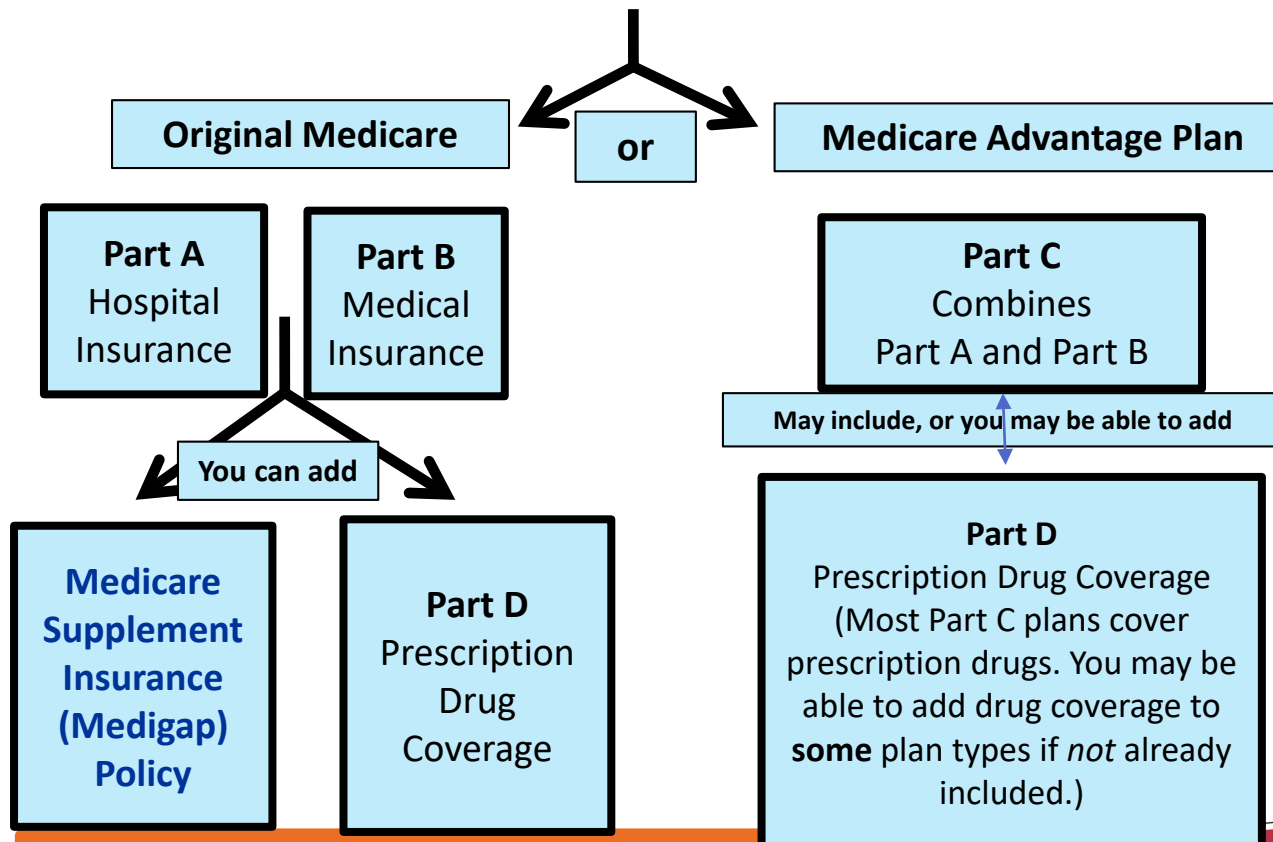


# Medicare enrollment is not automatic

- 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



# Two ways to have Medicare



# What if you don't enroll in Medicare on time?

- May not have health care coverage!
- May pay a late-enrollment penalty



## 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

<b>3 months before</b> the month you turn 65	<b>2 months before</b> the month you turn 65	<b>1 month before</b> the month you turn 65	<b>The month you turn 65</b>	<b>1 month after</b> you turn 65	<b>2 months after</b> you turn 65	<b>3 months after</b> 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 active 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 initial enrollment period (7-month period surrounding 65<sup>th</sup> birthday)
  - Client is covered by a group plan at 65 but fails to sign up during special enrollment period (8-month period after group coverage ends).



# Part A late enrollment penalty

- Does not apply to most people because Part A is free to anyone who has paid into Social Security for 10 years.
- However, if you pay a premium for Part A, and if you are late signing up, you will pay a penalty of 10% of the amount of the premium for twice as many years as the delay.



# Part B late enrollment penalty

- If fail to sign up for Part B when eligible, penalty is **10% for every 12-month period** you could have had Part B.
- This penalty must be paid for as long as you have Part B (i.e., the rest of your life).



# Part D late enrollment penalty

- No penalty for late enrollment as long as coverage is at least as good as Medicare's. Ask benefits administrator or health plan if coverage is **creditable**.
- If coverage ends, must sign up for Part D within **63 days** or face late enrollment penalty.
- If fail to sign up for Part D when eligible, penalty is 1% of the national base beneficiary premium (\$33.06 in 2021) multiplied by number of months could have had Part D but didn't.
- This penalty must be paid for as long as you have Part D (i.e., the rest of your life).



## Fact #3

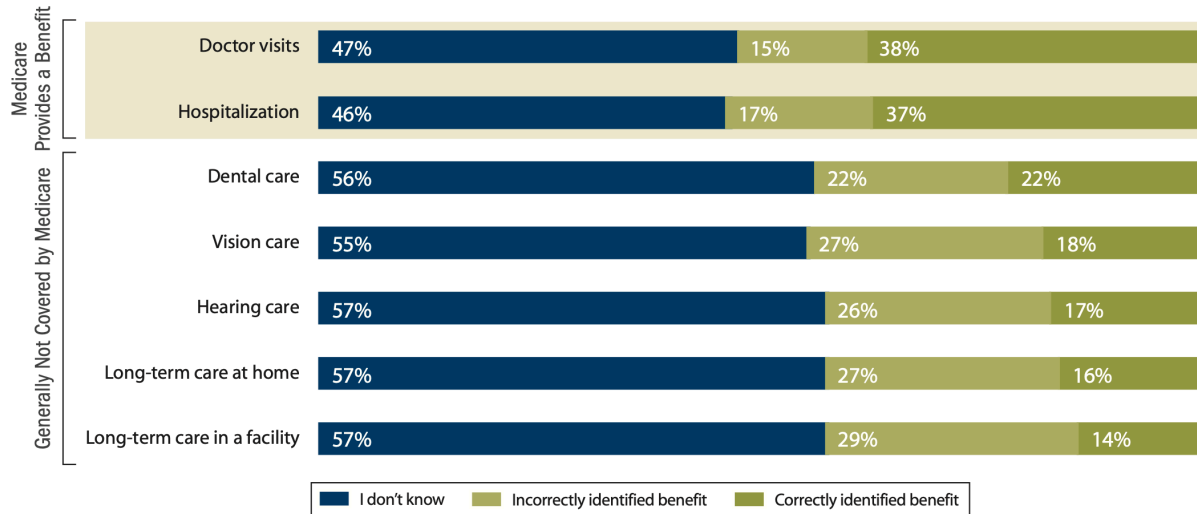
**Medicare doesn't cover everything**



# 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.



# What is not covered by Parts A and B?

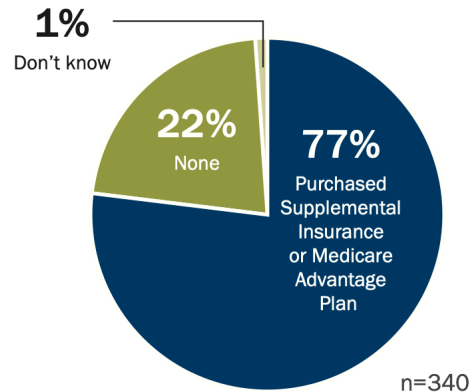
- Care delivered outside the U.S.
- **Dental** care
- Vision care
- Hearing aids
- Cosmetic surgery
- Acupuncture and other alternative care
- Amounts over Medicare-approved amount
- Amounts not covered by deductibles and coinsurance (20%)
- **Long-term care**



# 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

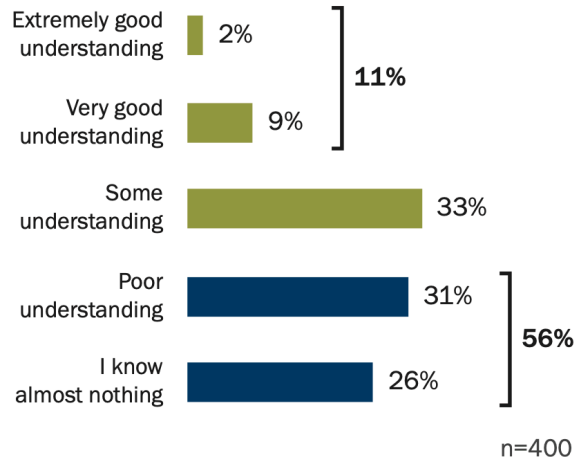
**Your out-of-pocket health care costs in retirement will probably be higher than you expect**



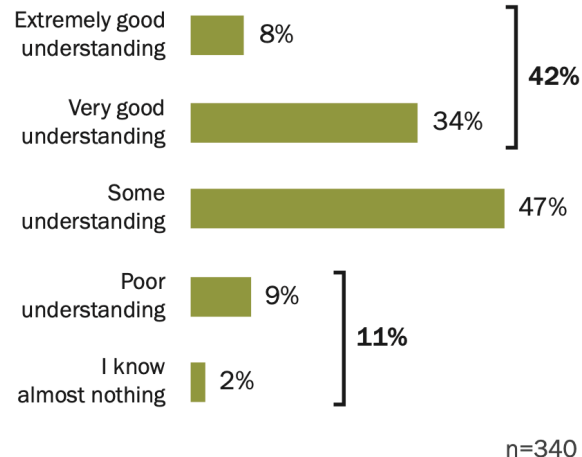
# Gaps in understanding

## Overall Understanding of Medicare Benefits and Costs

Pre-Medicare Boomers age 47 to 64



Middle-income Americans with Medicare age 65 to 75

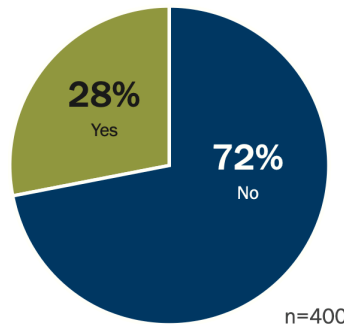


Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



# 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.



# Medicare beneficiaries pay more than they expected

## How Have Your Healthcare Costs Changed with Medicare?

Middle-income Americans with Medicare age 65 to 75



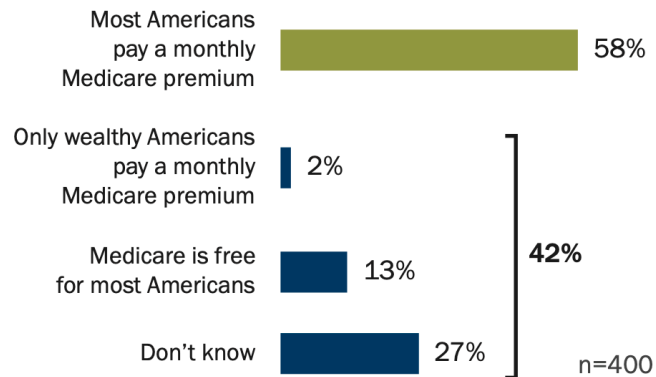
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



# Medicare is not free

## Understanding of Medicare Monthly Premium

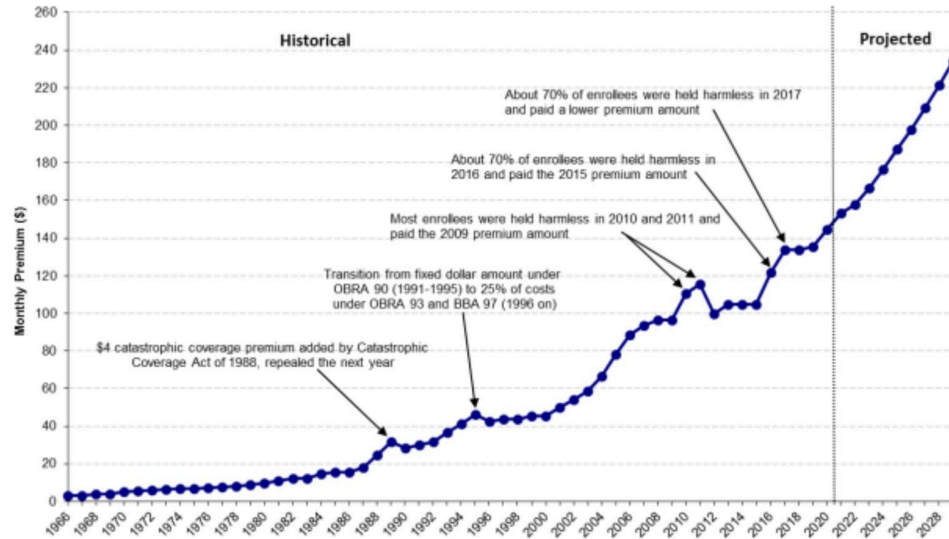
Pre-Medicare Boomers age 47 to 64



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



Figure 1. Monthly Medicare Part B Premiums  
(1966-2029)



**Source:** CRS figure, based on data from the *2020 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, April 22, 2020, Table V.E2 and CMS, "Medicare Program: Medicare Part B Monthly Actuarial Rates, Premium Rate, and Annual Deductible Beginning January 1, 2020," 84 *Federal Register* 61625, November 13, 2019.

**Note:** Premiums through 2020 are actual; premiums from 2021 to 2029 are estimates.

# 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
≤ \$88,000	≤ \$176,000	≤ \$88,000	\$148.50	\$0.00	\$40.00	\$0.00	\$188.50
\$88,001 - \$111,000	\$176,001 - \$222,000		\$148.50	\$59.40	\$40.00	\$12.30	\$260.20
\$109,001 - \$136,000	\$222,001 - \$276,000		\$148.50	\$148.50	\$40.00	\$31.80	\$368.80
\$136,001 - \$163,000	\$276,001 - \$330,000		\$148.50	\$237.60	\$40.00	\$51.20	\$477.30
\$163,001 - \$499,999	> \$330,001 - \$749,999	\$88,001 - \$411,999	\$148.50	\$326.70	\$40.00	\$70.70	\$585.90
≥\$500,000	≥\$750,000	≥\$412,000	\$148.50	\$356.40	\$40.00	\$77.10	\$622.00





# Health care costs in retirement

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



## Fact #5

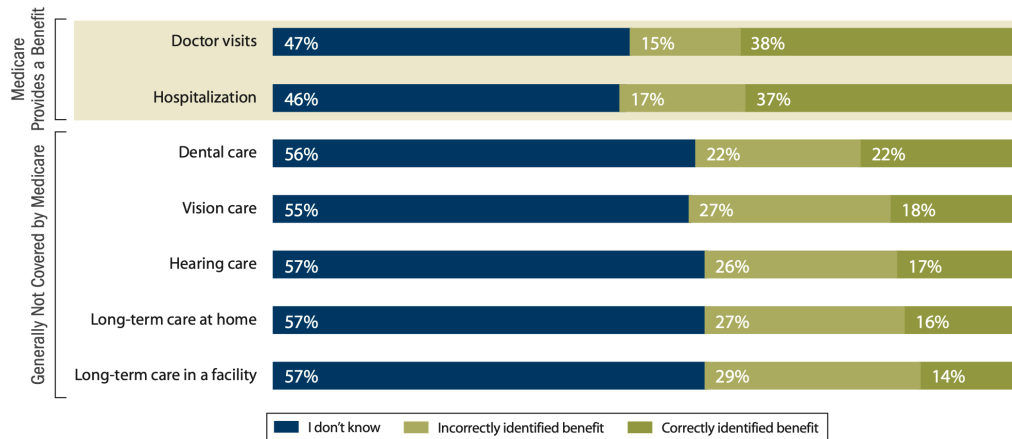
**Medicare doesn't cover long-term care**



# Boomers can't identify benefits

## Understanding of Coverage for Specific Services

Pre-Medicare Boomers age 47 to 64



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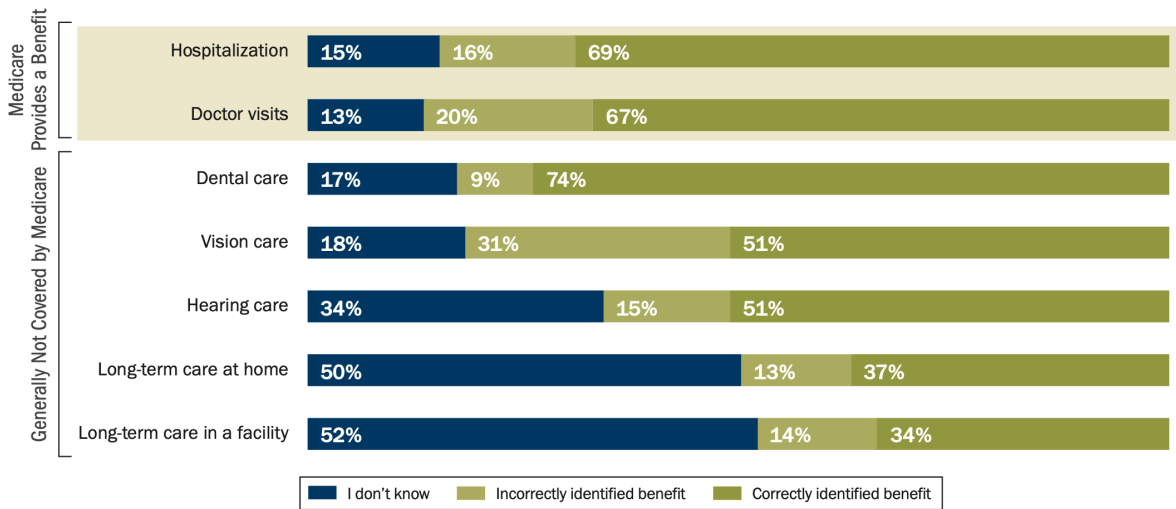
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



# Retirees do not understand that long-term care is not covered

## Understanding of Coverage for Specific Services

Middle-income Americans with Medicare age 65 to 75



n=340

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.



# What Are the Costs of Long-Term Care Today?

## Annual Median Costs: *National (2019)*

In-Home Care ⓘ		Community and Assisted Living ⓘ		Nursing Home Facility ⓘ	
Homemaker Services <sup>1</sup>	\$51,480	Adult Day Health Care <sup>3</sup>	\$19,500	Semi-Private Room <sup>5</sup>	\$90,155
Change Since 2018 <sup>2</sup>	7.14%	Change Since 2018 <sup>2</sup>	4.17%	Change Since 2018 <sup>2</sup>	0.96%
Home Health Aide <sup>1</sup>	\$52,624	Assisted Living Facility <sup>4</sup>	\$48,612	Private Room <sup>5</sup>	\$102,200
Change Since 2018 <sup>2</sup>	4.55%	Change Since 2018 <sup>2</sup>	1.28%	Change Since 2018 <sup>2</sup>	1.82%

Genworth 



# 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





## Savvy Medicare Planning® for Boomers

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