

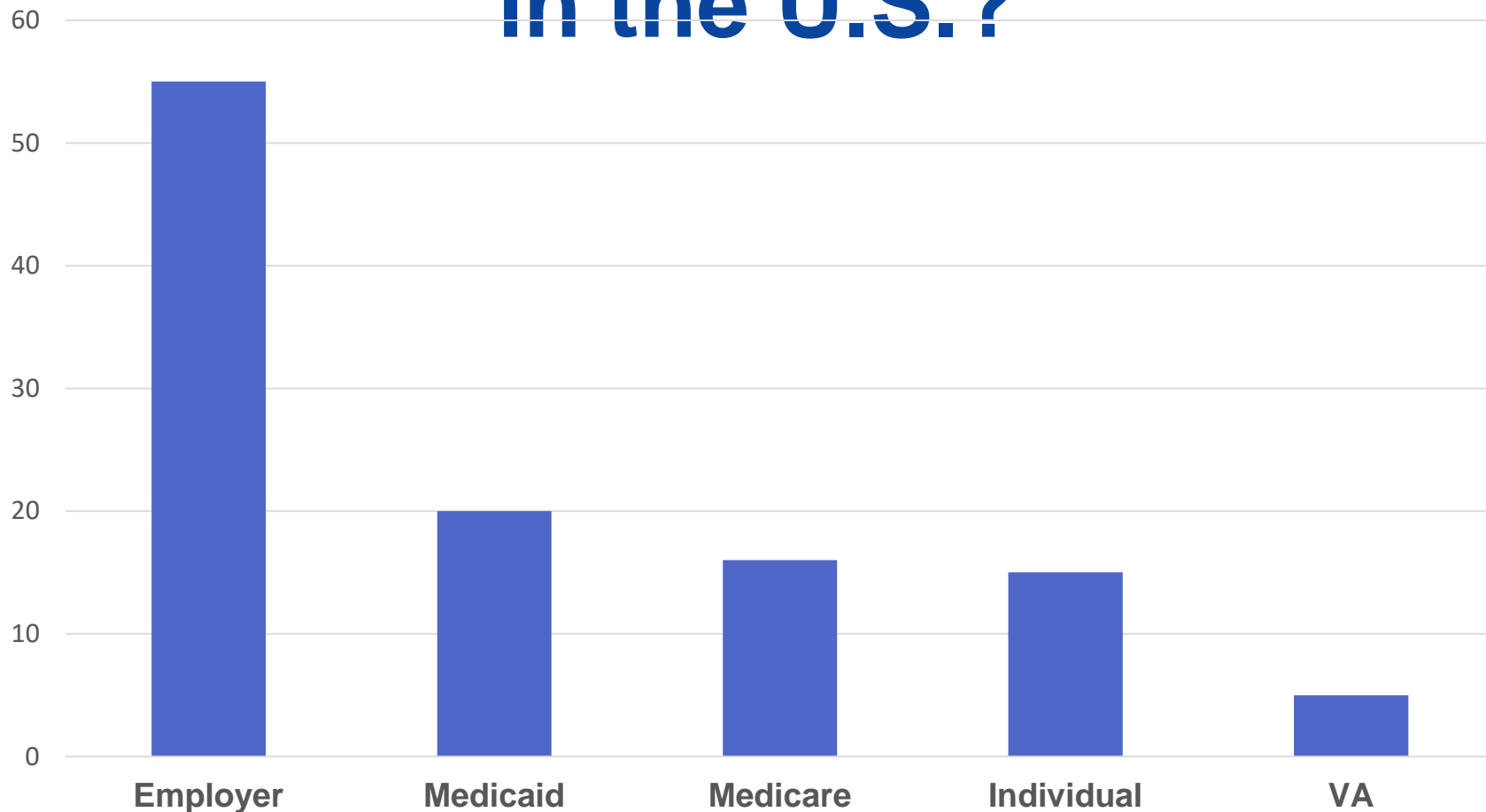
Five Facts Boomers Need to Know About Medicare

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

1



Who provides health insurance in the U.S.?

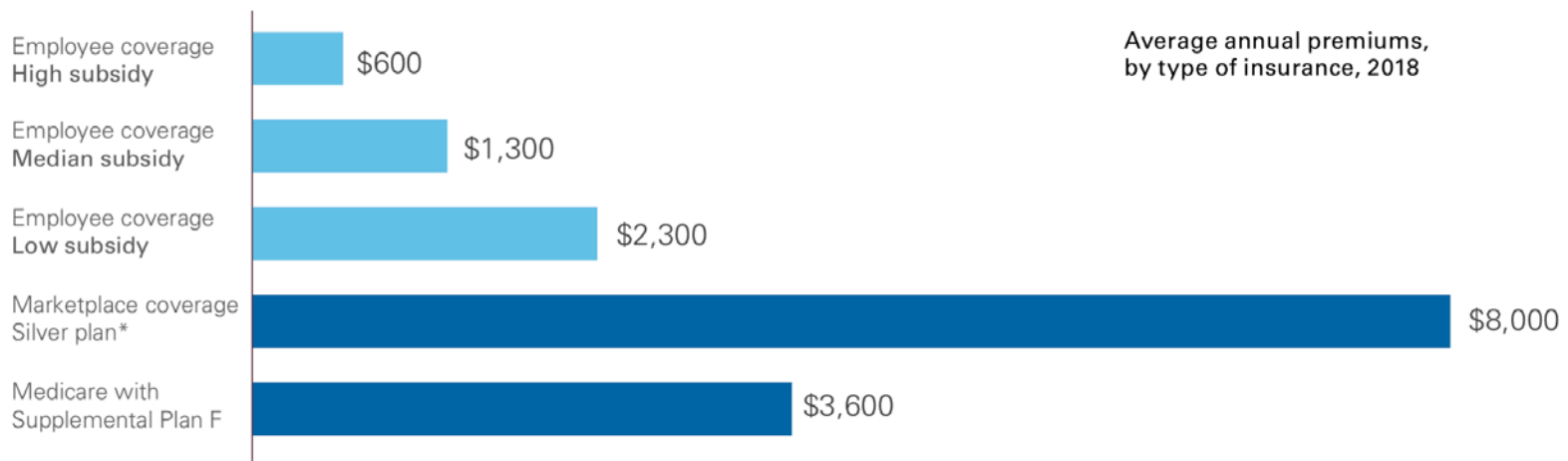


Percentage of the population covered by each type of plan.

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



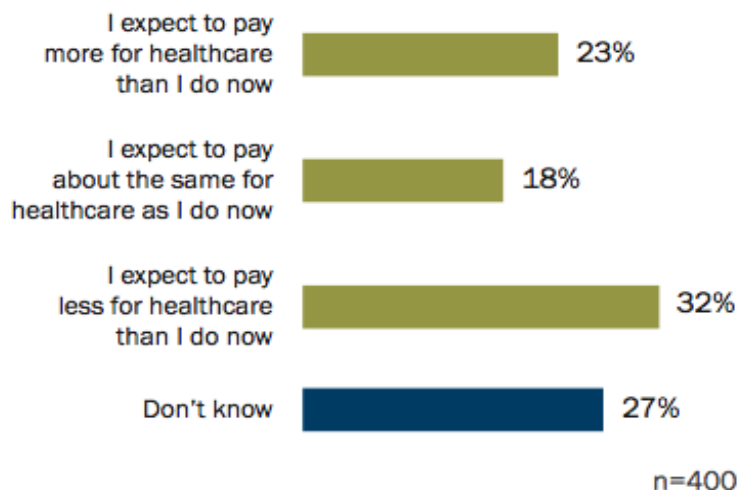
* Health insurance subsidies vary based on income and family size.

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

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.



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.



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

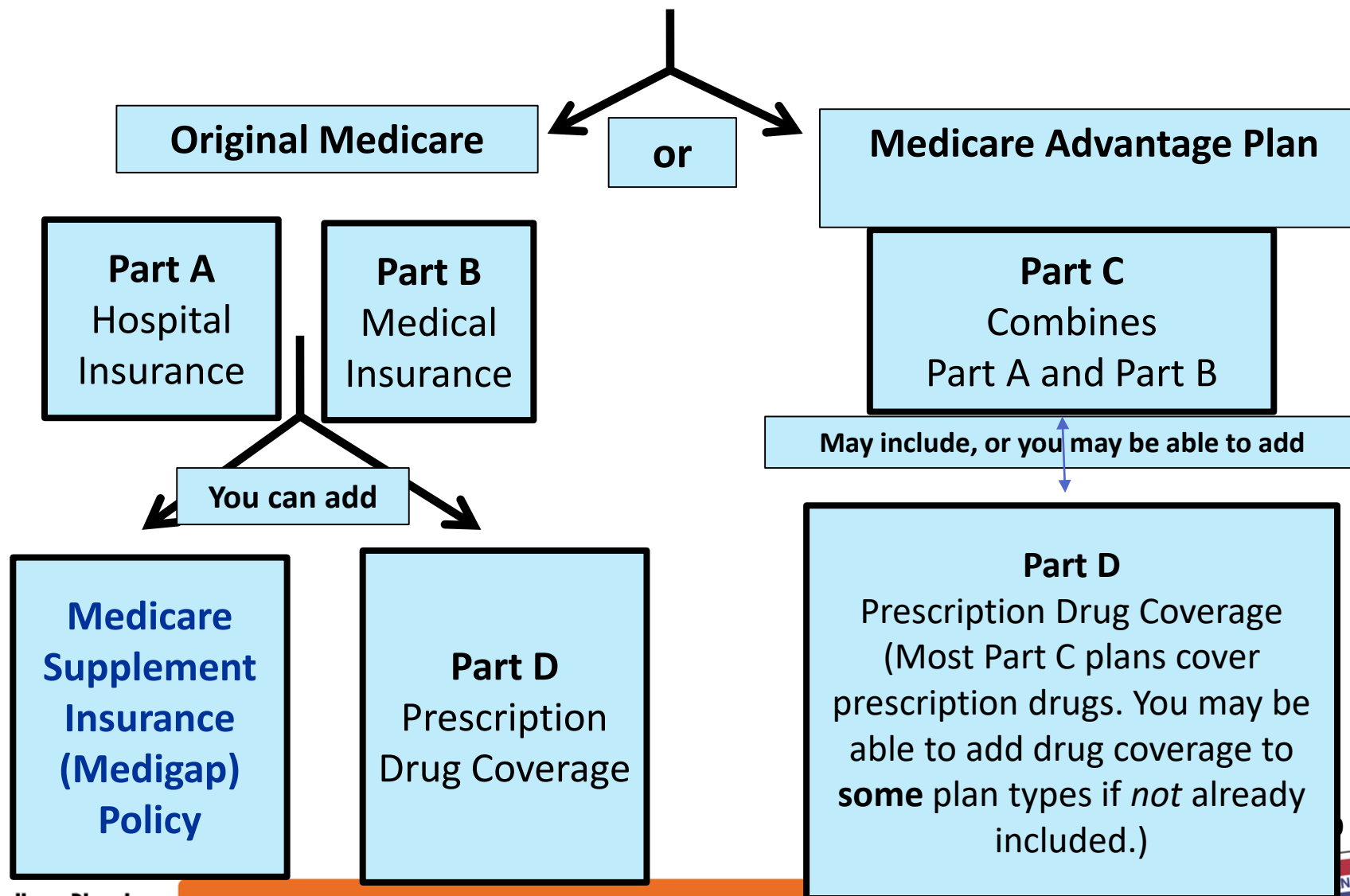


Medicare Enrollment is not Automatic

- 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

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 a comprehensive employer group health plan that covers **20 or more** employees.
- 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 a large (≥ 20 employees) 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 7-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 (≥ 20 employees) 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).



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 (\$35.02 in 2018) 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

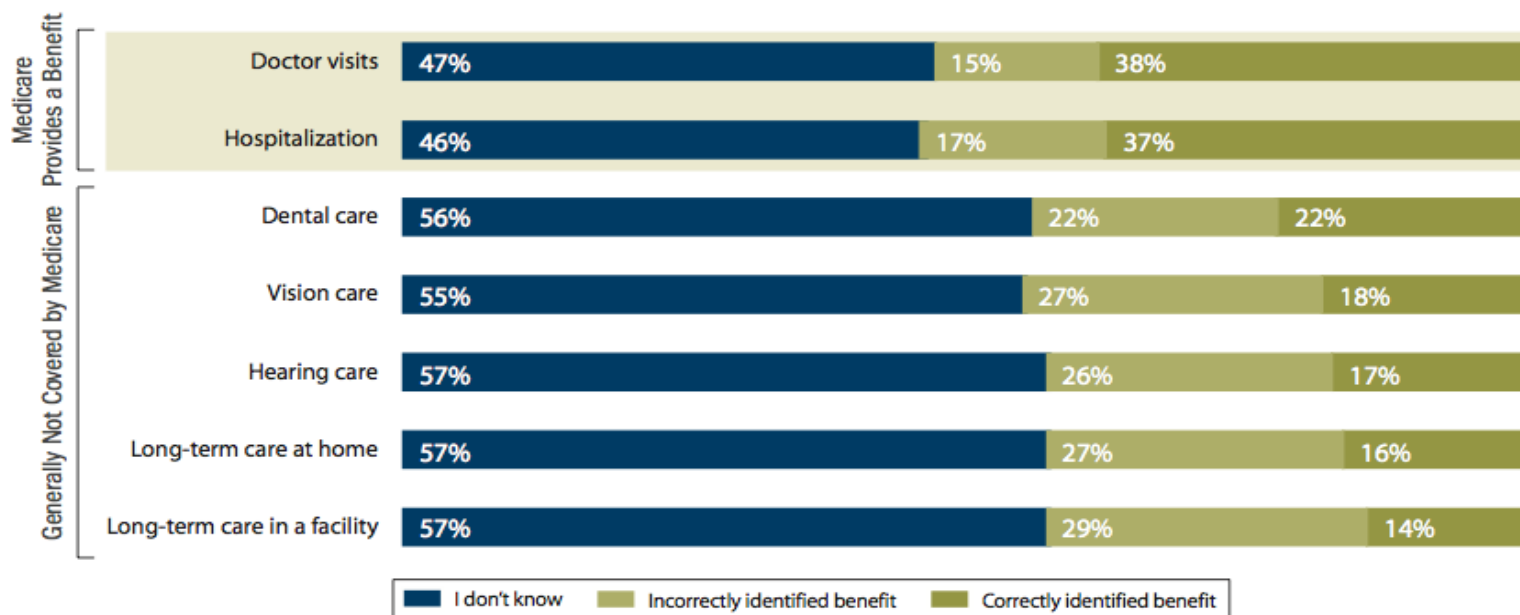
Medicare doesn't cover everything



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.



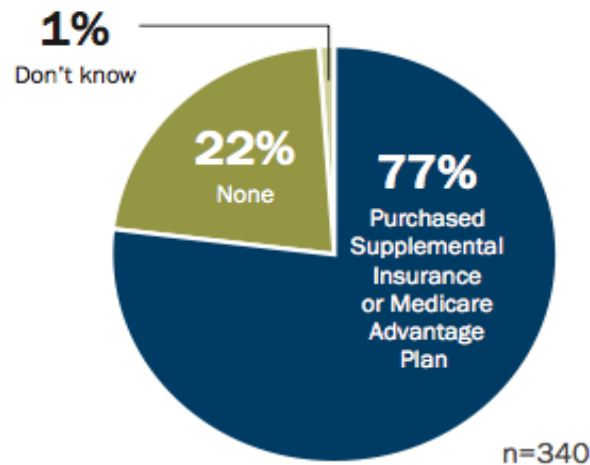
What is not covered by Parts A and B?

- 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

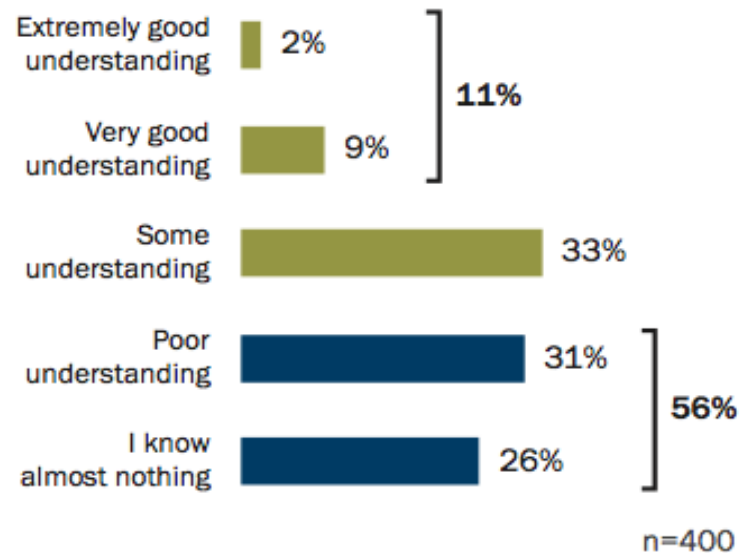
Your out-of-pocket health care costs in retirement will probably be higher than you expect



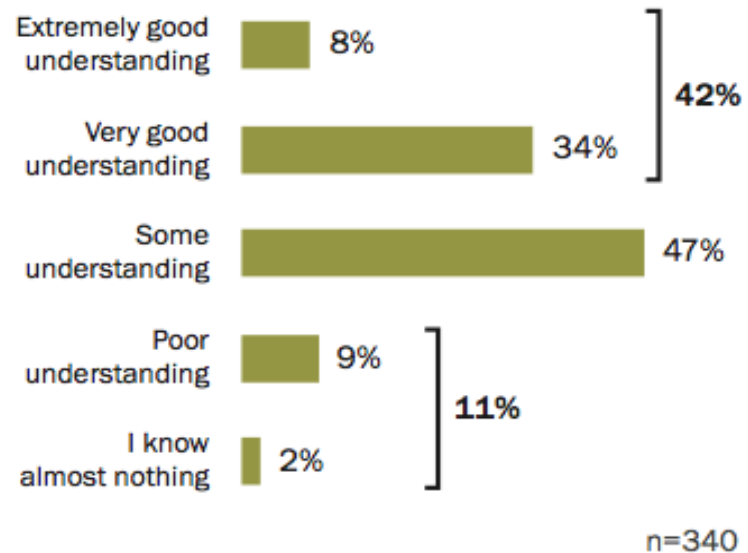
Gaps in Understanding

Overall Understanding of Medicare Benefits and Costs

Pre-Medicare Boomers age 47 to 64



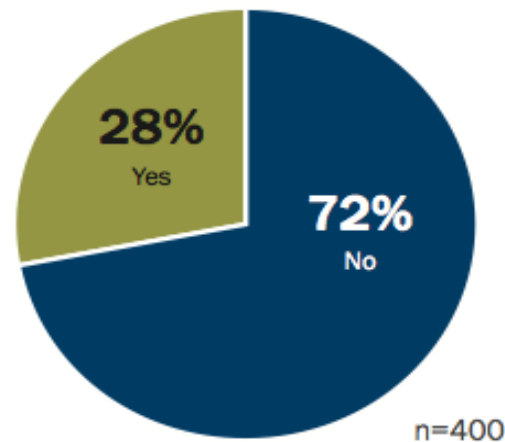
Middle-income Americans with Medicare age 65 to 75



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



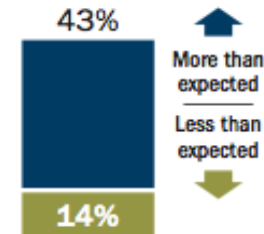
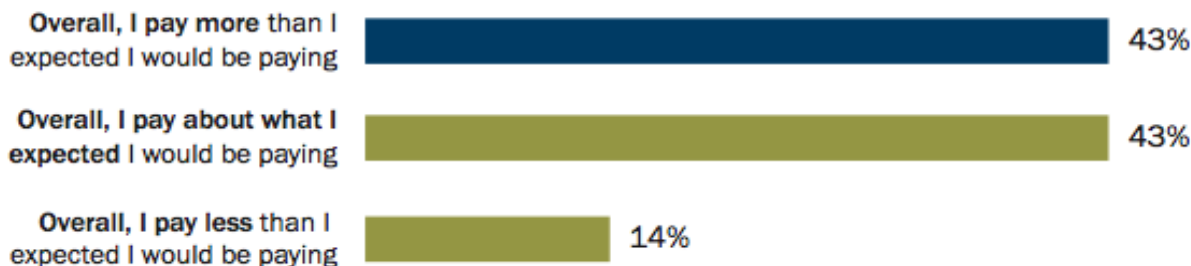
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



Medicare Beneficiaries Pay More than They Expected

Are Your Healthcare Costs What You Expected with Medicare?

Middle-income Americans with Medicare age 65 to 75



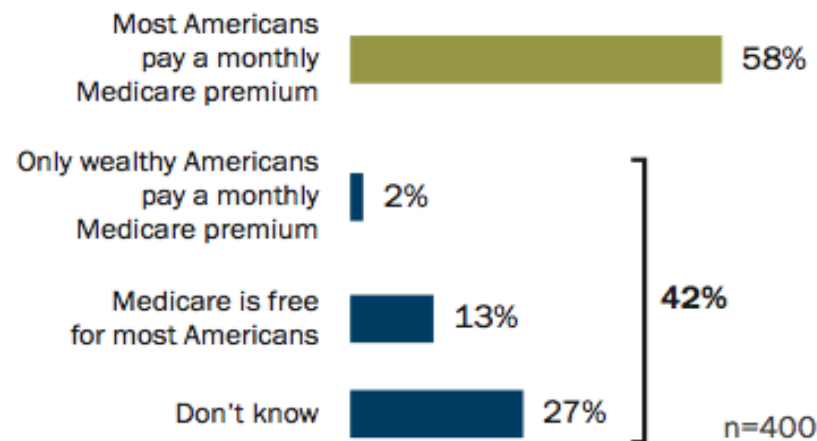
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Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.

Medicare Is Not Free

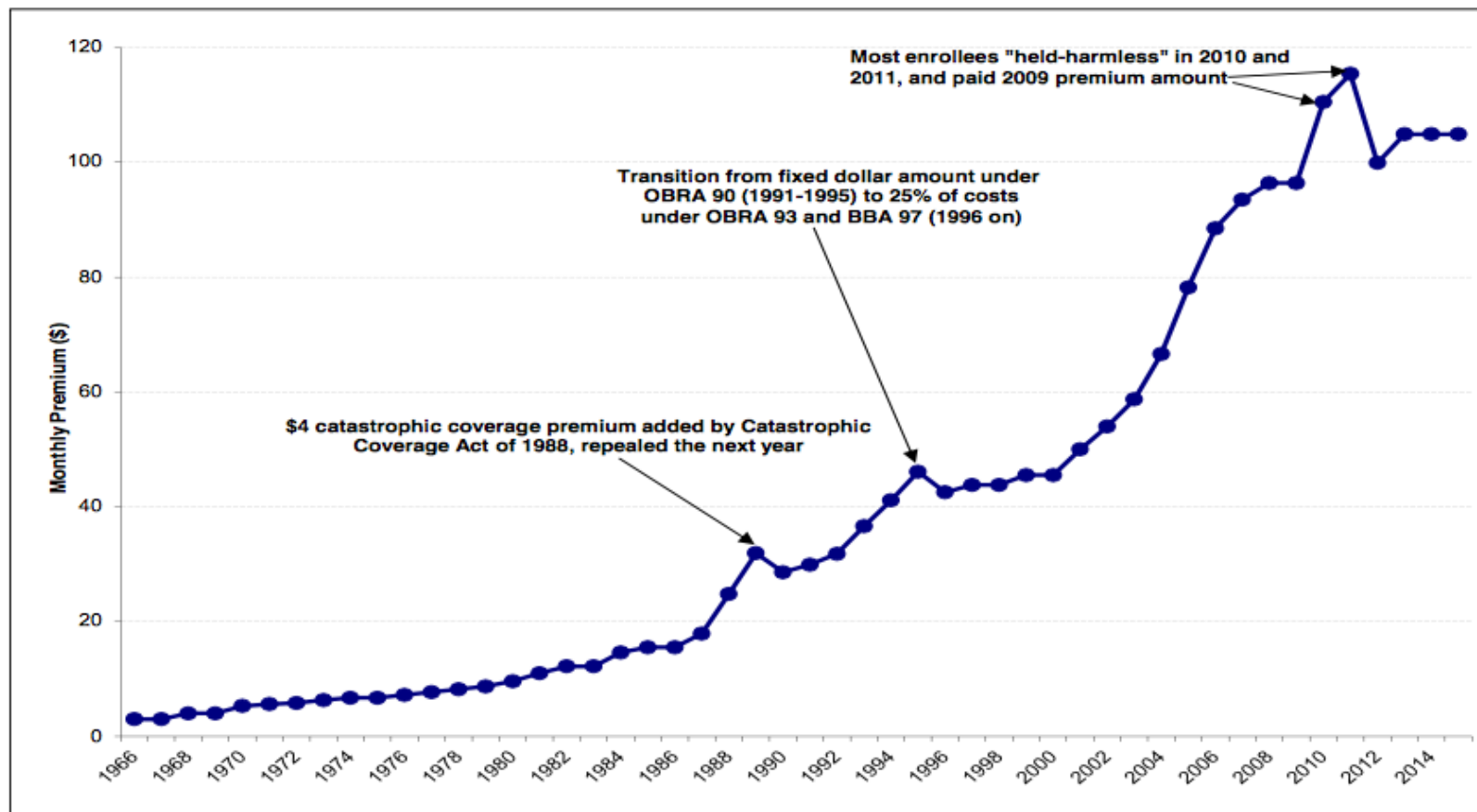
Understanding of Medicare Monthly Premium

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 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	\$134.00	\$0.00	\$40.00	\$0.00	\$174.00
\$85,001 - \$107,000	\$170,001 - \$214,000		\$134.00	\$53.50	\$40.00	\$13.00	\$240.50
\$107,001 - \$160,000	\$214,001 - \$320,000		\$134.00	\$133.90	\$40.00	\$33.60	\$341.50
\$160,001 - \$214,000	\$320,001 - \$428,000	\$85,001 - \$128,000	\$134.00	\$214.30	\$40.00	\$54.20	\$442.50
> \$214,000	> \$428,000	> \$128,000	\$134.00	\$294.60	\$40.00	\$74.80	\$543.40

Health Care Costs in Retirement

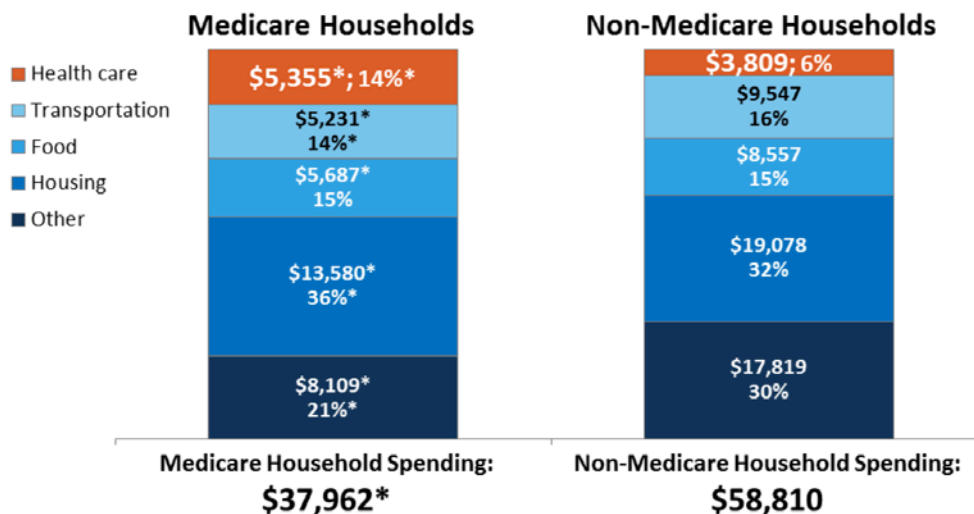
- Monthly premiums
- Deductibles
- Copayments
- Coinsurance amounts
- Out-of-pocket costs for non-covered services



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



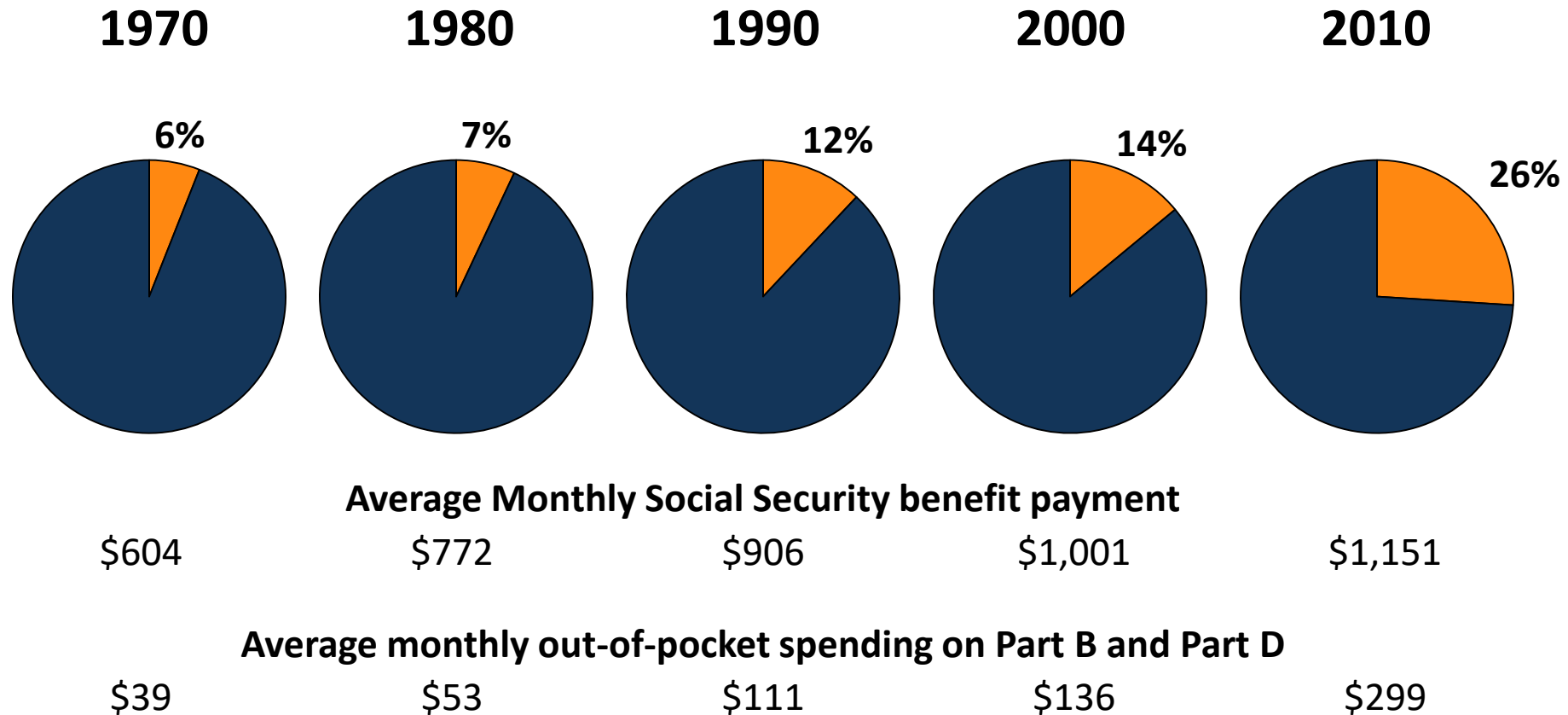
NOTE: *Estimate statistically significantly different from the non-Medicare household estimate at the 95 percent confidence level.
SOURCE: Kaiser Family Foundation analysis of the Bureau of Labor Statistics Consumer Expenditure Survey Interview and Expense Files, 2016.



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



Part B and Part D Premiums as a Share of Average Social Security Benefit, 1970-2010



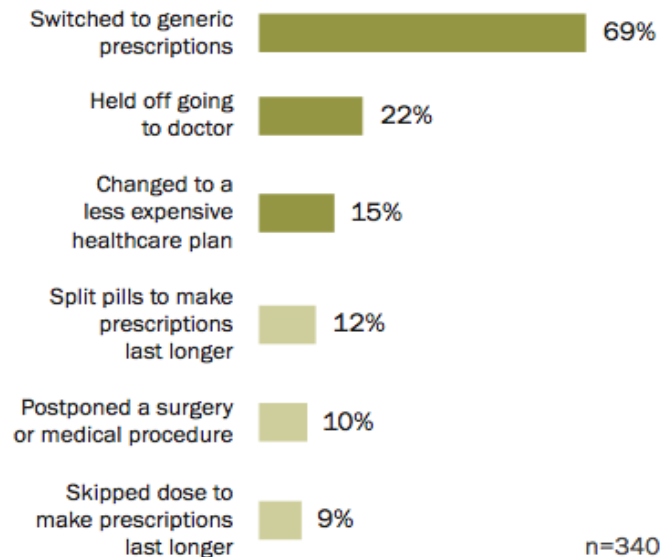
NOTE: SMI is Supplementary Medical Insurance. Out-of-pocket spending includes SMI (Part B and Part D) premiums and out-of-pocket cost-sharing expenses for SMI covered services.

SOURCE: Kaiser Family Foundation analysis based on data from 2012 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

Most Medicare Beneficiaries Are Trying to Cut Costs

Measures Taken to Reduce Healthcare Expenses

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.



Fact #5

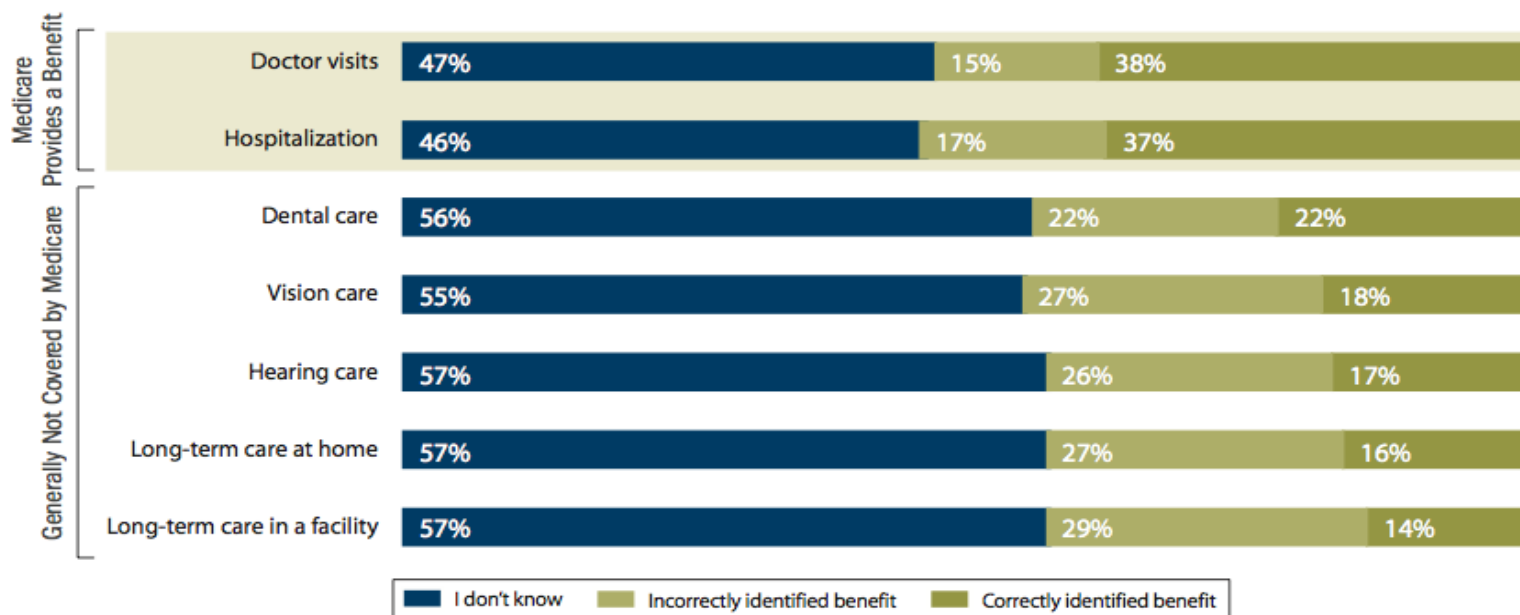
Medicare doesn't cover long-term care



Boomers Can't Identify Benefits

Understanding of Coverage for Specific Services

Pre-Medicare Boomers age 47 to 64



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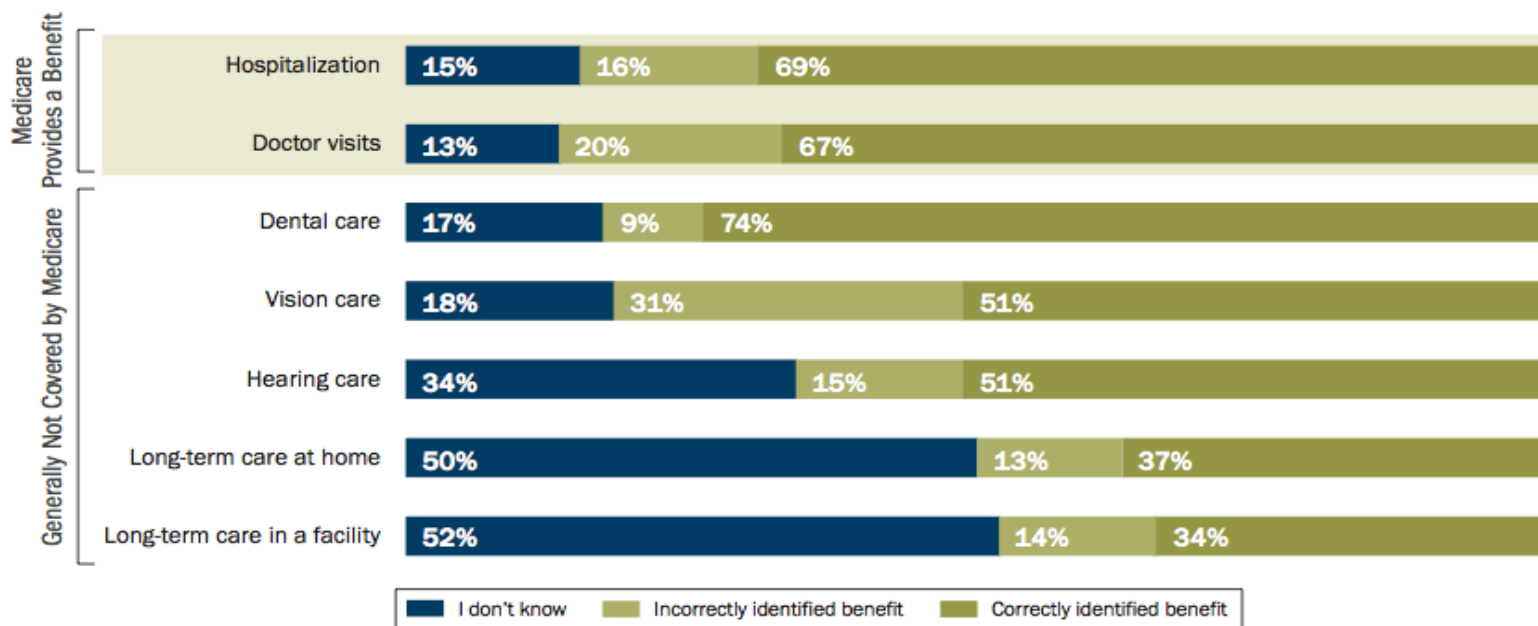
Prescription drug benefit excluded due to the individualized nature of its cost structure.

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

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.

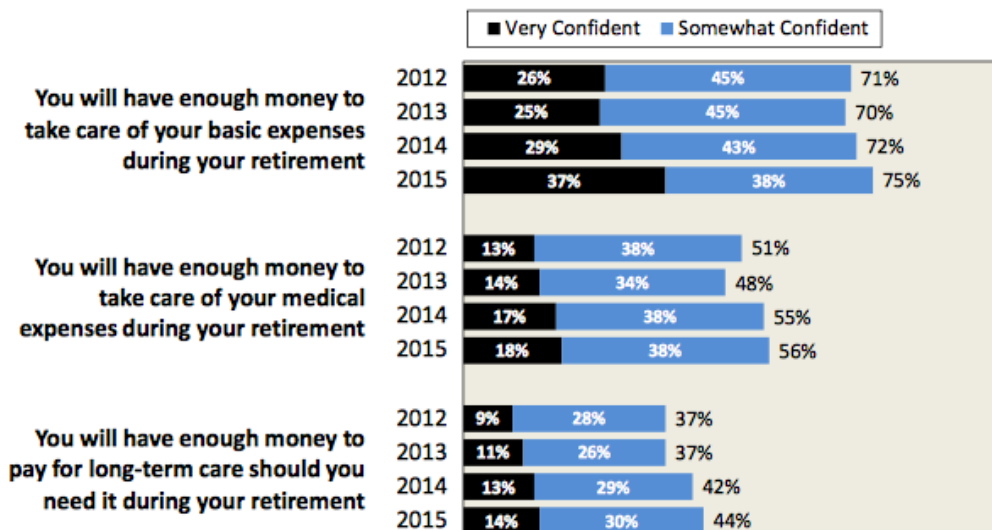
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



Boomers Are Worried About Long-Term Care

Figure 4
Worker Confidence in Other Financial Aspects of Retirement

Next, I would like to know how confident you (and your spouse) are about certain aspects related to retirement.

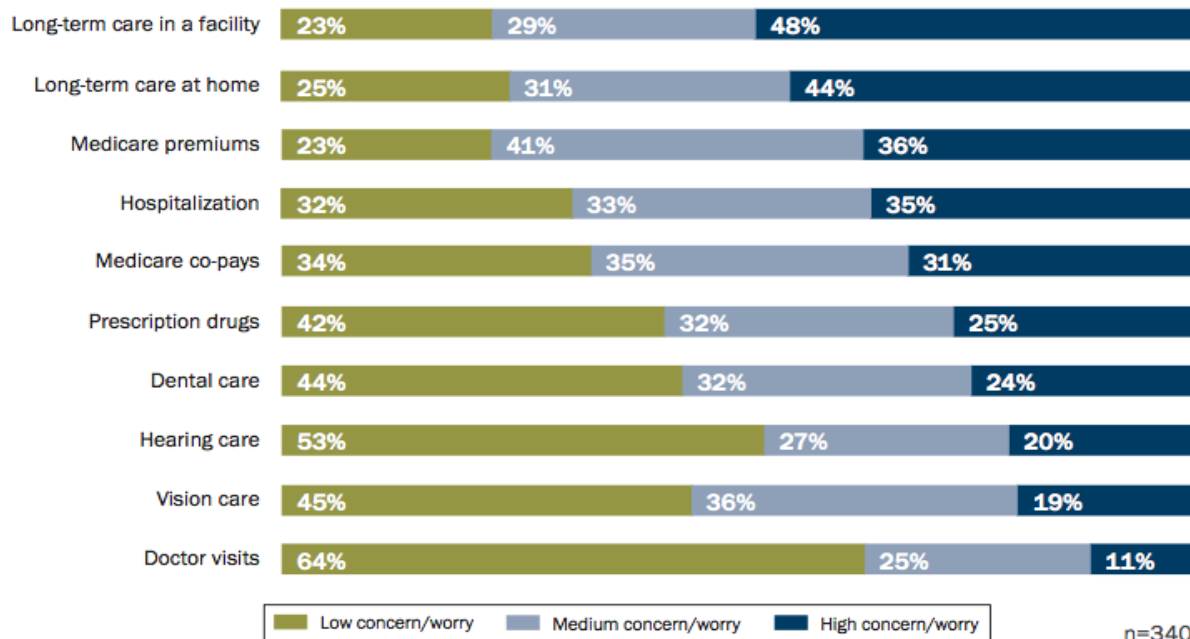


Source: Employee Benefit Research Institute and Greenwald & Associates, 2012–2015 Retirement Confidence Surveys.

Retirees Are Worried About Long-Term Care

Healthcare Costs That Threaten Retirement Financial Security

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.

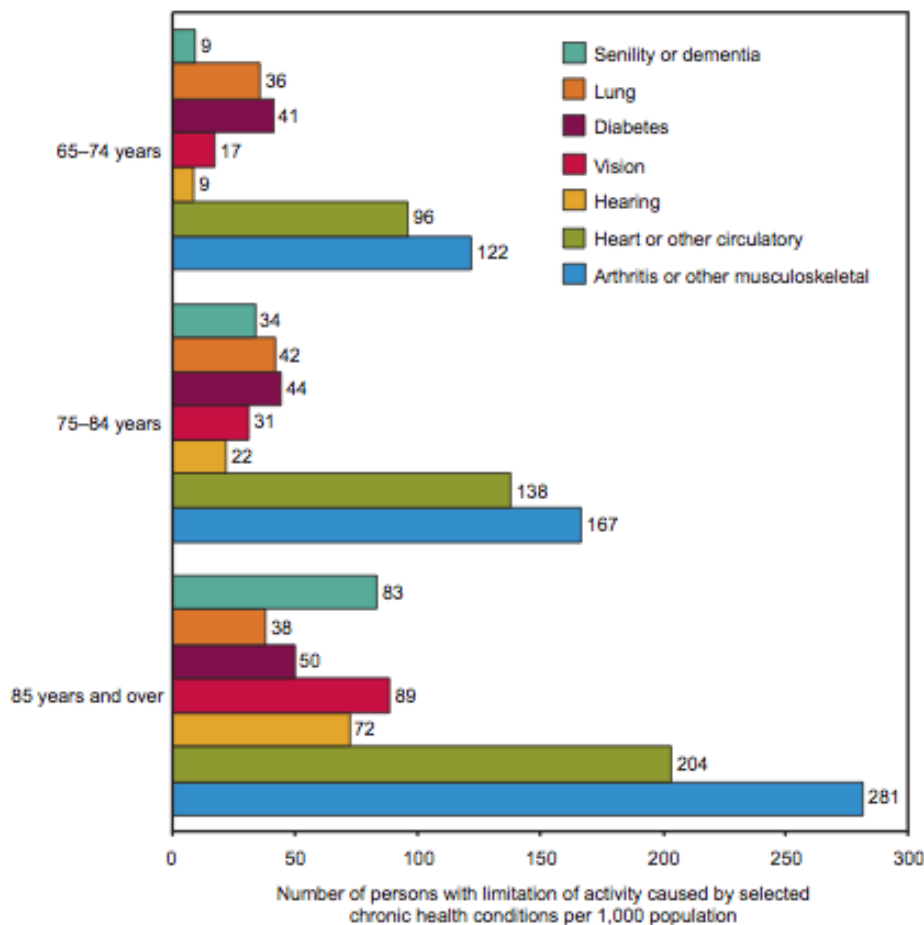


Visualizing Old Age



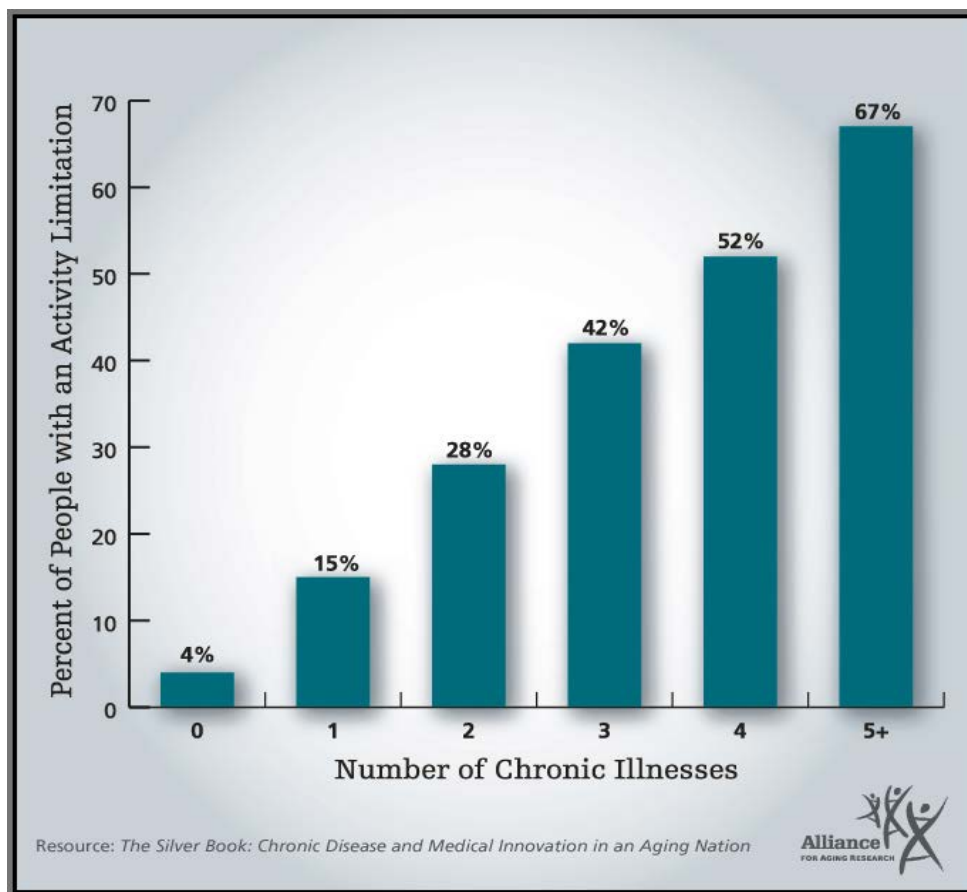
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Causes of Activity Limitations

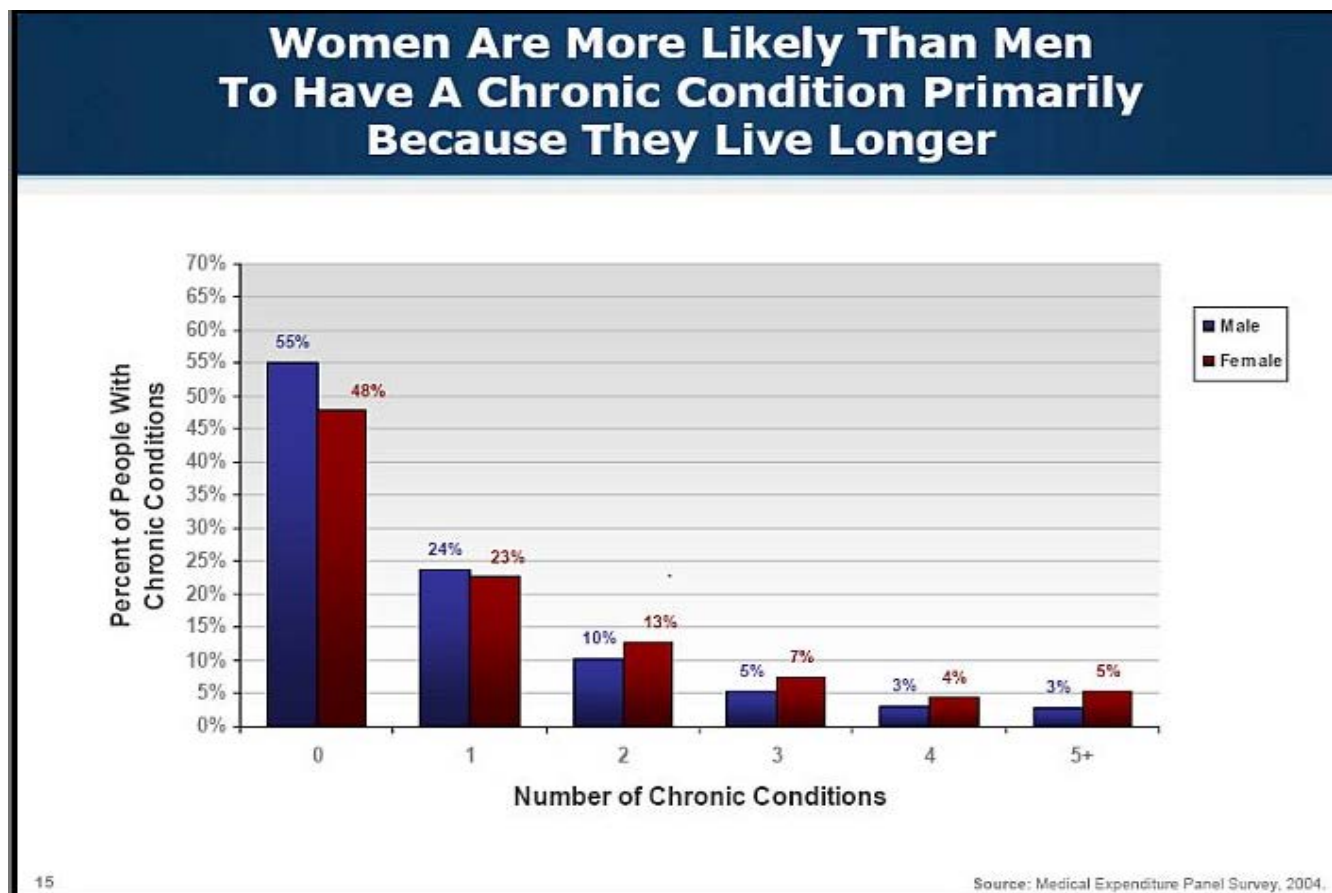


Source: Health, United States, 2009 Centers for Disease Control and Prevention

More Chronic Illnesses Means Greater Likelihood of Activity Limitations



Women Are More Likely Than Men to Have a Chronic Condition

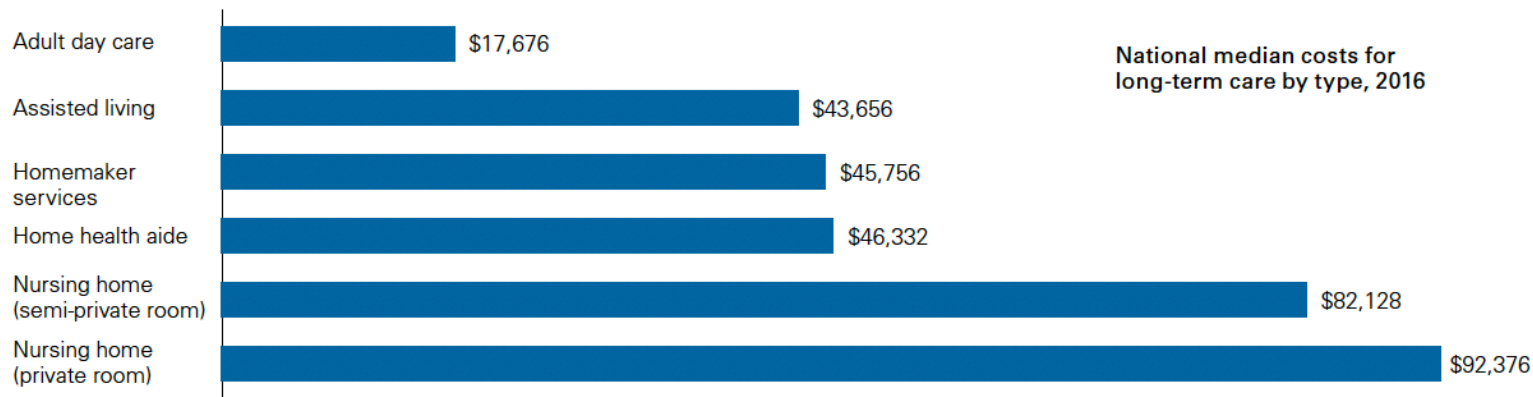


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What Are the Costs of Long-Term Care Today?

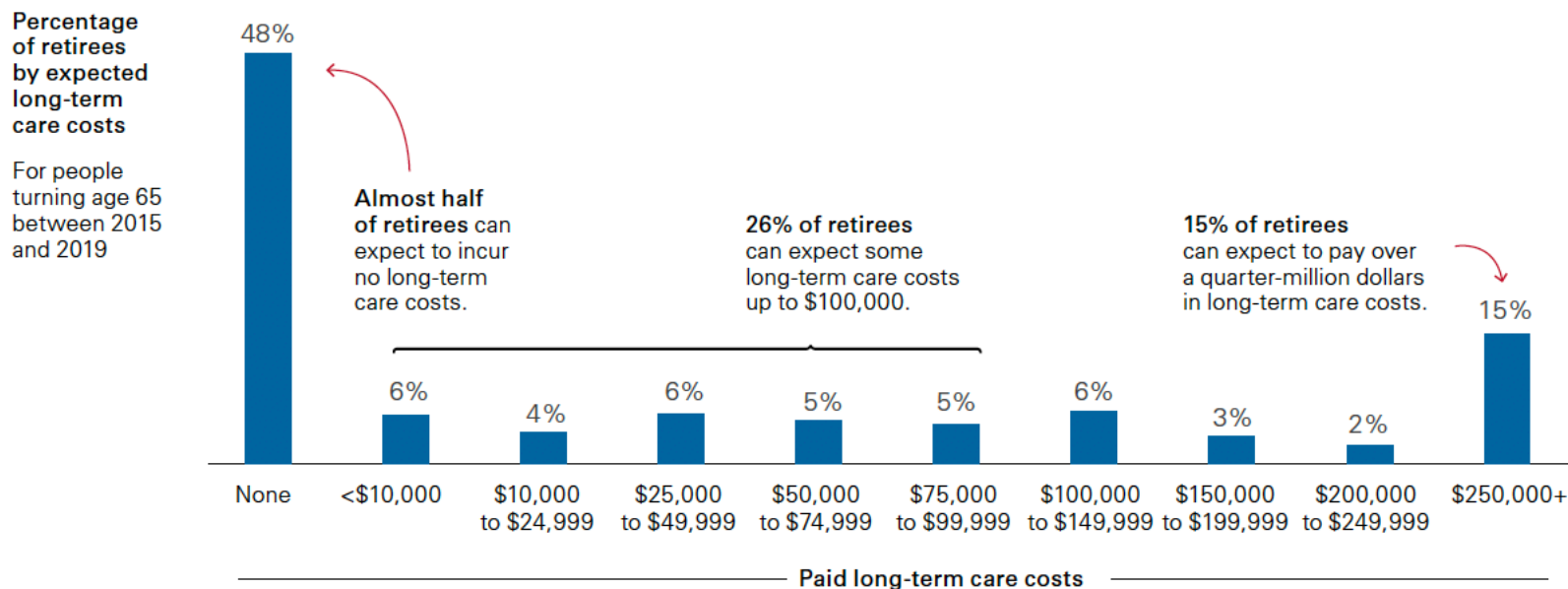
Figure 14. The cost of paid long-term care differs by the type of service used



Source: Genworth Cost of Care Survey 2016, Genworth Financial, Inc., 2017.

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**

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



Recommendations for Consumers

- Make good health a priority
- **Don't wait to learn about Medicare**

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

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Recommendations for Consumers

- Make good health a priority
- Don't wait to learn about Medicare
- **Understand what isn't covered**

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

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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**

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

51



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**



Recommendations for Advisors

- Prepare to educate your clients about Medicare
- **Alert clients to Medicare enrollment periods**



Recommendations for Advisors

- Prepare to educate your clients about Medicare
- Alert clients to Medicare enrollment periods
- **Guide them on supplemental insurance**



Recommendations for Advisors

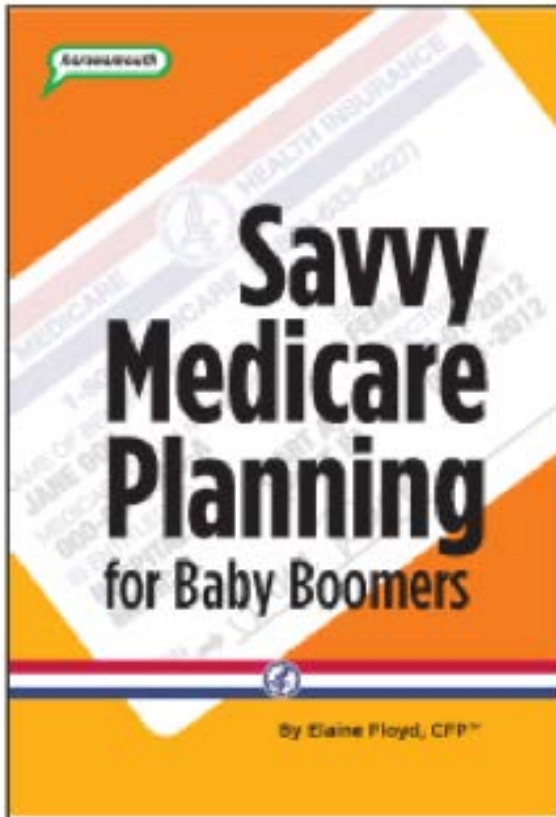
- Prepare to educate your clients about Medicare
- Alert clients to Medicare enrollment periods
- Guide them on supplemental insurance
- **Help them evaluate options for paying for long-term care**



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**





6 CE credits for CFP®

Series of 4 Webinars + Study Guide

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Session 2: Supplemental Insurance

Session 3: Managing health care expenses in retirement; planning for long-term care

Session 4: Marketing and communicating your Savvy Medicare planning services



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Advisor Research, Education & Tools

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3. Website



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Email Questions To The Expert

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:

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



2. Invitations



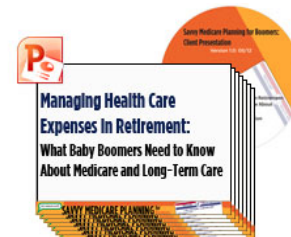
3. Press Release



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



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