

- Briefly -



R ALLAN JENSEN

Delivering Value Through Education..Guidance..Service

Medicare

This memo offers an **overview of Medicare for 2013**.

Medicare can be complicated. My hope is to help guide you to your decision on Medicare supplementary and health plans -- connect the dots, so to speak, of the mass of available information.

The Centers for Medicare and Medicaid Services, or CMS, is the federal government office that is responsible for Medicare. Each year they publish a number of publications that will assist you with understanding Medicare. The keystone publication is called "Medicare and You". You can get the current year version by calling (1-800-MEDICARE) or go to www.medicare.gov to order your copy, customized to Colorado.

What is Medicare?

Medicare is health insurance for people age 65 or older, under age 65 with certain disabilities, and any age with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a kidney transplant). Medicare recipients are termed *beneficiaries*.

Determination of eligibility and enrollment for Medicare is administered by Social Security.

Eligibility

- Your eligibility will be the first of the month of your 65th birthday, unless you were born on the first, in which case you become eligible on the first of the preceding month.
- If you have been receiving social security disability, you become eligible following 24 months of having received these benefits, and then again once when you turn 65.
- In the instance where you continue to work and are covered by a group health plan, you automatically become enrolled in Part A at age 65, but your eligibility to enroll in Parts B or D is abated until your group coverage is terminated.

How is Medicare Structured?

Medicare has four parts. Parts A & B together are referred to as Original Medicare. Part C is Medicare Advantage, and Part D is outpatient prescription Drug coverage.

Part A is commonly called **Hospital or Inpatient** insurance and provides for inpatient care, as well as other services. If you are Medicare-eligible, there is no cost for participation in Part A.

Part B is called **Medical or Outpatient insurance** and covers doctors office visits and other outpatient care.

It is important to note that there are situations, other than turning 65, which may delay the qualifying event for Part B eligibility. One of those would be continuing to be covered on a group health plan.

Part C of Medicare provides for Medicare Advantage plans. MA plans, as they are termed, are offered by a commercial insurance company, or carrier, and provide at least the same level of coverage as does Original Medicare. Most often MA plans also include additional coverages as well, including in many, but not all cases, prescription drug coverage. Premiums, in addition to the Part B premium, may be charged for MA plans by the carriers.

Part D of Medicare provides help covering outpatient prescription drug coverage, and is provided through commercial carriers. Medicare stipulates minimum coverages, and most often available plans offer benefits above the minimums. Premiums for these plans vary based on benefit level from the various carriers. In addition, Part D imposes a 1%/month penalty if a beneficiary doesn't enroll in Part D when eligible.

Enrollment in Part B is mandatory to have either a Part C or Part D plan, or to apply for a Medicare Supplement plan.

Part A 2013 Benefits (Original Medicare)

2013 Inpatient Deductibles



- *\$1184 per admission hospital for days 1-60*
- *\$296 per day coinsurance days 61-90*
- *\$592 per day for days 91-150 (lifetime reserve)*
- *All costs beyond 150 days*

2013 SNF Coinsurance



- *Admission requires plan for recuperation*
- *Requires prior 72 hour hospital stay*
- *Days 0-20; no coinsurance*
- *Days 21-100; \$148.00/day*

Part B 2013 Benefits (Original Medicare)

Part B 2013 Premium



- *Annual deductible of \$147*
- *All other costs paid by beneficiary at 20%*

Part B 2013 Deductibles & Coinsurance



- *Subscription is optional*
- *Existing beneficiaries pay \$104.50/mo*
- *Premium is means tested*
- *Failure to subscribe when eligible results in 10%/year penalty*

What is a Medicare Supplement Plan?

Medicare Supplement plans are private insurance plans designed to cover the gaps in Medicare payments. Medicare does not pay all of the costs of care permitted under the rules and regulations of Medicare. Some of the costs are paid by the member (*cost sharing*), and in fact, Medicare reimbursement rates and approved charges can vary.

Plans as of 6/1/2010 (A - N; E, H, I, and J have been retired), are available from several carriers. These have been dubbed “Modernized Plans.” People who purchased E, H, I, or J policies before June 1, 2010 can keep them as long as they continue to pay premiums.

Each of these enumerated plans has different benefit levels, but regardless of which carrier offers particular plans, the benefit levels are the same for each corresponding plan. Only the premiums vary. Medicare Supplement plans do not include outpatient prescription drug coverage, so enrollment in Part D is required to obtain outpatient drug benefits. Medicare Supplements are guaranteed renewable, meaning the plan stays in force as long as the premium is being paid.

People subscribing to the plans prior to June 2010 (the so-called Standardized Plans), will be grandfathered and can retain their coverage as long as they pay their premiums.

What Types of Medicare Advantage Plans Are Available?

MA plans are private insurance as well, but in this case the majority of premium is paid to the carrier by Medicare. Some of these plans also charge a premium to the beneficiary. MA plans can take one of several forms, depending on what individual carriers wish to offer. MA plans are offered based on service areas (county by county, in most instances). It is therefore important to check to insure that the desired coverage is offered in the area where you live.

Familiar plan designs, such as HMO and PPO are available, both of which use networked providers. Doctors on these networks have agreed to see Medicare clients and their reimbursements are contractually set with the carrier providing the plan.

An innovation with the 2003 Medicare Modernization Act was the Private Fee for Service plan, or PFFS. This allows a Medicare beneficiary to go see any doctor/provider as long as that provider agrees to accept Medicare assignment and the carrier's terms of payment. Actions by CMS limit such plans to areas without networked plans, but in some cases these PFFS will boast their own networks.

Other plan types are offered in limited instances and areas of the country, or as pilot programs.

What Are the Differences Between Medigap and MA Plan?

Each plan type has comparative advantages and disadvantages versus the other:::

Medigap

Advantages

- See any doc/hospital, anywhere in the US that takes Medicare
- Out of pocket is low or \$0

Disadvantages

- Premiums
- By law Medigap plans do not have embedded Part D plans

Medicare Advantage

Advantages

- Premiums can be low or \$0
- Many, but not all, have embedded Part D

Disadvantages

- Networks -- must see their providers
- Out of pocket: accumulated copays

When Can A Person Apply for a Medicare Supplement, Medicare Advantage or Part D Plan?

A Medicare Supplement, or Medigap, plan will be guaranteed issue within the 6 months following a beneficiaries' Medicare eligibility, or another qualifying event, such as loss of employer sponsored coverage. Another exception is for someone who has ben receiving Social Security Disability Income for 24 months.

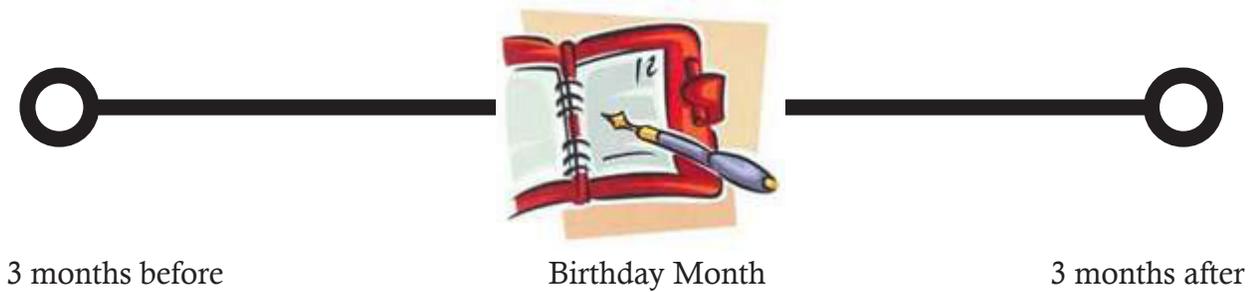
Medicare Supplement Timeline



In the case of a Medicare beneficiary leaving group sponsored health coverage, the above timeline may apply if the loss of coverage is involuntary, or if voluntary, the beneficiary will have a guarantee window of 63 days to apply for a Medigap policy.

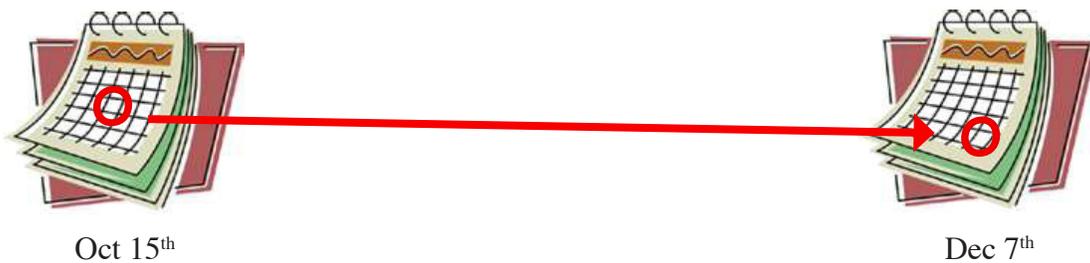
Medicare Advantage and Part D plans can first be applied for in the 3 months prior to first eligibility for Medicare, the month of eligibility, and for 3 months after -- a total of 7 months. The effective date can be no sooner than the first of the beneficiary's birthday month. The exception is for someone who has been receiving Social Security Disability Income for 24 months.

Initial Enrollment: Medicare Advantage and Part D Timeline

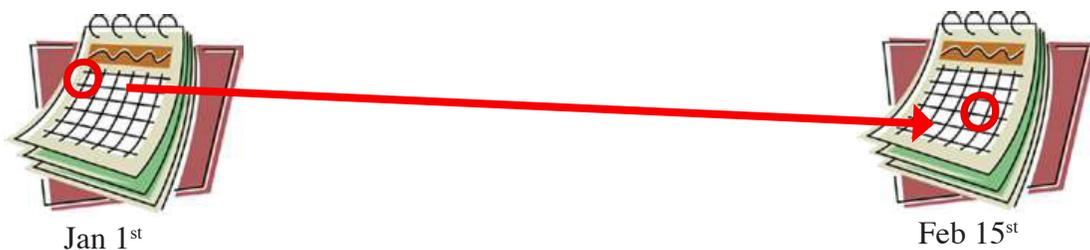


Medicare Advantage and Part D plans can be changed to any other plan during the **Annual Election Period**, which runs from October 15th to December 7th.

Annual Medicare Advantage and Part D Timeline



Beginning in January 2011, an **Annual Disenrollment Period** will run from January 1st through February 15th. Unless Congress alters this provision, the previous January 1st to March 31st Open Enrollment Period is defunct. The ADP will only permit beneficiaries to return to Original Medicare, and choose a stand alone Part D plan.





Finally, there are number of **Special Election Periods** that can be used to change Medicare Advantage and/or Part D plans in such instances as when a beneficiary moves from one service area to another, when a contract for a Part C or Part D is cancelled, or when a beneficiary loses there employer sponsored coverage.

What is Part D?

Original Medicare has never included outpatient prescription drug coverage. Drugs administered during an inpatient stay are covered under Part A. Certain drugs that are administered in an outpatient setting are covered under Part B (ie. chemotherapy, immunosuppresants, anti-nausea medications, certain antigens, osteoporosis and other inhalation and infusion medications, as well as hemophiliac clotting factors and other injectable drugs, such as those involved in kidney dialysis.

In 2003 Part D was enabled in the Medicare Modernization Act, and fully implemented in 2006. Private insurance companies or pharmacy benefit managers, with some government subsidy, can sell outpatient prescription drug plans to Medicare beneficiaries, and must offer cover that is at least as good as the Standard Model, as seen in the attachment.

A Medicare beneficiary can enroll in Part D if they are enrolled in Part A, and also if they are enrolled in Parts A and B. The timeframe for initial enrollment into Part B is the same as for enrollment into a Medicare Advantage plan -- 3 months before, the month of your 65th birthday, and 3 months after. Failure to enroll when eligible will result in a 1% per month penalty being added to the plan premium at such time as you do enroll. The penalty is aggregated and cumulative, and is assessed as long as you are enrolled. The penalty is taken of the national average Part D plan premium.

Modernized Medicare Supplement Plan Chart

Medigap Plans Effective on or after June 1, 2010

How to read the chart:

If a checkmark appears in a column of this chart, the Medigap policy covers 100% of the described benefit. If a column lists a percentage, the policy covers that percentage of the described benefit. If a column is blank, the policy doesn't cover that benefit. **Note:** The Medigap policy covers coinsurance only after you have paid the deductible (unless the Medigap policy also covers the deductible).

You may buy the following Medigap Plans which became effective June 1, 2010:

Medigap Benefits	Medigap Plans Effective June 1, 2010												
	A	B	C	D	F	G	K	L	M	N			
Medicare Part A Coinsurance hospital costs up to an additional 365 days after Medicare benefits are used up	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Medicare Part B Coinsurance or Copayment	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓ ^{***}			
Blood (First 3 Pints)	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓			
Part A Hospice Care Coinsurance or Copayment	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓			
Skilled Nursing Facility Care Coinsurance			✓	✓	✓	✓	50%	75%	✓	✓			
Medicare Part A Deductible		✓	✓	✓	✓	✓	50%	75%	50%	✓			
Medicare Part B Deductible			✓	✓	✓	✓							
Medicare Part B Excess Charges					✓	✓							
Foreign Travel Emergency (Up to Plan Limits)			✓	✓	✓	✓			✓	✓			
Medicare Preventive Care Part B Coinsurance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			

Out-of-Pocket Limit**	
Plan F	\$4,620
Plan N	\$2,310

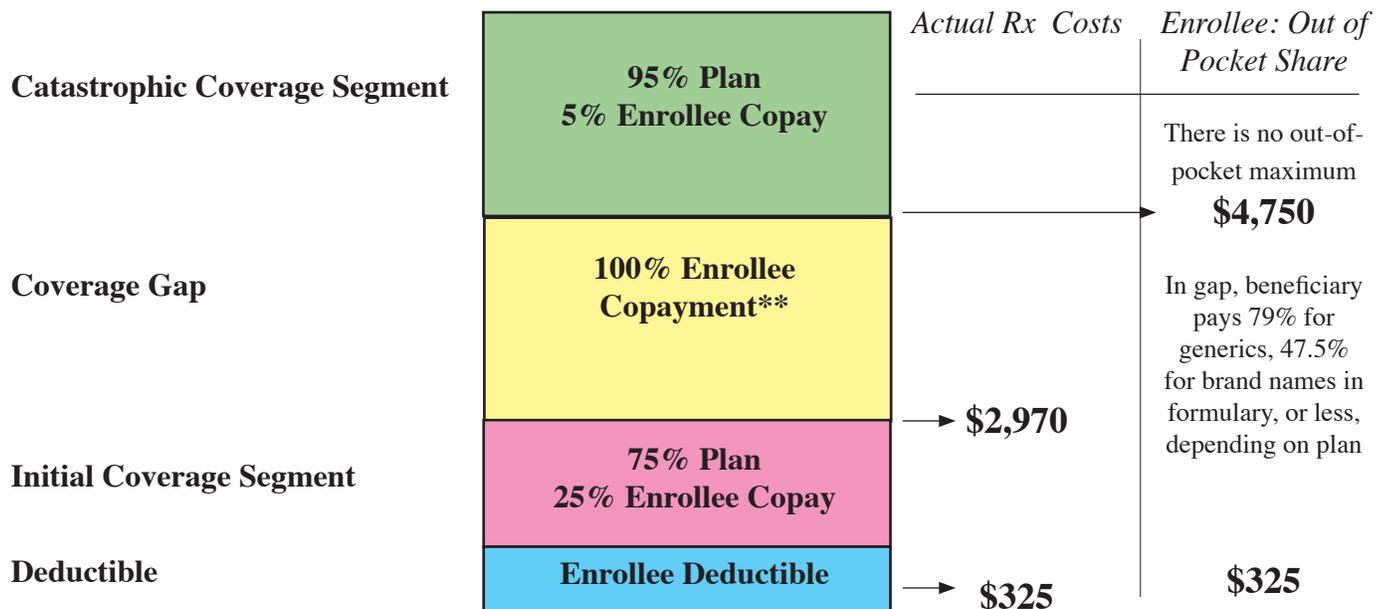
*Plan F also offers a high-deductible plan. This means you must pay for Medicare-covered costs up to the deductible amount (\$2,000 in 2010 before your Medigap plan pays anything). After you meet your out-of-pocket yearly limit and your yearly Part B deductible (\$155 in 2010), the Medigap plan pays 100% of covered services for the rest of the calendar year. Out-of-pocket limit is the maximum amount you would pay for coinsurance and copayments.

**Plan N pays 100% of the Part B coinsurance except up to \$20 copayment for office visits and up to \$50 for emergency department visits.

This page is excerpted from the AARP Secure Horizons Producers Handbook for June-December 2010 Medicare Supplement plans. Note that plans E, H, I, and J were eliminated in the Modernized menu and that F & G include additional benefits, and that all Modernized plans included Hospice care. The Medicare preventive benefit has been included in the benefit structure elsewhere and has been removed as a separate benefit category.

2013 Medicare Part D

Part D Standard Model

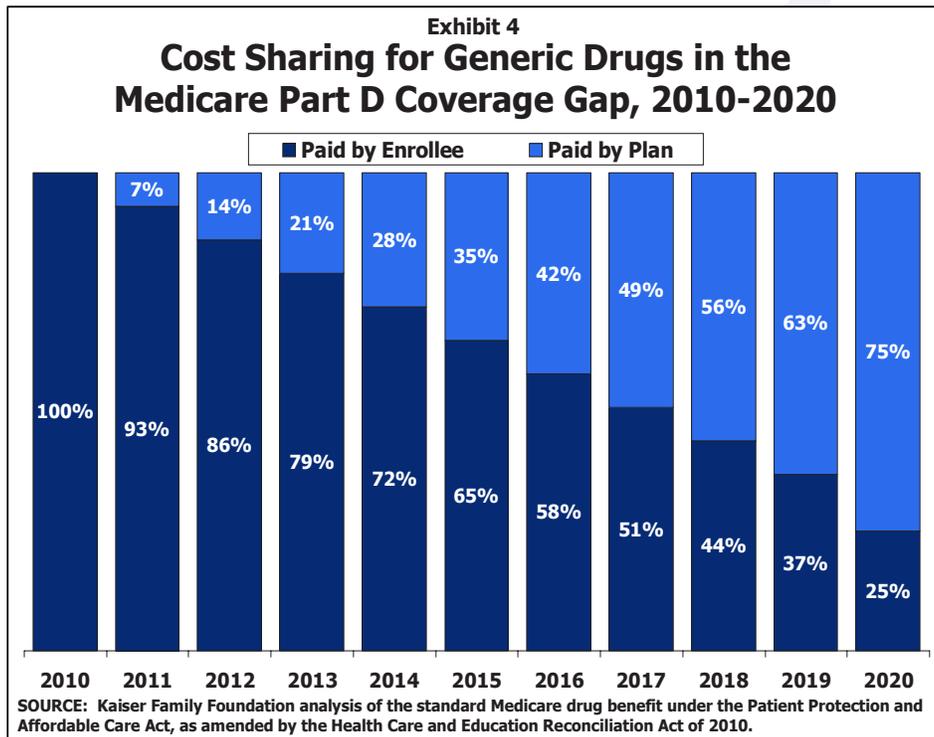
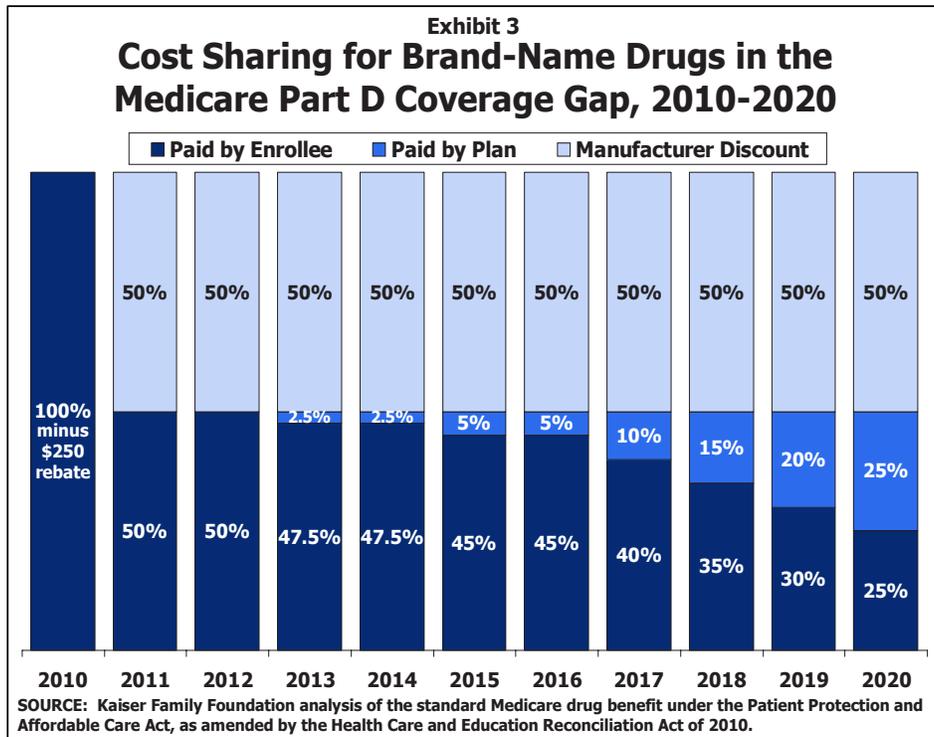


Part D 2013 Deductibles & Coinsurance



- *Subscription is optional*
- *Premium & benefits based on plan selected*
- *Failure to subscribe when eligible results in 1%/month penalty*
- *Premiums are subject to means testing*

This graphic reflects 2013 approved payments, but is not approved by CMS. It's purpose is illustrative only.



This publication (#8059) is available on the Kaiser Family Foundation's website at www.kff.org.

2013 Means Testing & Medicare Cost Sharing

Part B & D:: Means Testing Thresholds for 2013

Single Listed***	≤\$85K	\$85K-107K	\$107K-160K	\$160K-214K	≥\$214K
Part B Actual	104.90	146.90	209.80	272.70	335.70
Part D Addition	0.00	11.60	29.90	48.10	66.40

***Income thresholds doubled for couples filing jointly. Means testing is based on MAGI from tax returns filed two years previously.

Medicare Cost Sharing for 2013

Medicare Part A: Hospital Deductible (Days 1-60)	\$1,184	(per admission)
Medicare Part A: Days 61 - 90	\$296	(per day)
Medicare Part A: Days 91-150 (lifetime reserve days)	\$592	(per day)
Skilled Nursing Facility (days 1-20)	\$0	
Skilled Nursing Facility (days 21-100)	\$148	(per day)
Medicare Part B:: Annual deductible	\$147	
Medicare Part B:: Coinsurance	20%	

Medicare Part A Premium for 2013

If you have not paid into the Medicare payroll tax system for 40 quarters, Part A of Medicare can be obtained for a premium of \$441/month.