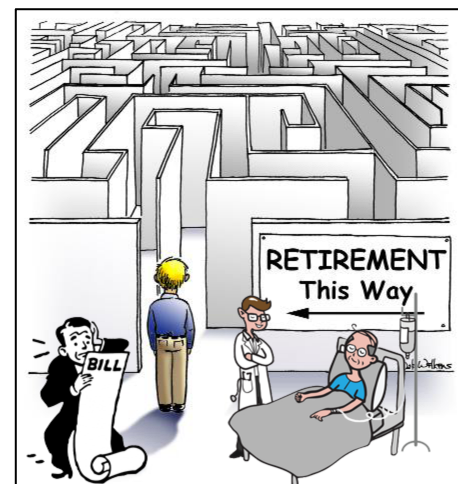
Reprinted from the
Lexington
Minuteman

COROMANDEL WEALTH MANAGEMENT

October 2020

Medicare Open Enrollment: Questions You Need to Ask

Navigating the Retirement Maze



"I started taking better care of myself once I saw how expensive funerals are."

- *Paul Harvey, American radio personality (1918 – 2009)*

It's that time of the year again when those on Medicare willfully ignore all the notices that they receive about the Medicare Open Enrollment Period (OEP), which runs from October 15th through December 7th each year. People who have already gone through the initial plan selection process tend to ignore Medicare OEP because they recall how unpleasant it was the first time. However, this can be a mistake, as you could end up paying a lot more for your health care than you had planned on or find yourself lacking adequate coverage as your medical care needs change.

A Quick Review of Medicare

Here's a quick review of the ABCs of Medicare. Medicare Part A covers hospitalization and other in-patient costs. You receive it at no cost if you or your spouse have enough Medicare tax quarters accrued. Part B covers office visits, outpatient care, lab tests, preventive services, and other non-hospitalization charges. The cost of Part B is a function of one's income two years earlier, with five different cost tiers. Subscribing to only Parts A and B is known as Original Medicare.

There are yearly deductibles before Medicare payments kick in, currently $1,408 for Part A and $198 for Part B. Part A covers the full cost of hospitalization for the first 60 days, then requires a coinsurance payment for the next 30 days. Beyond 90 days, you can use what remains of your 60 "lifetime reserve" days with a higher daily copay. After that, you are responsible for all the costs of hospitalization. For Part B, you pay 20 percent of all the costs beyond the deductible with no cap.

The potential for unlimited hospitalization or outpatient costs is why people who can afford additional coverage are wise to choose it. Medicare Supplement Insurance, better known as Medigap, is available from private insurance companies and addresses the previously mentioned "gaps" in coverage in Original Medicare. There are ten different Medigap plans, though two have been eliminated as of this year for new applicants. Each plan offers identical benefits from all insurers. All Medigap plans cover 100 percent of Part A co-insurance and up to a year of hospital costs after Medicare benefits are exhausted. Only two of the plans (K and L) have caps on annual out-of-pocket costs. An additional item to note is that three states – Massachusetts, Minnesota, and Wisconsin – offer Medigap policies that are standardized in a different way than the national plans.

Medicare Part C, also called Medicare Advantage (MA), is offered by private companies, typically preferred provider organizations (PPOs). It includes Medicare Parts A and B, usually Part D, and some include coverage for vision, dental, and hearing costs. If you choose a MA Plan, all covered medical services must be through that provider. Be sure that you understand which physicians and facilities are

included in that plan, as the cost to go out of plan for needed services can be extremely high. In general, the greater the number of Medicare Part C plans that are offered in your geography, the more competitive the prices and services will be. Unlike Original Medicare and Medigap, the cost sharing in Medicare Advantage plans depends upon the plan.

Part D, which is optional, covers prescription drugs. If you have postponed signing up for Part D, and then subsequently subscribe, you will pay a lifetime surcharge of 12 percent for each year that you did not have creditable drug coverage. For example, if you wait until age 70 to sign up and have no creditable drug coverage through your employer, your premiums will be 60 percent higher for life.

Questions you need to ask

There is a list of items that you should be checking during the Medicare Open Enrollment period, which are changes in your own health and those in your existing Medicare plan, including prices and coverage:

- Are you currently covered only by Original Medicare? If you anticipate future health issues, now would be a good time to consider a Medigap plan, as you could someday be denied coverage based on preexisting conditions.
- Has your health condition changed, and do you now require additional physicians and medications? If so, consider shopping for a plan that better meets your needs and avoids excessive out-of-pocket costs under your current plan.
- What is your list of medications? Has your Part D insurer changed the medications available under their plan (called formularies) and the prices for them? Different plans have different formularies and prices, so you should shop around for the most cost-effective plan.
- If you have Medicare Advantage, are any of your current physicians no longer going to be "in plan" next year? Do you anticipate the need to consult with doctors or specialists not available within your plan? Are you going to be living in more than one place next year, such as wintering in a warmer climate? If so, consider switching to a Medigap plan.
- Do you anticipate needing any dental, vision, or hearing issues over the coming year? In that case, you might want to consider Medicare Advantage plans that include those coverages.
- Do you anticipate needing long term care (LTC) at some point in the future? If so, then you had better start looking at LTC insurance plans. Medicare only covers skilled nursing facility care only if it comes after prior hospitalization, and then only for 100 days, 80 of which require a copayment. Medigap policies only cover the coinsurance costs for those first 100 days. After that, there is no coverage. At-home LTC is not covered at all by Medicare, Medigap, or MA.

Open Enrollment is an annual opportunity for you to adjust your Medicare coverage to reflect your current and future medical needs. It is a do-over that you choose to ignore at your financial peril.

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