

Andrew 0:00

Hello and welcome to the JGUA Financial Commentary podcast. I'm your host, Andrew Baron, and in this episode, I talked to Lynda Lander to discuss Medicare. But before we began a short disclaimer, the contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment tax or legal advice. Any strategies discussed may not be suitable for listeners specifically, and JGUA encourages consulting with your advisor before implementing any strategies to ensure they meet your individual objectives. We are not a licensed Medicare agent or broker. And with that, welcome to the podcast, Lynda.

Lynda 0:52

Thank you very much Andrew, it's great to be here today.

Andrew 0:55

Could you talk about the different parts of Medicare since there are four different, distinct parts?

Lynda 1:01

Yes. Let me kind of step back for a second, because they're not technically four distinct parts. They're kind of a combination of some of them. So just to kind of start out, let's just talk about your traditional Medicare Part A and B. Medicare Part A is what we call the hospital coverage. If you have to go to the hospital emergency room, anything like that, that's going to be billed under Medicare Part A. Medicare Part B, as in Boy, we say that is the doctor coverage. Any time you have to go to your doctor's office, specialists, things like that that is all going to be billed under the Medicare Part B as in boy.

Traditionally, Medicare Part A is covered at 100% premium wise as long as you have been working, or as long as your spouse has been working for ten plus years. With that, they call it the premium free part A. Part B has a monthly premium and that will either come out of your Social Security or your railroads benefits check, or you will have to pay it if you're not collecting benefits. From there, those are your two basic. Everybody needs to have those so you can then do a supplemental and a Medicare Part D as in drug coverage, or you can do what they call a Medicare Part C plan, also known as the Advantage plans.

So the difference between those is the Medicare Part C plans that basically takes over your Medicare Part A and Part B. Also, a lot of the times has drug coverage, as well as sometimes additional coverages like dental or vision or hearing benefits, things like that.

Every plan is different. And then from there, there's also different plans based on your needs. For instance, the Advantage plans normally it used to only be HMO plans, which are those ones that are tied to networks. You have to go to your primary care doctor who would then have to refer you to something else, whether it be a specialist or otherwise. Nowadays, the slightly better advantage plans are going to be those that are PPOs, which you have both in and out of network option, which again, we like to recommend those options in the event that you want to get a second opinion or your doctor doesn't cover something, they recommend you to a specialist.

You still have coverage. Even have that specialist was not in the network. That's a rundown on what the Advantage plans are. Like I said, the other side of it would be that for one, that you were kind of just talking about, which is going to be the Medicare Part D as in drugs, and that is going to be coverage for prescriptions.

Andrew 3:34

Members of the audience, this is their first time enrolling in Medicare. Could you talk a little bit about how this might be different from what they're familiar with, with either employer plans or marketplace plans?

Lynda 3:48

The big difference between it is who holds the insurance. A lot of the times the employer plans, they're going to be contracted through a specific carrier or things like that. You might have a couple of other options as to do you want something that has a higher deductible with the lower premium or vice versa? Or if you look at the marketplace plans, those are through the government, but you generally do have some options are do you want to do Blue Cross Blue Shield, do you want to do so, Humana or something like that? And then you also again have the options of do you want the bronze, which are going to be the lower premiums with lower coverages? Or do you want a gold or platinum plan if those are available in your state? Those are going to have the much higher premiums. Again, with some better coverage. So that's kind of where those are, whereas Medicare Part a Medicare Part B, those are the same for everybody regardless. There's no difference in do you want to pay more for Medicare Part B to have more coverage? Unfortunately, that's not how Medicare works. Your options that you would then be able to make selections on would be, again, your Medicare Part D as in drugs, or if you decide to go with the Advantage plan, you could have an option for the Advantage plans.

The other thing that is really good if you go the traditional way with your Medicare, A, B and D, you can actually get an additional quote unquote insurance policy. We like to call it a supplemental insurance or a Medigap policy that will help offset the patient responsibility costs, and that one is one of those that you would then have an option as to do you want to pay for more coverage or less coverage? And what that specific policy is really good for is to cover the patient responsibility portion of Medicare. So, for instance, for Medicare Part A, there are co-insurances that you don't have to pay any time you go into a hospital. There are specific costs, but do know that those change every year. For Medicare Part B as in boy, the doctor coverages, there is a specific deductible that you have to pay after you pay your deductible, you have a flat 20% coinsurance on everything. There is no out-of-pocket maximum. And that's another thing that's different between Medicare versus employer or marketplace plans. A lot of the time on your insurance plans before age 65, you have an out-of-pocket maximum, where on Medicare, you do not. If you just have traditional Medicare, you do not have an out-of-pocket maximum. So kind of going into that, these supplemental plans help offset the patient responsibility portion of that.

Andrew 6:24

Along the lines of differences from maybe an employer plan, I wanted to get into would be the fact that your premium can be variable depending on your income on parts B and D, did you want to talk a little bit about that? I

Lynda 6:38

In our world, we refer to it as IRMA. The full name on it is income related monthly adjustment amount that is for people who have high modified adjusted gross income on their tax returns. And that can be anything from investment income to salary income, you know, things like that, self-employment. There are other things that might be added back to that that could be adjusted, which is why it's the modified version of it. So people who have what they consider higher MAGIs., they would be required to take this IRMA. The downside with that is if it's a married couple, both people get it with it. One thing to look at is if you have high capital gains or anything like that, that will increase IRMA. It can change every year. There could be a year that you have it. There could be a year that you don't and then you go back to it again. It all depends on different factors. You could potentially petition to Medicare to have it removed. For instance, if you were in it because you had high income one year from a W-2 or you're on a high salary and then you retire, potentially you could get that reduced because of the quote-unquote loss of income. For instance, if your spouse died so you no longer have that income, that could potentially be a way to get it reduced for the year. The reason why they have that ability to reduce it is because the IRMA is based on the tax return from two years prior, which is why things can change over that time.

For the 2021 IRMAs, they're looking at your 2019 tax return. As we all know, a lot can change in two years. So that's why they give you that potential ability to reduce that IRMA. Like I said, those are going to be on your Medicare Part B as in Boy and Medicare Part D as in dog. A lot of people don't actually realize, even if you are on the Advantage plan, you would still have those IRMAs.

Andrew 8:26

Typically, those adjustments are made if it's an unusual income for one year come a home sale or exactly if you were highly compensated in one year of employment, that's not normal. Those are the kinds of petitions the IRS will typically allow. I think your standard amount of living, they're going to just tell you that that's your usual, that you have to deal with it. But exactly if when you retire, income goes down substantially, you can see that go away, or, as Linda said, some years you can have it, some years you can't. And there are different tiers so you can go up into the higher level some years and down some years, depending on your income, because it is a little confusing, could you talk to us a little bit more about Advantage plans and when that would be a good fit for someone?

Lynda 9:13

There are interchangeable words between Advantage or Part C. That is kind of your plan that would encompass for Medicare Part A, your Medicare Part B, and most of the time your Medicare Part D as well. Like I said, over time, they have been getting better now since I have the PPO options, as well as some of the additional benefits. A good time that you might want to look at those is for people who don't necessarily travel all that much because again, normally you are tied to a network with those HMO plans. Even on the PPO plans, you would have the higher co-pays for out-of-network providers. If you travel a lot or if you want to travel a lot or up here we have those snowbirds who like to go down to the south for the winter, we wouldn't necessarily recommend Advantage plan for them.

For some reason, a retiree has a very tight cash flow or something like that, that would be another way to look at it because generally they are lower costs. You would still pay your Medicare Part B premium, that's not going to go away even if you're on a zero dollar advantage plan. So people who again have some of the lower income that they can use or they just don't plan on traveling much, say things like that, those would probably be the best time to look at the Advantage plans and go from there, or if somebody, like I said, wanted some of those additional benefits and they didn't want to have to pay for, say, dental insurance or they couldn't afford or didn't want to potentially pay for procedures, cleanings, things like, that advantage plan might be a way to help lessen that blow.

Andrew 10:44

Correct me if I'm wrong, but if you choose to be on an advanced plan and down the line a few years later, decide to change, you'll pay a penalty for switching back, correct?

Lynda 10:55

No, actually, you will not. In order to prevent the penalties, you have to have what they call credible coverage, and those advantage plans are considered credible coverage. However, the disclaimer that I like to say about changing either from an advantage plan to a supplemental plan or vice versa, one of the things that I preface anybody that I talked to with that is technically, yes, you can change. The downside is you could potentially be subjected to medical underwriting. And as we know, as people get older, a lot of the time your health is not the same as you were when you were younger. I'll just kind of go back to the supplemental plans because those are typically the plans we recommend because again, they do have those better coverages in the way of patient responsibility. They have what they call a guaranteed issuance provision. When you become eligible for Medicare, whether it's turning 65 or after you turn 65, if you're still working and then you decide to retire after the age of 65, you have what they call a guaranteed issuance period to where if you apply, they can't deny you. But if you go to change later in life, you could potentially be denied if you don't pass medical underwriting if the insurance company requires it.

And then getting back to the late enrollment penalties that I just mentioned, those will be on Part B as in boy, and Part D, as in drug. You could potentially be subjected to the late enrollment penalties if you don't sign up within specific time frames as to when you would become eligible.

Your eligible window is three months before your 65th birthday, the month of your 65th birthday and the three months following your 65th birthday, so the seven month period, that is that guaranteed issuance. Even if you're working, you can drop your insurance through your employer if it makes more sense to go on Medicare, and again, you pay the premiums and you go from there. The other time that you would become eligible is say you're working, say you're 67 years old and you decide to retire. But up until that point, you decided to keep your insurance through your employer. When you stop working or when your insurance lapses, you then have a set period of time after you leave that you would be able to get on Medicare again during that guaranteed issuance and or Medicare Part A and B, that is the eight month window after you leave. The caveat with that is Medicare Part D. As in drugs, you have 63 days. So eight months for part A and B, and 63 days for Part D before you would be subjected to those late enrollment penalties notice. Another thing that I just want to point out is the late enrollment penalty that we really like to avoid, we like to avoid all of them, but the ones that you really want to avoid is going to be the ones for the Part D as in drug, because once you have one of those, you won't get rid of it so that one will be on there for the entire time you have Medicare.

Andrew 13:46

Lynda, did you have any closing thought for our audience?

Lynda 13:50

There's what we call open enrollment periods from October 15th through December 7th. That is an annual open enrollment. Normally we like to think of that as the Medicare Part D open enrollment, that is when you can go in and you can look at and change the plan for the following calendar year. As long as you do it by December 7th, you have whatever plan you select will take effect for January 1 the following year. With that, you can actually change from traditional Medicare to Medicare Advantage during that time, if that is something that would be best for each individual person. You can also change your Medicare Part D plans, things like that. There is actually another set of open enrollment in the beginning of a calendar year, and that is strictly for Medicare Advantage plans. During the beginning of the year open enrollment, the only thing you'd be able to do is change your advantage plan. You can't change back on to a Part D, you can't change back onto traditional Medicare

Myself, as well as several others on my team, we actually go in every fall and look at the Medicare Part D plans for our clients because things can change a lot year over year, whether it be medication wise, premium wise, how each plan will do copays and stuff or different drugs, so just kind of one of those things that I would highly recommend going in and looking at that either every year or every couple of years just to make sure you're not paying for more than you need. Again, we know things change and they can even change throughout the year, but you can really only plan on next year based on what you know today. Again, we do welcome questions. If you want someone's help to look at Medicare drug plan or anything like that, please don't hesitate to reach out to us because we're here to help wherever we can.

Andrew 15:33

Great advice, Lynda. Thank you for being part of the podcast.

Lynda 15:37

Thank you. Have a great day.

Andrew 15:38

So to all of our audience, as you can see, there's really a lot to the program and depending on your individual circumstances, you might have a lot of questions. Please email those to info@JGUA.com or contact your advisor. Until next time, stay smart.