

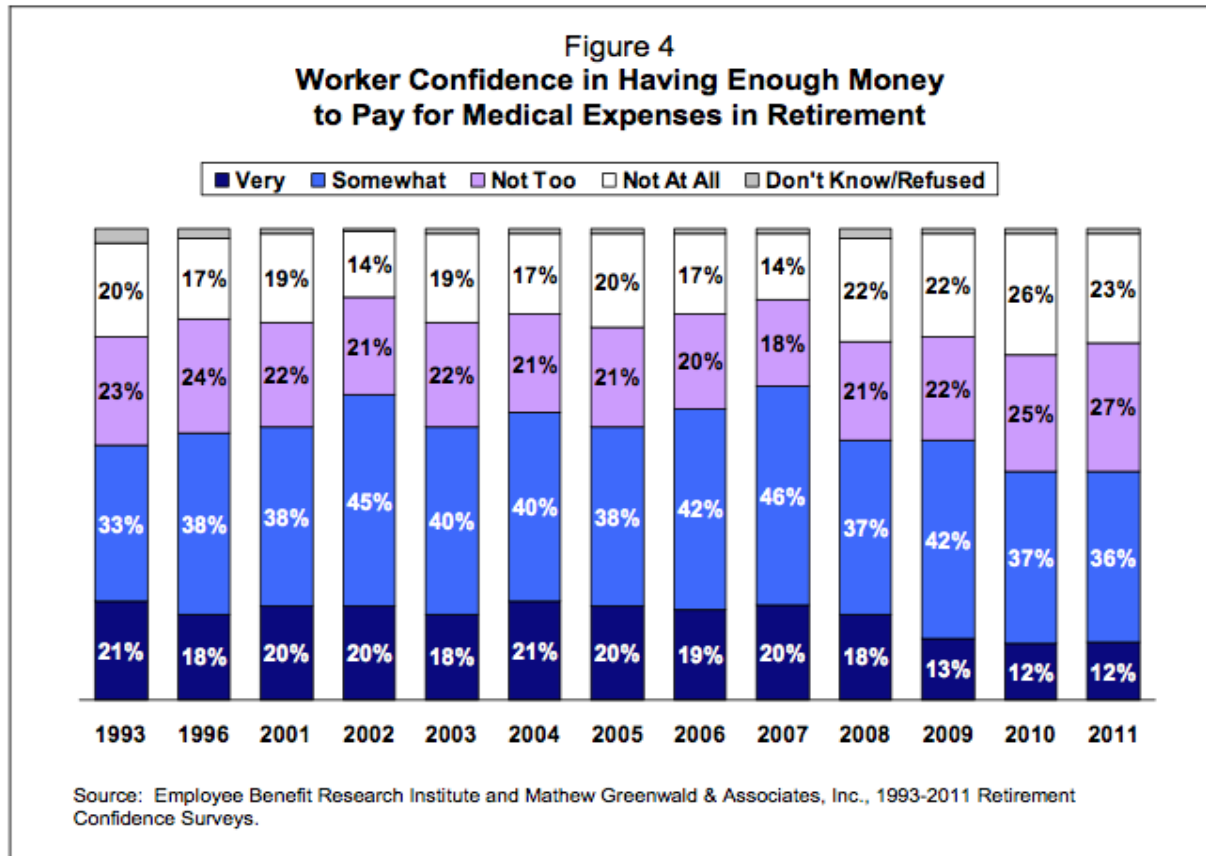
# Five Facts Boomers Need to Know About Medicare

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

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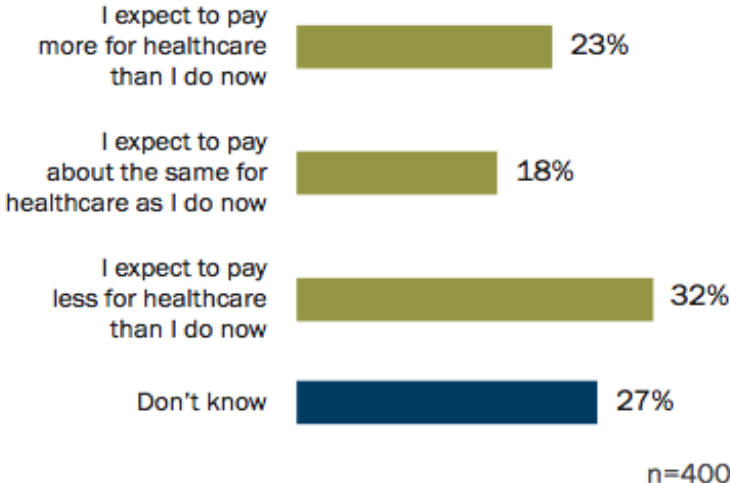
# Lack of Confidence about Medical Expenses



# 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 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
- Part D: Must choose private insurer
- Part C (Medicare Advantage): If using, must choose private insurer





# 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
<p>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.</p>			<p>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.</p>			



# 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 ( $\geq 20$  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 ( $\geq 20$  employees) and does not sign up during his **initial** enrollment period (7-month period surrounding 65<sup>th</sup> 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).
- **Example:** Mr. Smith's initial enrollment period ended September 30, 2008. He waited to sign up for Part B until the general enrollment period in March 2011. His Part B premium penalty is 20%. (While Mr. Smith waited a total of 30 months to sign up, this included only two full 12-month periods.)



# 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 (\$32.42 in 2014) 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

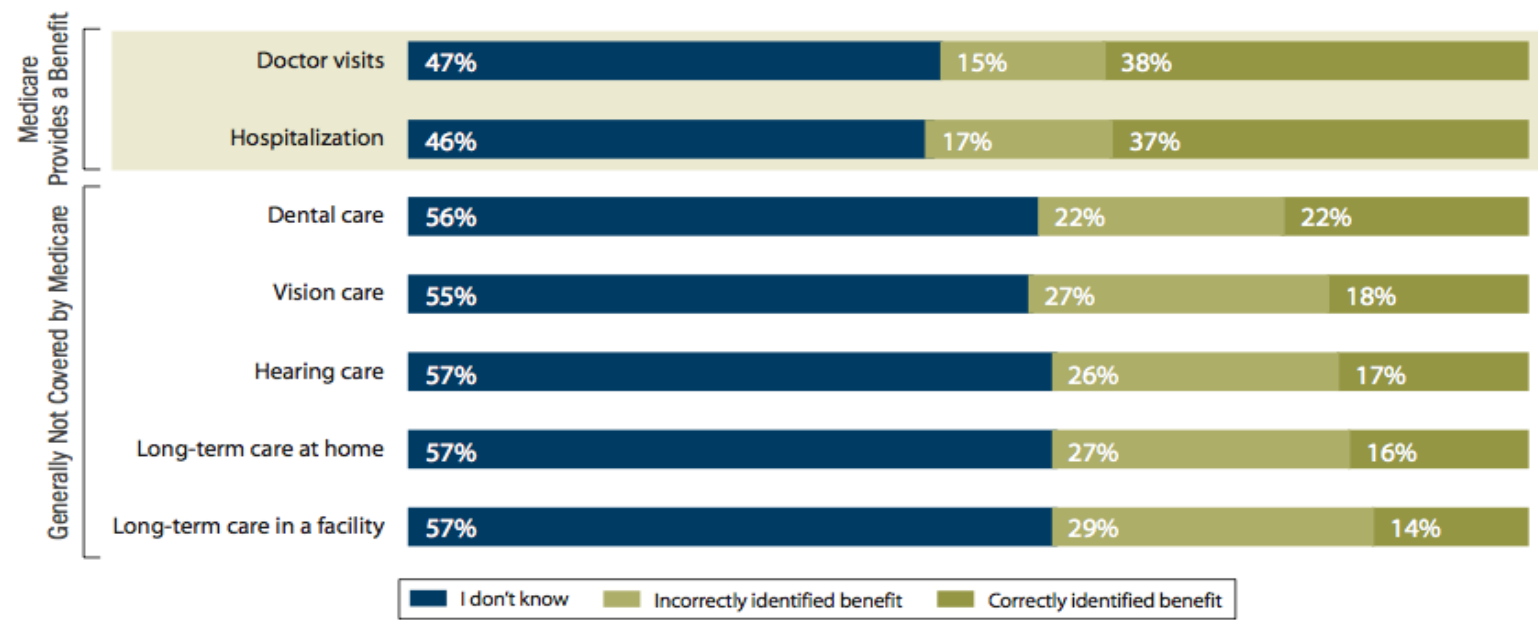
**Medicare doesn't cover everything**



# 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?

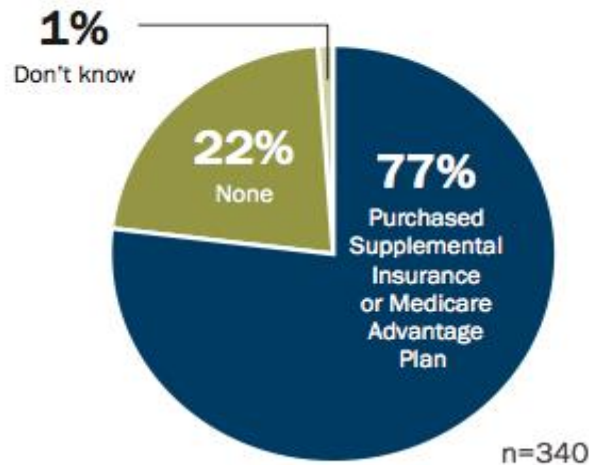
- Care delivered outside the U.S.
- Dental care
- Vision care
- Hearing aids
- Cosmetic surgery
- Acupuncture and other alternative care
- Amounts over Medicare-approved amount
- Amounts not covered by deductibles and coinsurance (20%)
- Long-term care



# 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**

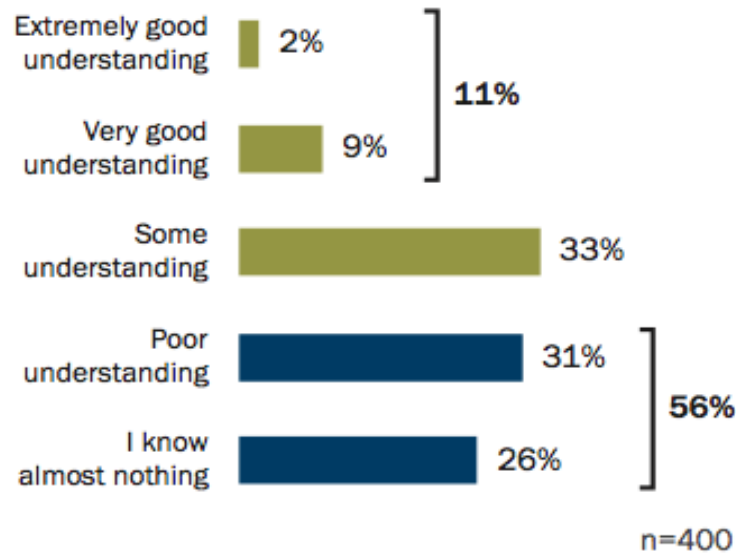




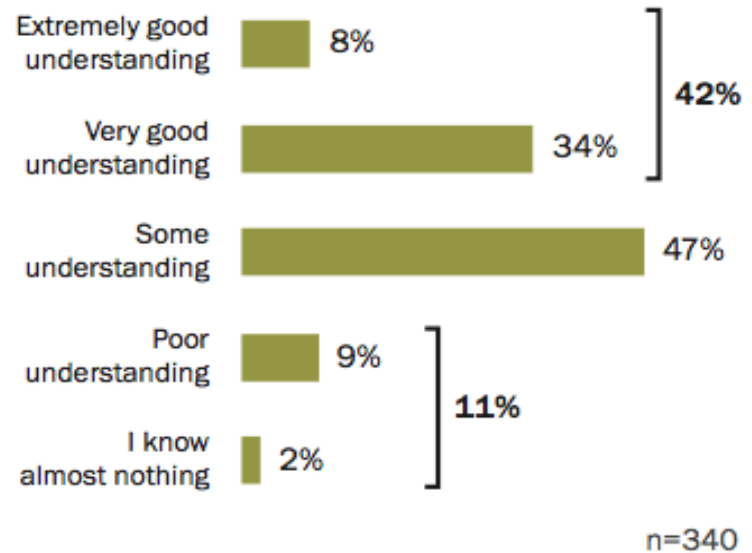
# Gaps in Understanding

## Overall Understanding of Medicare Benefits and Costs

Pre-Medicare Boomers age 47 to 64



Middle-income Americans with Medicare age 65 to 75

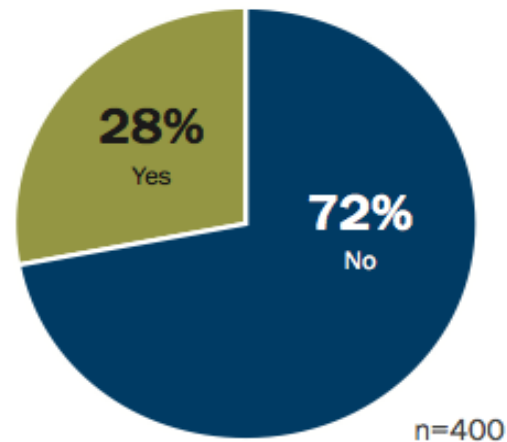


Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



# Boomers Unsure of Out-of-Pocket Costs

Correctly Identified Monthly Premiums, Co-Pays and Deductible as Costs Associated with Medicare



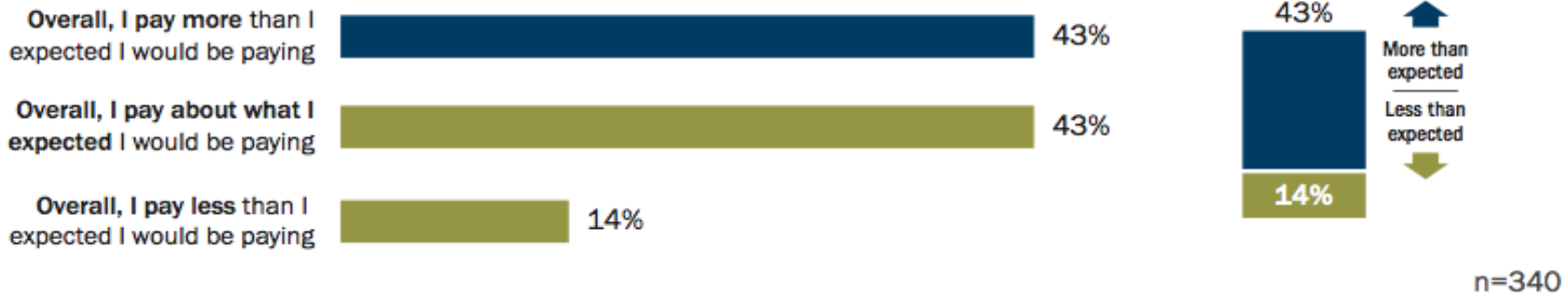
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



# 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



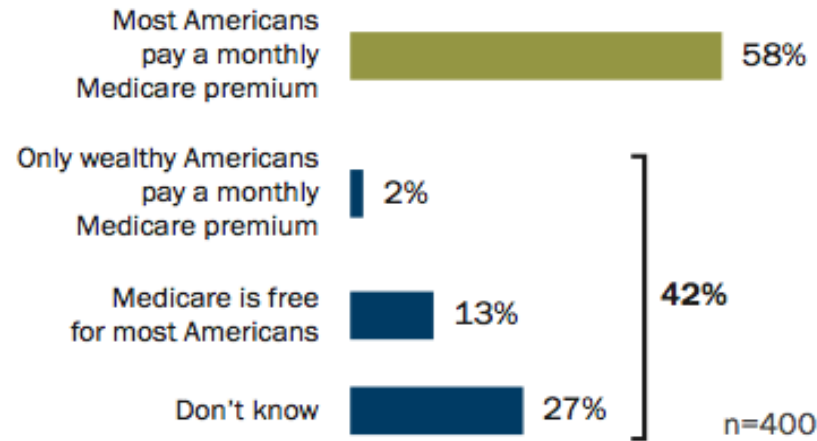
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



# 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.



# Medicare Part B Premiums

## Monthly Medicare Part B Insurance Premiums by Year

1998 to 2012



\*Standard monthly premium. \*\*Standard monthly premium for new Medicare eligibles.

Sources: Congressional Research Service, *Medicare: Part B Premiums*, December 2008 and the Centers for Medicare & Medicaid Services, Medicare.gov accessed November 2012.



# Monthly Premiums Higher 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	\$104.90	\$0.00	\$40.00	\$0.00	\$144.30
\$85,001 - \$107,000	\$170,001 - \$214,000		\$104.90	\$42.00	\$40.00	\$12.10	\$199.00
\$107,001 - \$160,000	\$214,001 - \$320,000		\$104.90	\$104.90	\$40.00	\$31.10	\$280.90
\$160,001 - \$214,000	\$320,001 - \$428,000	\$85,001 - \$128,000	\$104.90	\$167.80	\$40.00	\$50.20	\$362.90
> \$214,000	> \$428,000	> \$128,000	\$104.90	\$230.80	\$40.00	\$69.30	\$445.00



# Health Care Costs in Retirement

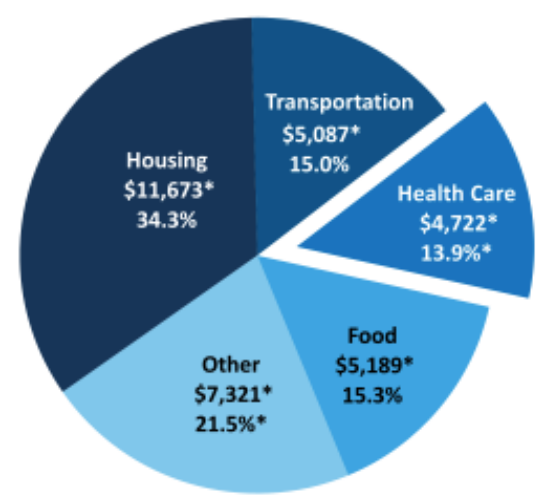
- Monthly premiums
- Deductibles
- Copayments
- Coinsurance amounts
- Out-of-pocket costs for non-covered services



# How Much Do Medicare Households Spend on Health Care?

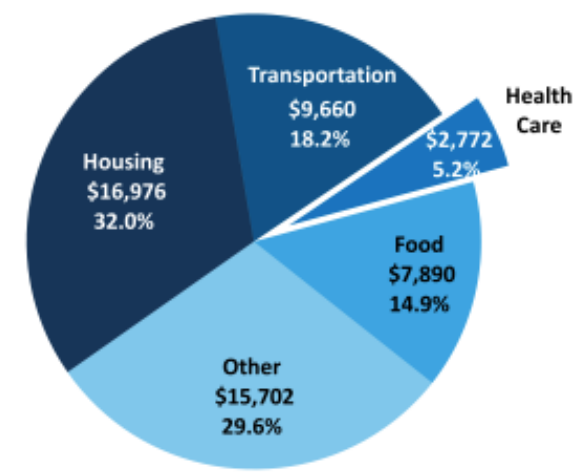
## Distribution of Average Household Spending by Medicare and Non-Medicare Households, 2012

Medicare Household Spending



Average Household Spending = \$33,993\*

Non-Medicare Household Spending



Average Household Spending = \$53,000

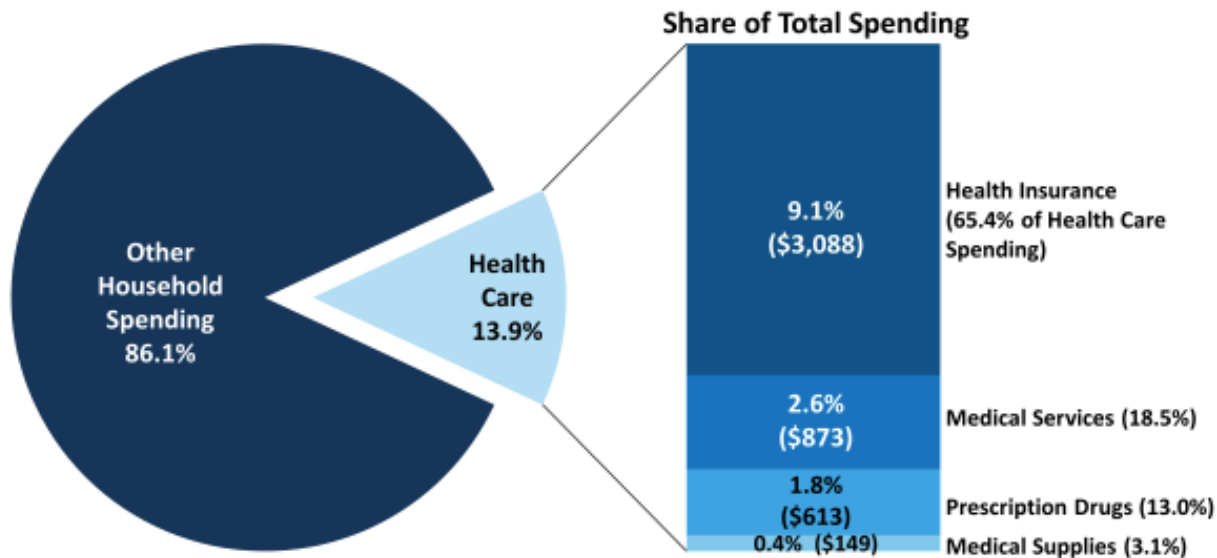
NOTE: \*Estimate statistically significantly different from the non-Medicare household estimate at the 95 percent confidence level.  
SOURCE: Kaiser Family Foundation analysis of the Bureau of Labor Statistics Consumer Expenditure Survey Interview and Expense Files, 2012.





# Components of Average Health Care Spending by Medicare Households

Components of Average Health Care Spending by Medicare Households, 2012



Average Total Household Spending = \$33,993

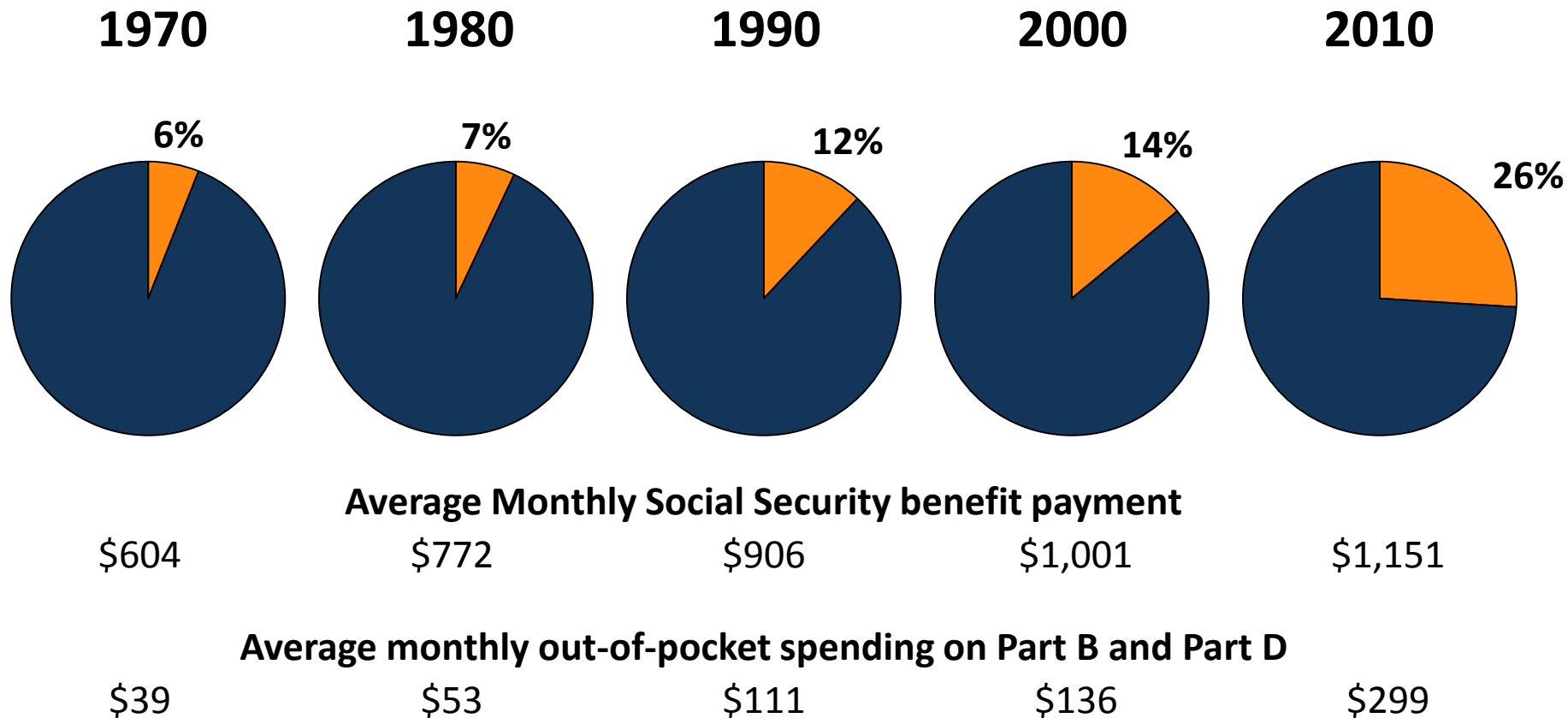
Average Health Care Spending = \$4,722

NOTE: Numbers may not sum to total due to rounding.

SOURCE: Kaiser Family Foundation analysis of the Bureau of Labor Statistics Consumer Expenditure Survey Interview and Expense Files, 2012.



# Part B and Part D Out-of-Pocket Spending as a Share of Average Social Security Benefit, 1970-2010



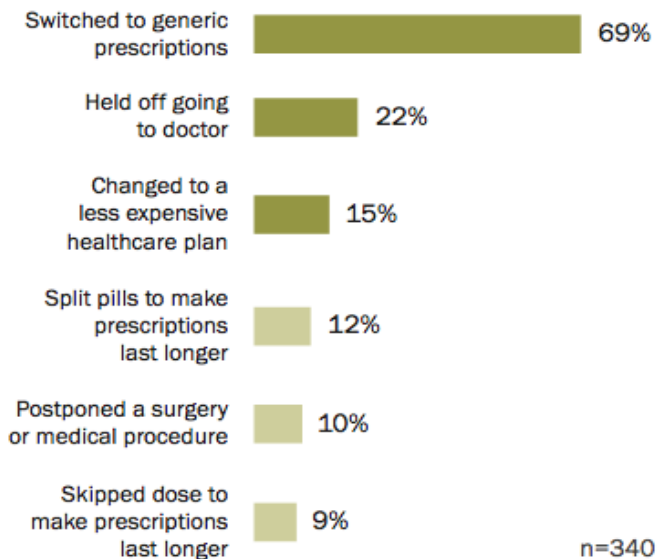
NOTE: SMI is Supplementary Medical Insurance. Out-of-pocket spending includes SMI (Part B and Part D) premiums and out-of-pocket cost-sharing expenses for SMI covered services.  
 SOURCE: Kaiser Family Foundation analysis based on data from 2012 Annual Report of the Boards of Trustees of the Federal 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

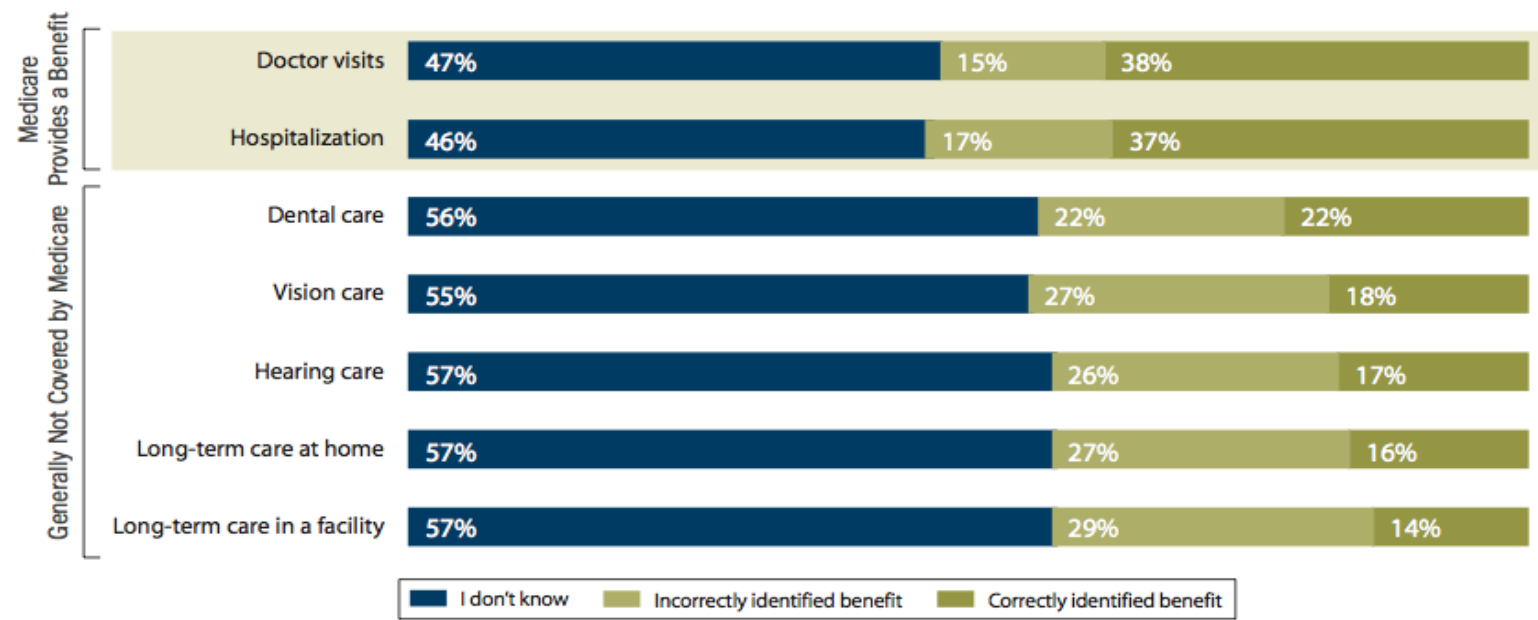
**Medicare doesn't cover long-term care**



# Boomers Can't Identify Benefits

## Understanding of Coverage for Specific Services

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

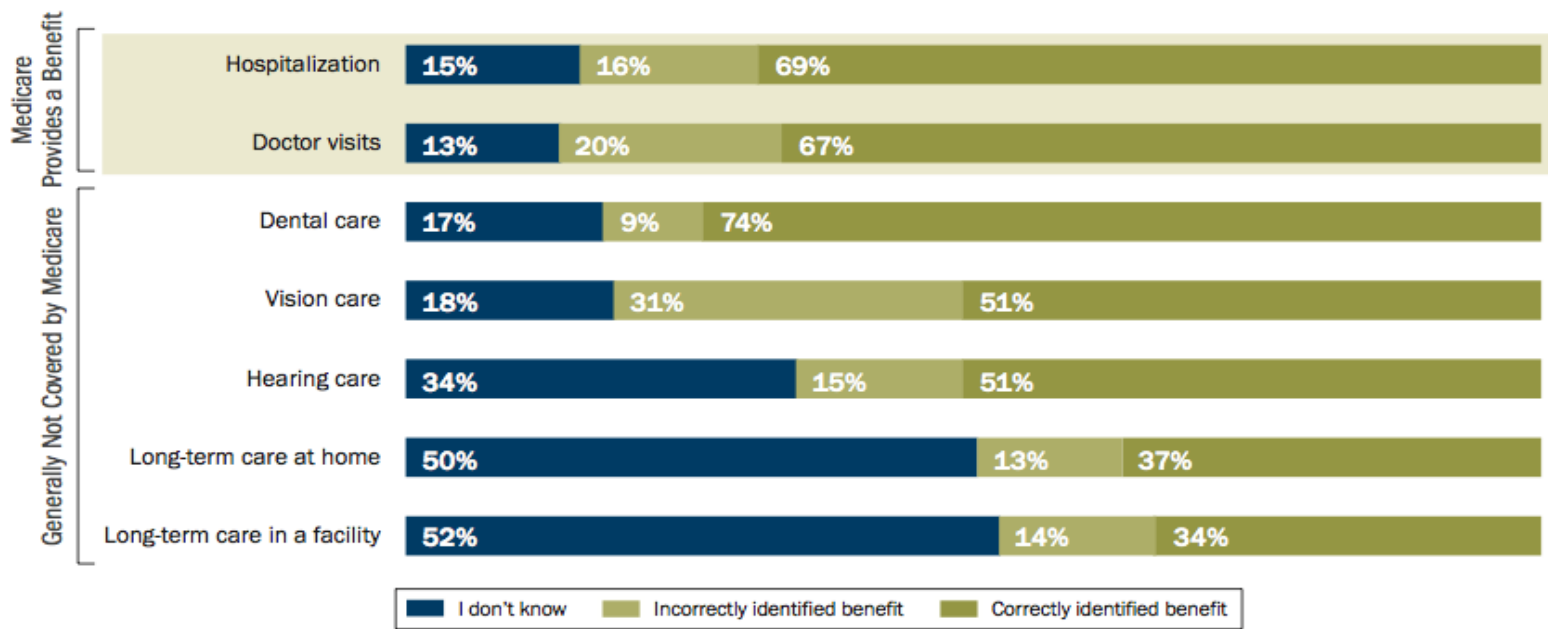
Source: Bankers Life and Casualty Company Center for a Secure Retirement, *Retirement Healthcare for Middle-Income Americans*, 2012.



# 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



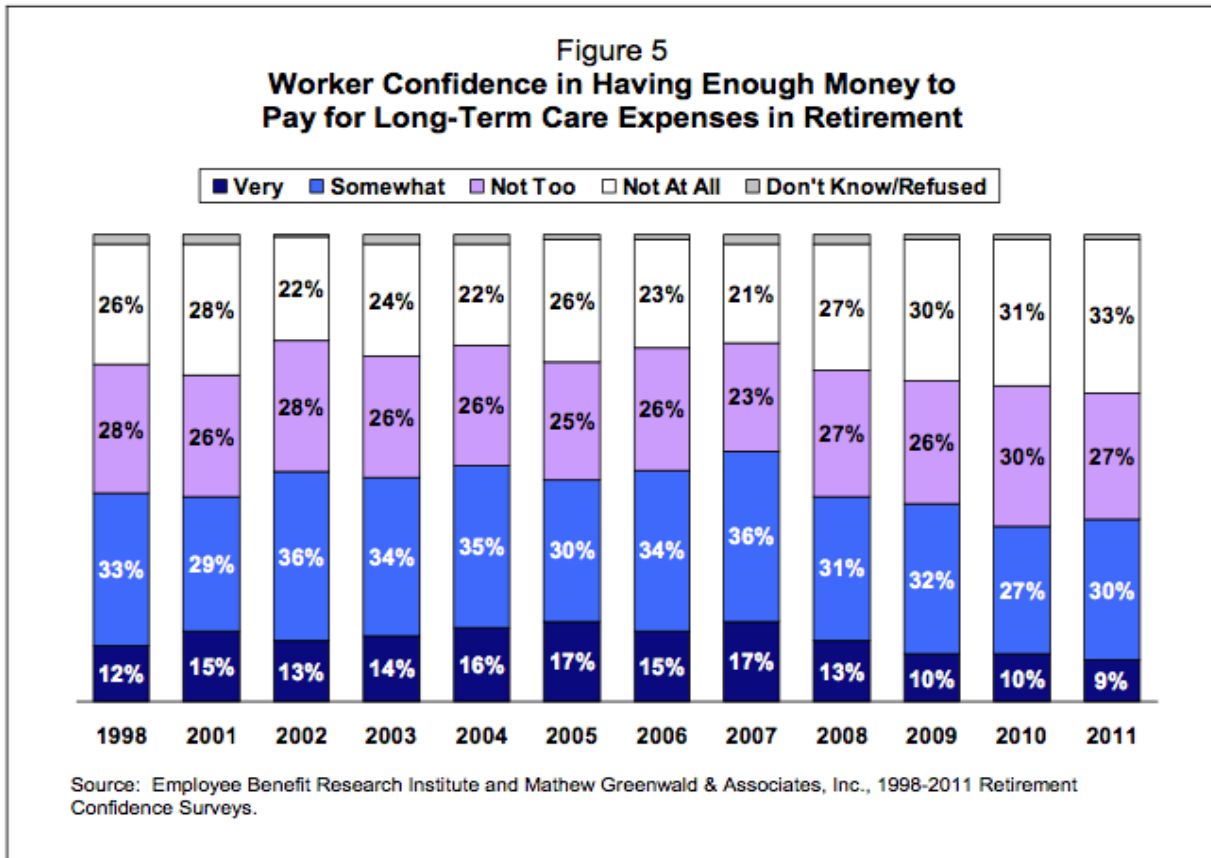
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Prescription drug benefit excluded due to the individualized nature of its cost structure.

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



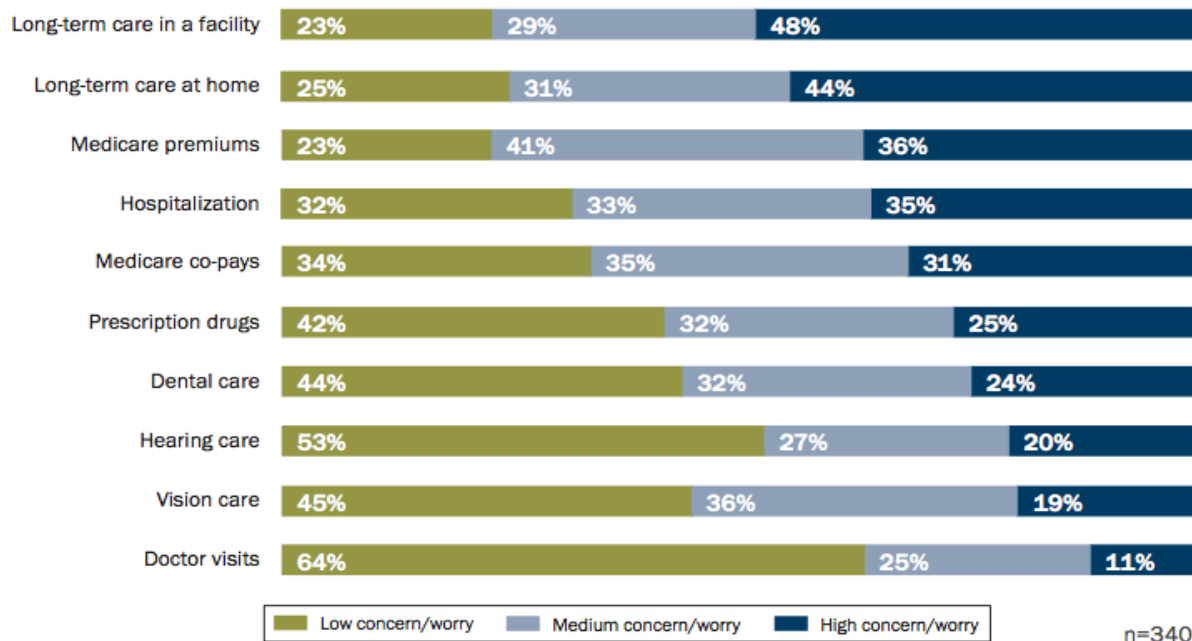
# Boomers Are Worried About Long-Term Care



# 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.

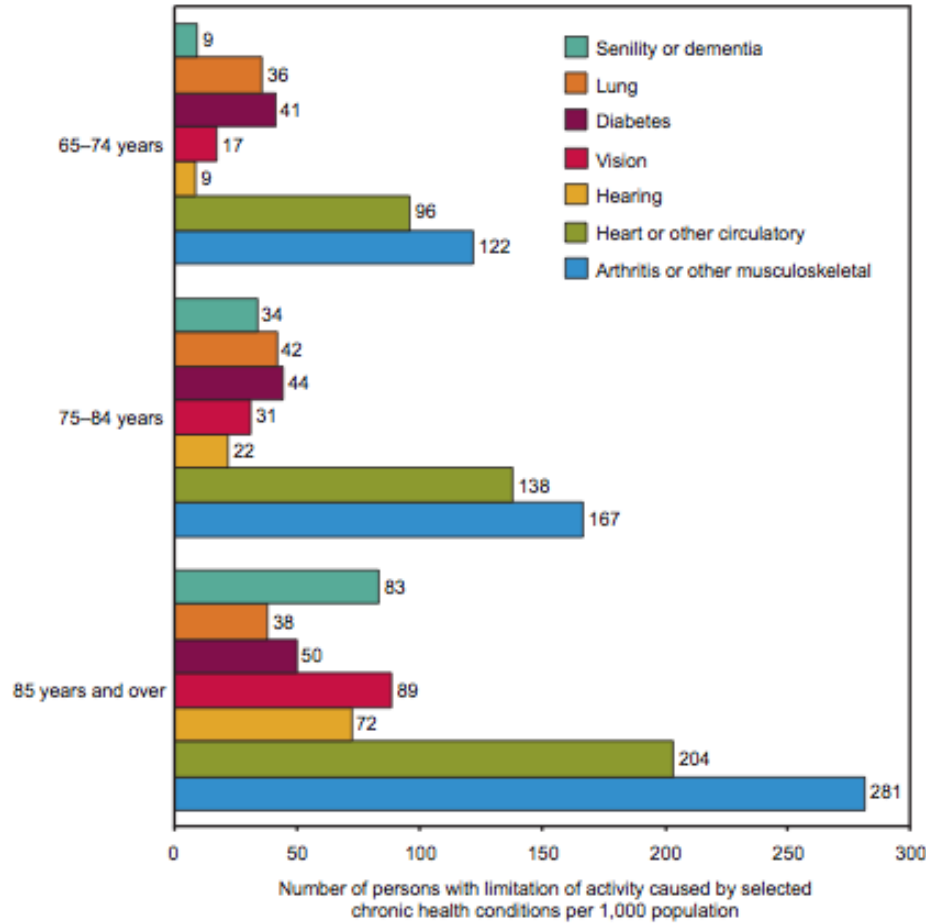




# Visualizing Old Age



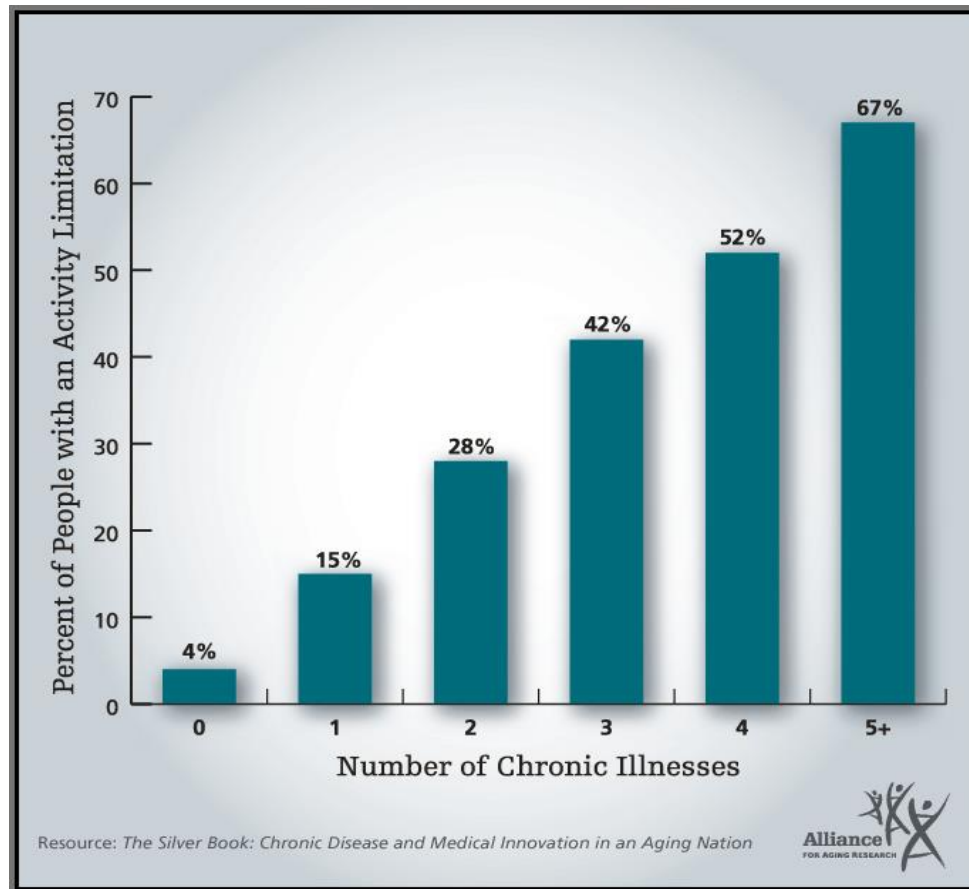
# Causes of Activity Limitations



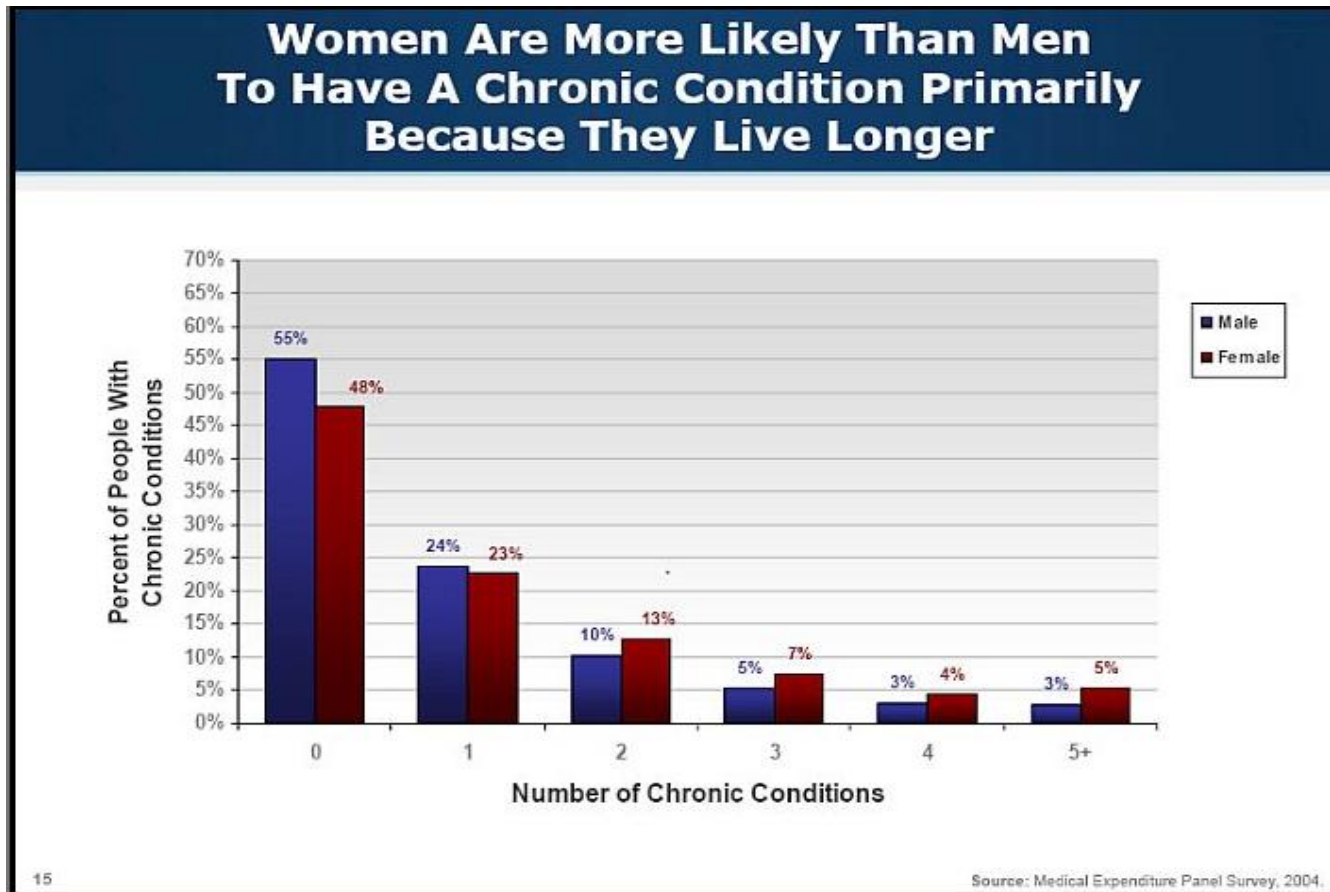
Source: Health, United States, 2009 Centers for Disease Control and Prevention



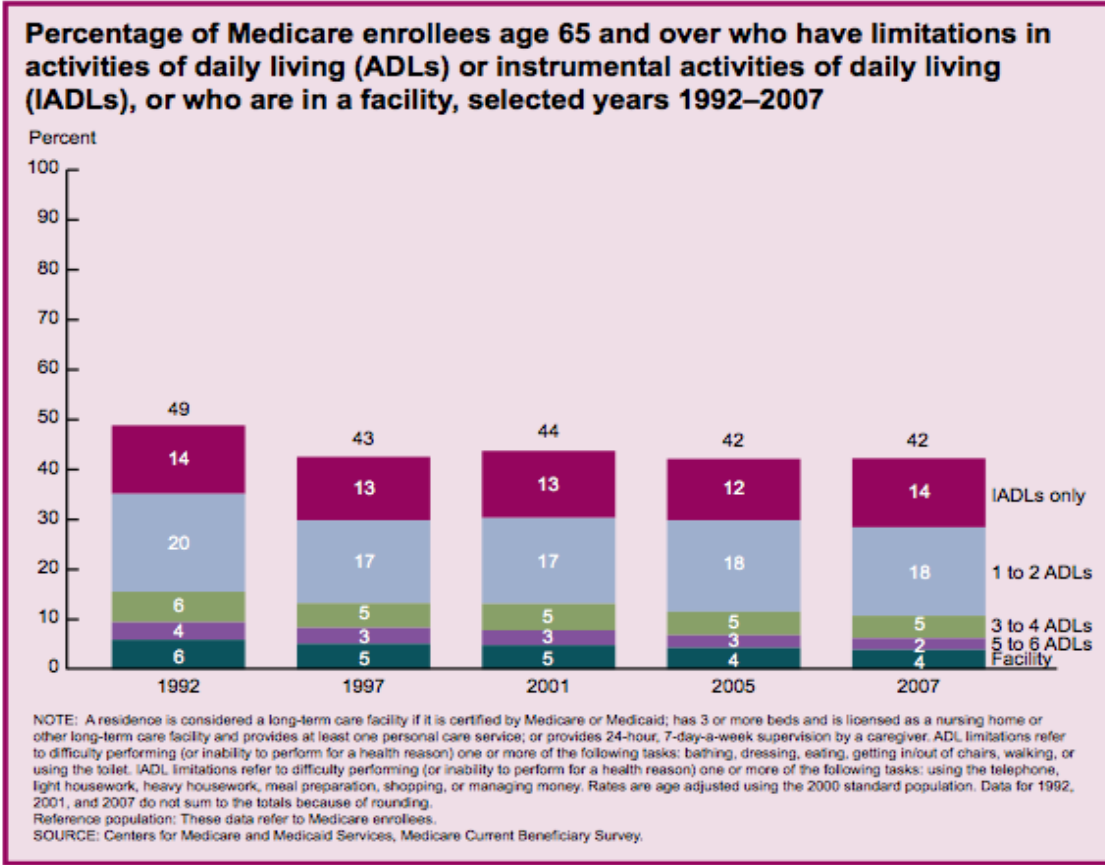
# More Chronic Illnesses Means Greater Likelihood of Activity Limitations



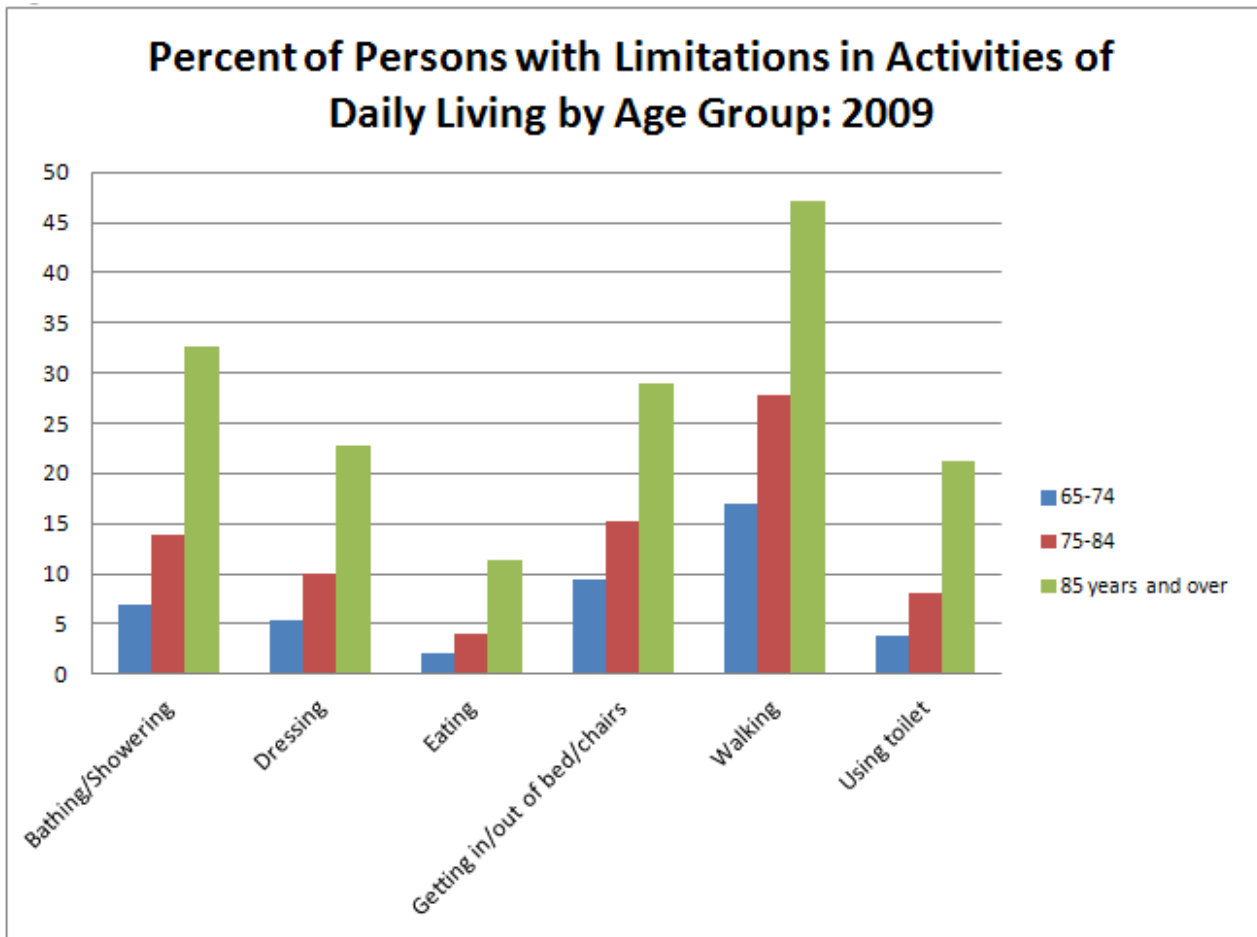
# Women Are More Likely Than Men to Have a Chronic Condition



# 42% of Medicare Enrollees Have Activity Limitations



# Don't Need Help Now? Just Wait



Source: Administration on Aging, A Profile of Older Americans, 2011



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

Type of Care	Cost (U.S. median)
Homemaker services	\$19 per hour
Home health aide services	\$20 per hour
Adult day health care	\$65 per day
Assisted living facility	\$3,500 per month
Semi-private room in nursing home	\$212 per day
Private room in nursing home	\$240 per day

Source: Genworth Cost of Care Survey, 2014



# 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



# Recommendations for Consumers

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- Understand what isn't covered

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- Talk openly about your health care future

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
- 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



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



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- Guide them on supplemental insurance



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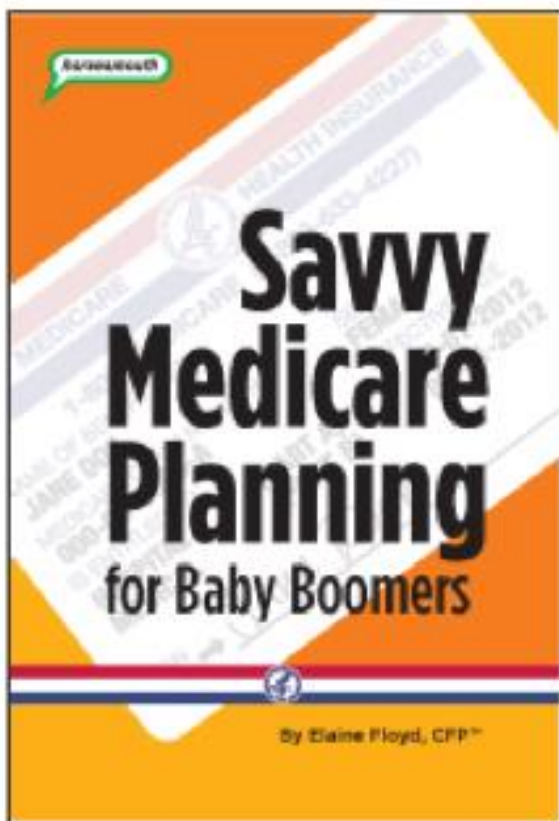




# Recommendations for Advisors

- 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





## Series of 4 Webinars + Study Guide

Session 1: August 5

Medicare Basics

Session 2: August 12

Supplemental Insurance

Session 3: August 19

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

Session 4: August 26

Marketing and communicating your Savvy Medicare planning services



# Savvy Medicare – An Advisor Education Program & Client Education Workshop

Online Access To Everything You Need To...



## First Educate Yourself...

### Part 1: Learn



#### Advisor Research, Education & Tools

##### 1. Online Webinar Orientation



##### 2. Twice-monthly eNewsletter with Online Updates



##### 3. Website



### Part 2: Interact

#### 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:

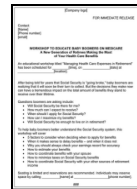
- 1. Toolkit with:
  - ✓ Workshop descriptions
  - ✓ Brochure
  - ✓ Posters



##### 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



# Request a Desktop Demo



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# Thank you!

Send questions to:

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**888-336-6884 ext. 1**

