

5 T H A N N U A L  
*Financial Advisor*  
**RETIREMENT SYMPOSIUM**

# **What Clients Don't Know About Medicare That Could Wreck Their Retirement**

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# Please Note

- Given the “hot topic” nature of the new health insurance marketplaces and constant changing nature of information, the content of this presentation is current as of the date of publication.
- We suggest that you follow us for updated info:



@DrKaty



Dr. Katy Votava



/Dr.KatyV



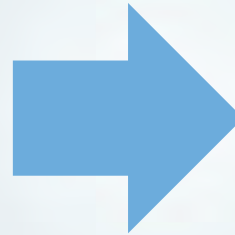
# Agenda

- Impact of Medicare on Retirement Planning
- Strategies to avoid lifelong Medicare penalties
- How to minimize the cost of Medicare
- How to maximize your Medicare coverage
- Simple solutions to incorporate into your retirement planning practice
- Q & A



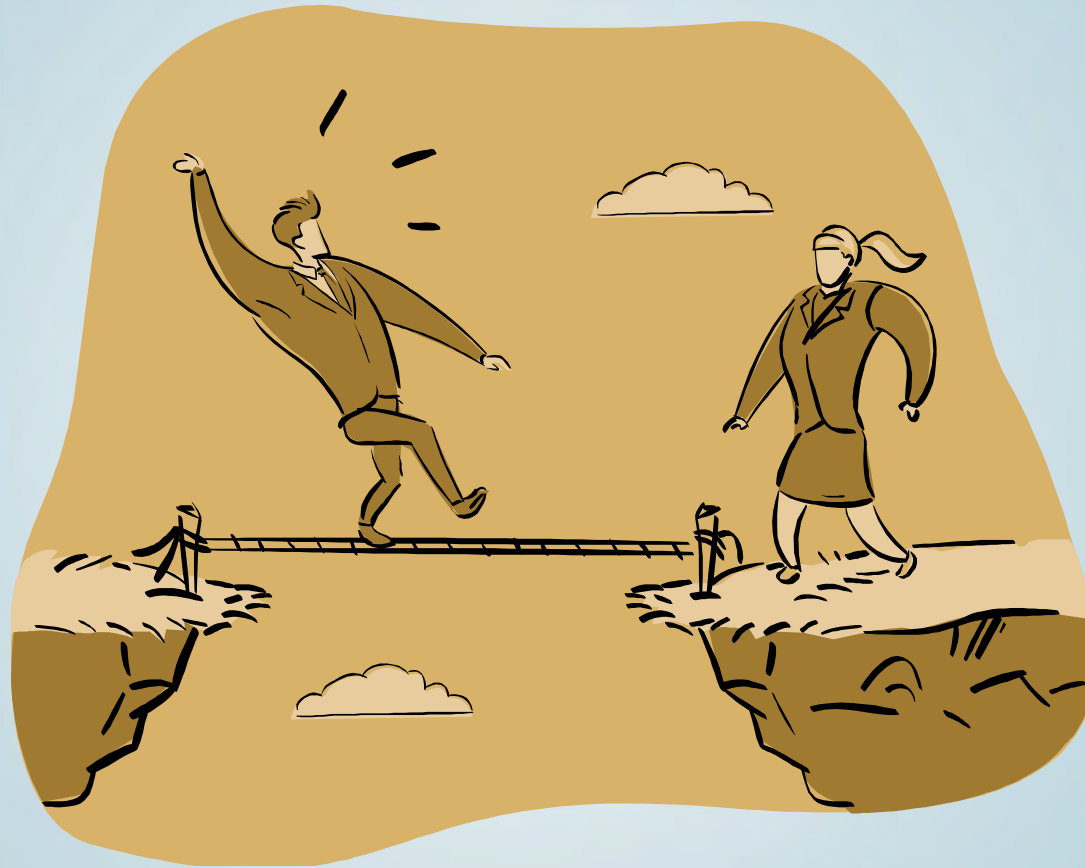
# How This Fits In Advisor Business Model

- Cut unnecessary healthcare costs
  - ☞ Minimize impact of higher income on Medicare costs
  - ☞ Eliminate Medicare penalties
- Limit out-of-pocket exposure
  - ☞ Routine costs
- Catastrophic:
  - ☞ Acute
  - ☞ Long Term



- ✓ Allow people to invest more with advisors
- ✓ Minimize unnecessary decumulation
- ✓ Create tremendous stock of good will

# 65 is the Great Divide

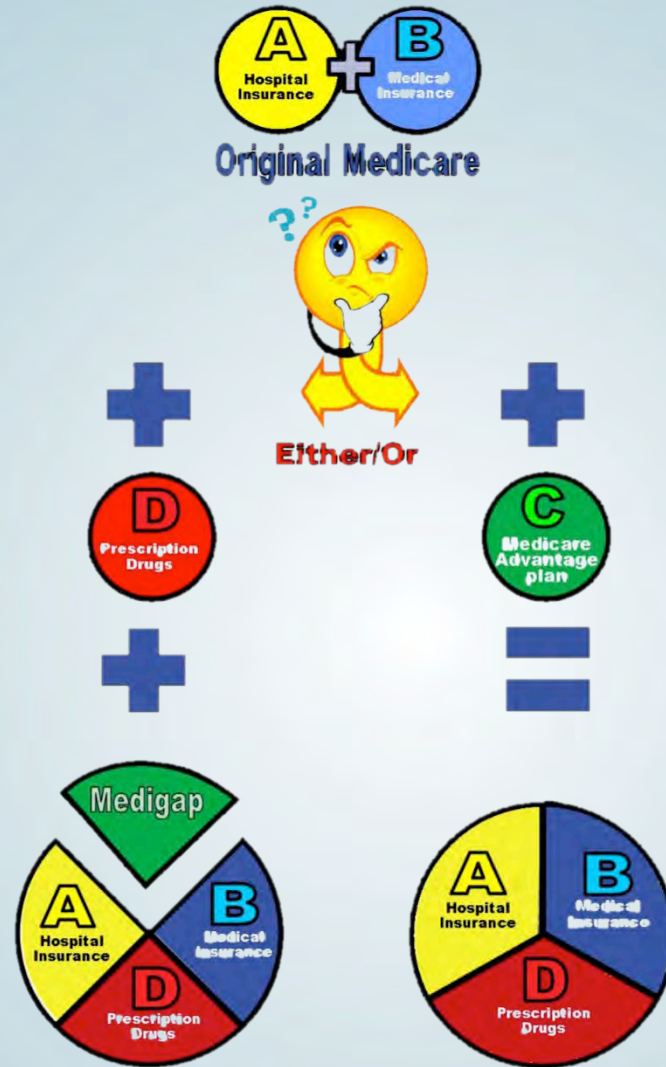


# What is Medicare?

- Federally administered health insurance plan
- Covers all United States Social Security recipients.
  - 65 years of age or older
  - < 65 yrs. if medically disabled.
- Benefits are financed by payroll taxes, general tax revenues and beneficiary premiums.
- Beneficiaries pay part of the cost for most care:
  - Deductibles
  - Co-payments
  - Premiums for some “parts” of Medicare



# How to Put Medicare Coverage Together



**Medicare Part C / Advantage Plans** usually works like an HMO or PPO and combines original Medicare and a prescription drug plan into one plan.

There are some **Medicare Advantage Plans** that do not include a prescription drug plan. They may work like a **High Deductible Health Plans (HDHP)** and are used in conjunction with a **Medicare Savings Account (MSA)**

A word about  
**“Supplemental” AKA:**

- Medigap
- Medicare Part B
- Medicare Part C/  
 Advantage

# Medicare Coverage Builder

Service Type	Coverage Type						
	Medicare A	Medicare B	Medicare D	Medicare Advantage (Medicare C)	Medigap	Employer Retiree Coverage	Employer Coverage
Hospital, Rehab, Acute Home Care	YES			YES		YES, most require Med A	YES
Outpatient		YES		YES		YES may require Med B	YES
Copays and Coinsurance				MAYBE	SOME	MAYBE	MAYBE
Drug		MAYBE	YES	MAYBE		MAYBE	MAYBE
Drug copays						MAYBE	MAYBE
Donut Hole			SOME	MAYBE		MAYBE	MAYBE





# How does Medicare use Modified Adjusted Gross Income?

- Determine beneficiary's Medicare "Cliff Bracket" tier
- Cliff Bracket tiers determine "Adjustments" aka additional costs charged by Social Security for Medicare B and D
- Cliff Bracket tiers are fixed through 2019



# Medicare MAGI “Cliff Brackets”

Tier	Modified Adjusted Gross Income	
	Single	Married Filing Jointly
1	≤ \$85,000	≤ \$170,000
2	\$85,001 ≤ \$107,000	\$171,000 ≤ \$214,000
3	\$107,001 ≤ \$160,000	\$214,001 ≤ \$320,000
4	\$160,001 ≤ \$213,000	\$320,001 ≤ \$428,000
5	>\$213,000	>\$428,000



# How to Calculate MAGI for Medicare

- Calculate using 1040 long form:
- Medicare MAGI = Adjusted Gross Income (line 37)  
+ tax exempt interest (line 8b)



# How does Social Security know your Medicare MAGI?

- Social Security looks your tax return from 2 years ago
- Can apply for reconsideration “change in circumstance”:
  - Marry, divorce or widowed
  - Stop working or reduce work
  - Lost income-property d/t disaster
  - Employer pension plan major change
  - Employer base settlement d/t bankruptcy



# Medicare Parts B & D Adjustments 2014

MAGI Cliff Brackets			Part B <sup>a</sup>	Part D <sup>a</sup>	Total
Tier	Single	Married Filing Jointly			
1	≤ \$85,000	≤ \$170,000	\$0	\$0	\$0
2	≤ \$107,000	≤ \$214,000	\$504	\$145	\$649
3	≤ \$160,000	≤ \$320,000	\$1,258.80	\$373	\$1,632
4	≤ \$213,000	≤ \$428,000	\$2,013.60	\$602	\$2,616
5	>\$213,000	>\$428,000	\$2,769.60	\$832	\$3,601

<sup>a</sup> CMS 2014 actual.



# Individual Medicare Premiums 2014

<b>MAGI Tier</b>	<b>Med. B &amp; D Adj. Total</b>	<b>Med. Part B prem.<sup>a</sup></b>	<b>Part D<sup>b</sup> plan prem.</b>	<b>Total Medicare Premiums</b>
<b>1</b>	\$0	\$1,259	\$396	\$1,655
<b>2</b>	\$649	\$1,259	\$396	\$2,304
<b>3</b>	\$1,632	\$1,259	\$396	\$3,287
<b>4</b>	\$2,616	\$1,259	\$396	\$4,271
<b>5</b>	\$3,601	\$1,259	\$396	\$5,256

<sup>a</sup> Based on 2014 \$104.90/month Medicare B premium.

<sup>b</sup> CMS national average Medicare D plan premium projection \$33/month



# > 65 yrs. Individual Estimated Healthcare Costs 2014

<b>MAGI Tier</b>	<b>Total Medicare</b>	<b>Medigap F<sup>a</sup></b>	<b>Out-of-Pocket<sup>b</sup></b>	<b>Total</b>
<b>1</b>	\$1,655	\$2,196	\$4,852	\$8,703
<b>2</b>	\$2,304	\$2,196	\$4,852	\$9,352
<b>3</b>	\$3,287	\$2,196	\$4,852	\$10,335
<b>4</b>	\$4,271	\$2,196	\$4,852	\$11,319
<b>5</b>	\$5,256	\$2,196	\$4,852	\$12,304

<sup>a</sup> National average Plan F. <sup>b</sup> Kaiser Foundation 2006 estimate.



# What am I supposed to do?





# Strategies:

Limit client's exposure to the Medicare  
“cliff brackets” & other cost sink holes



# Strategies to limit the effect of Healthcare Cost Sink Holes

- Include healthcare cost and coverage in your annual client review agenda!
- Included a separate line item in the retirement budget for routine healthcare costs
  - Use a healthcare inflation rate approx. 8%
- When retirement is on the foreseeable horizon – explore retiree health coverage options
- When clients are 64 – get focused on coverage @ 65



# Strategies to limit the effect of Medicare MAGI

- Look at your client's tax returns!
- Calculate their Medicare MAGI
- Incorporate into retirement budget & plan
- Consider impact of Cliff Bracket tier & portfolio:
  - Tax exempt investments
  - Deferred compensation payouts
  - Capital gains



# Strategies to limit the effect of Medicare MAGI

- Remain in work force with employer insurance
  - Caveat: If not required to have Med. Part B
- Apply for reconsideration if change in circumstance moves you to lower bracket
  - Respond timely to initial Social Security notice
  - Formal Reconsideration
  - Appeal
- If move to higher bracket – set aside funds to pay increased “Adjustment” in 2 years



# Medicare Parts B & D Adjustments 2014

MAGI Cliff Brackets			Part B <sup>a</sup>	Part D <sup>a</sup>	Total
Tier	Single	Married Filing Jointly			
1	≤ \$85,000	≤ \$170,000	\$0	\$0	\$0
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4	≤ \$213,000	≤ \$428,000	\$2,013.60	\$602	\$2,616
5	>\$213,000	>\$428,000	\$2,769.60	\$832	\$3,601

<sup>a</sup> CMS 2014 actual.



# Construct Realistic Retirement Healthcare Budgets

- Include expected insurance costs:
  - premiums, co-payments, deductibles
- Other expected out-of pocket costs:
  - Pharmaceuticals, medical equipment and supplies, eye ware, hearing aides, home modification, etc., etc.
- Long-term care cost risk



# Applying for Medicare on a timely basis or pay penalties forever!

- Eligible the 1st day of month of 65th birthday month
- Start the application process 4 months prior to coverage start!
- Contact Social Security:
  - Online, phone, in person @ any Social Security office



### The year you turn 65 Medicare Window of Opportunity

If you enroll 1 to 3 months before your 65<sup>th</sup> birthday, coverage starts on the month you reach 65.

If you enroll 1 month after you reach 65, coverage starts 2 months after the month of enrollment.










Your can enroll in Medicare 3 months before your Birthday month.

If you enroll 2 or 3 months after you reach 65, coverage starts 3 months after the month of enrollment.

If you do not enroll before your birthday month your coverage will be delayed

If your birthday falls on the **1st** of the month your coverage starts the month before you turn 65.

Fill-in the time-line below with your birthday month, then the 3 months before your birthday to see when you should apply for Medicare.

NO DELAY			YOUR BIRTHDAY	DELAYED START			TOO LATE		
									





# Applying for Medicare on time or pay penalties forever!

- Decide which “Parts” you need:
  - Medicare Part A only
  - Medicare Parts A + B + D
  - coverage: Medicare Part D + Medigap, or  
Medicare Part C (aka Medicare Advantage)
- If not applying during Initial Enrollment Period make sure eligible for “Special Enrollment Period” later:
  - **If not have to wait for next General Enrollment Period:**
    - **January 1<sup>st</sup> – March 31<sup>st</sup>; coverage effective following July 1<sup>st</sup>**
  - **And, pay life long penalties!**



# What are Medicare Penalties

- Medicare B Penalty = 10% per year
- Medicare D Penalty = 12% per year
- Case Study:
  - Client who does not sign up for Medicare @ age 65 and does not have “Medicare creditable” coverage for 3 years
  - Med B 10% penalty \* 3 years = 30% ↑ Med B Premiums
  - Med D 12% penalty \* 3 years = 36% ↑ Med D Premiums



# Case Study Impact of Penalties on Medicare Premiums 2014

<b>MAGI Tier</b>	<b>Total Medicare Premiums No Penalty</b>	<b>Medicare B &amp; D Penalties</b>	<b>Total Medicare Premiums With Penalties</b>
<b>1</b>	\$1,655	\$520	\$1,779
<b>2</b>	\$2,304	\$724	\$2,632
<b>3</b>	\$3,287	\$1,032	\$3,923
<b>4</b>	\$4,271	\$1,341	\$5,216
<b>5</b>	\$5,256	\$1,651	\$6,511



# Open Enrollment for 2014 Does & Don'ts

- Do:
  - Encourage your clients to shop for Medicare coverage every year
  - Open enrollment for Medicare Advantage (Part C) & Medicare Part D:
    - 10/15/14 – 12/7/14
- Don't wait till the last minute to shop – it's too important a purchase!




# Annual Health Insurance Check- up

- Particularly if:
  - Medications changed
  - Out-of-Pocket cost high
  - Poor customer service
  - Uncomfortable Premium increases
  - Insurance plan no longer offered
- **Making the wrong choice may end up costing \$\$\$\$\$!**



# GOODCARE.com Tools you can use

- Health on the Net Certified → 
- Check out ***How to Shop Smart Webinars***
- The free [GOODCARE ToolKit](#)
- GOODCARE Newsletter:
  - Tips: how to save money on healthcare & Medicare
  - Sign up free on line or scan the QR code



# Questions & Answers with Dr. Katy

