

Fairhaven Wealth Management

# Medicare Planning: Making Wise Healthcare Choices in Retirement

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Medicare & Social Security Benefits Simplified

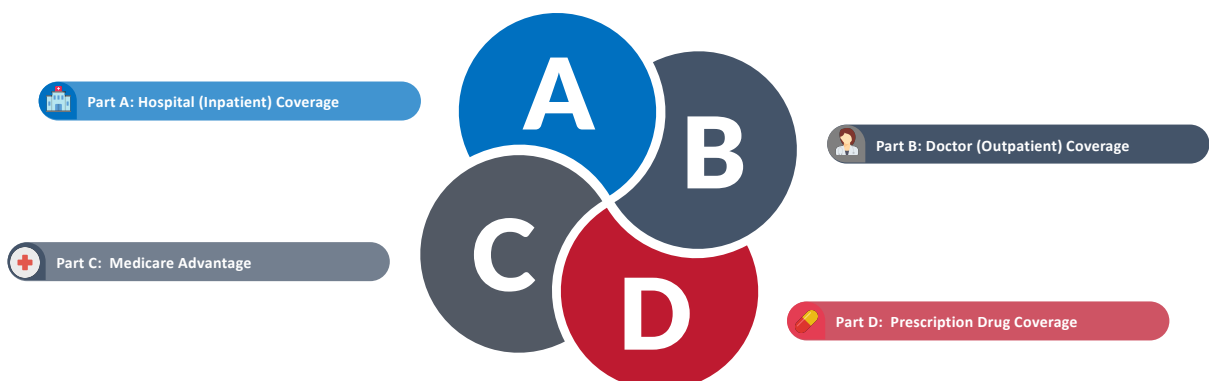
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CEO, Wealth Advisor & Founder



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## Medicare Overview

The Four Core Components



**Part A: Hospital (Inpatient) Coverage**

**Part B: Doctor (Outpatient) Coverage**

**Part C: Medicare Advantage**

**Part D: Prescription Drug Coverage**

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# Medicare Components

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## Part A: Hospital / Inpatient Care



### Coverage

- Hospital Care
- Skilled Nursing Care
  - Inpatient Facility
  - In-Home Care
- Hospice

### Cost

- No monthly premium for most beneficiaries
  - \$259/mo if 30-39 qtrs of covered employment
  - \$471/mo if <30 qtrs of covered employment
  - \$1,484 Deductible (per benefit period)

### Copay

- Hospital
  - \$0/day for 1-60
  - \$371/day for 61-90
  - \$742/day for available reserve days >90
- Skilled Nursing
  - \$0/day for 1-20
  - \$185.50/day for 21-100
  - Full Cost for >100 days

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# Medicare Components

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## Part B: Medical / Outpatient Care



### Coverage

- Physician Care
- Ambulance Transportation
- Durable Medical Equipment
- Mental Health Care
- Preventive / Wellness Care

### Cost

- \$148.50/mo Standard Premium
  - *Projected \$158.50 (2022)*
- \$207.90-\$504.90/mo if subject to an income related surcharge
- \$203 Annual Deductible
  - *Projected \$217 (2022)*

### Coinurance

- \$0 for eligible preventive care
- 20% for most services
- Up to 35% if provider does not accept "Assignment"

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# Medicare Components

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Part D: Prescription Drugs



Coverage	Cost	Coinsurance
<ul style="list-style-type: none"> <li>➤ Prescription Medications</li> <li>➤ 4-Tier Formulary</li> <li>➤ 3 Coverage Phases                             <ul style="list-style-type: none"> <li>➤ Initial</li> <li>➤ Donut Hole / Gap</li> <li>➤ Catastrophic</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Premium varies by plan selected                             <ul style="list-style-type: none"> <li>➤ Average ~\$30/mo</li> <li>➤ <i>Projected to increase 4.9% (2022)</i></li> </ul> </li> <li>➤ \$12.30-\$77.10/mo additional if subject to income surcharge</li> <li>➤ \$445 Max. Annual Deductible                             <ul style="list-style-type: none"> <li>➤ <i>Projected \$485 (2022)</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➤ Varies by plan formulary and applicable coverage phase</li> <li>➤ Up to 25% - Initial Coverage</li> <li>➤ 5% - Catastrophic Phase</li> </ul>

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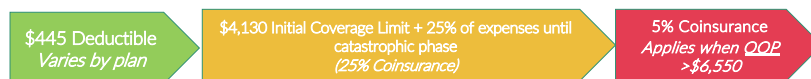


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# Medicare Components

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Part D: Coverage Phases



## Projected 2022 Changes

Deductible: \$485  
Initial Coverage Limit: \$4,430  
TrOOP: \$7,050

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# Medicare Components

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Medicare Supplement / Medigap Insurance

Covered Benefit	A	B	D	G	K	L	M	N
Part A Hospital Copayments (up to additional 365 reserve days)	✓	✓	✓	✓	✓	✓	✓	✓ \$50 ER Copay
Part A Hospital Deductible	✗	✓	✓	✓	50%	75%	50%	✓
Part B Coinsurance	✓	✓	✓	✓	50%	75%	✓	✓ \$20 copay
Part B Deductible	✗	✗	✗	✗	✗	✗	✗	✗
Part B Excess Charges	✗	✗	✗	✓	✗	✗	✗	✗
Skilled Nursing Copayments	✗	✓	✓	✓	50%	75%	✓	✓
Hospice Copayments	✓	✓	✓	✓	50%	75%	✓	✓
Blood Transfusion (first 3 pints)	✓	✓	✓	✓	50%	75%	✓	✓
Foreign Travel Emergency Care	✗	✗	✓	✓	✗	✗	✓	✓

⚠ WI, MN & MA have state specific plan options. | CT, MA, ME & NY have continuous/annual guaranteed issue rights.

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# Medicare Components

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Part C: Medicare Advantage



Coverage	Cost	Coinsurance
<ul style="list-style-type: none"> <li>➤ Private insurance plan that integrates Parts A, B &amp; D</li> <li>➤ Network based coverage (HMO or PPO)</li> <li>➤ May include Dental, Vision or Hearing services</li> </ul>	<ul style="list-style-type: none"> <li>➤ Premium varies by plan selected                             <ul style="list-style-type: none"> <li>➤ In addition to your Part B premium</li> <li>➤ Projected to decline slightly in 2022</li> </ul> </li> <li>➤ Subject to same premium surcharges as Original Medicare for Parts B &amp; D</li> </ul>	<ul style="list-style-type: none"> <li>➤ Coinsurance and/or copayment amounts will vary by plan</li> <li>➤ \$0 once out-of-pocket limit has been reached</li> <li>➤ 2021 Max In-Network OOP Limit is \$7,550</li> </ul>



You have a 12 month trial right to determine if Medicare Advantage meets your needs.

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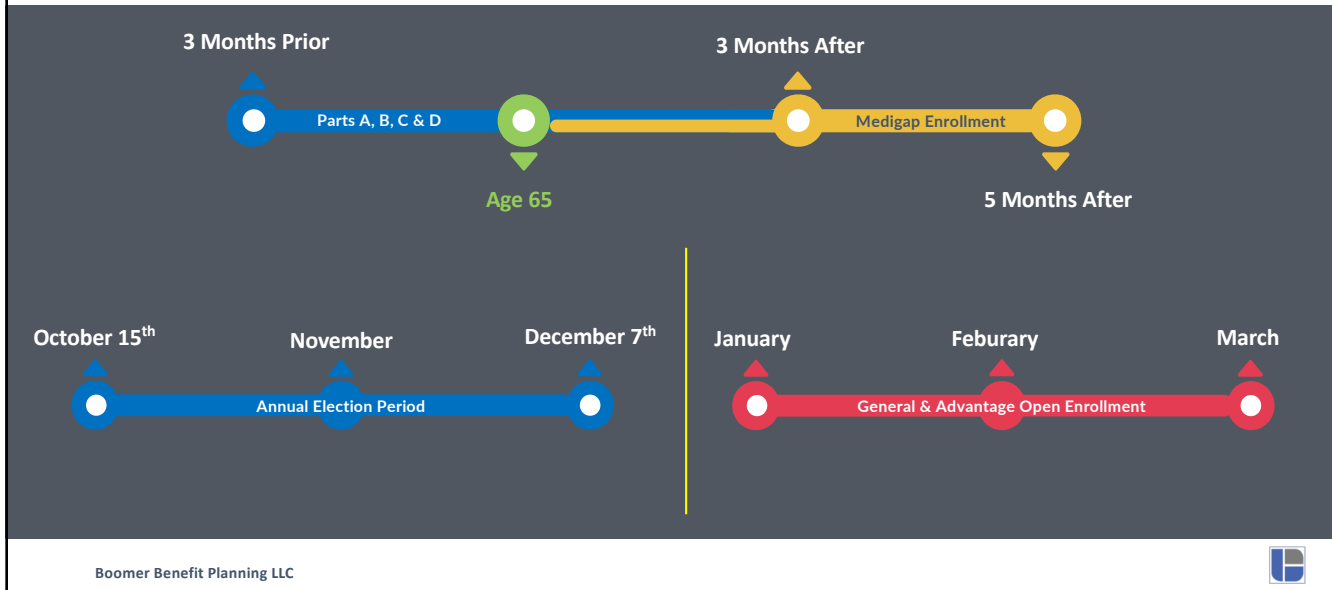


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# Medicare Enrollment

Initial / Annual / General / Advantage OEP

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# Medicare Enrollment

Special Considerations

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## Delaying Due to Work Past 65

- May delay if still working and covered by employer healthcare plan (includes spouse)
- Special consideration for small employers (<20 FTE)
- 8 month deferred enrollment period after employer coverage ends
- Do not assume employer coverage is better



## Health Savings Account Rule

- HSA contributions must stop once enrolled in any portion of Medicare
- May be up to 6 month look back
- Enrollment in Social Security will result in automatic Part A enrollment @ 65+
- Remaining HSA funds may be used to cover out of pocket expenses

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## 2021 Medicare Surcharges

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Income Related Monthly Adjustment Amount (IRMAA)

2019 Reported Income (Medicare uses tax return from 2 years prior)		Monthly Premium Amount	
Individual Filer	Married Filing Joint	Part B	Part D
≤\$88,000	≤\$176,000	\$148.50	Plan Premium
\$88,001-\$111,000	\$176,001-\$222,000	\$207.90	\$12.30 + Plan Premium
\$111,001-\$138,000	\$222,001-\$276,000	\$297.00	\$31.80 + Plan Premium
\$138,001-\$165,000	\$276,001-\$330,000	\$386.10	\$51.20 + Plan Premium
\$165,001-\$499,999	\$330,001-\$749,999	\$475.20	\$70.70 + Plan Premium
≥\$500,000	≥\$750,000	\$504.90	\$77.10 + Plan Premium

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## Medicare Penalties

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Late Enrollment

	Part B (Medical)	Part D (Prescription Drug)*
Penalty Amount	10% Incremental	1% Incremental
How It's Calculated	Increases 10% for each full 12 month period of missed enrollment	Increases 1% for each month of missed enrollment
Length of Assessment	Permanent for life of Medicare enrollment	Permanent for life of Medicare enrollment
When It Begins	Clock starts upon closure of Initial or Special enrollment period	After 63 consecutive days without creditable drug coverage

\* Penalty applied to National Base Beneficiary Premium of \$33.06 for 2021

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## Sample Case Study

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### Case Scenario

Bob, age 70, suffers a fall and requires hip replacement surgery. He will spend 4 days in the hospital and then be discharged to a skilled nursing facility to rehabilitate for 30 days.



### Assumptions

- Bob lives in Chicago, IL
- Pays \$148.50/mo for Part B / \$0 for Part A
- Estimated Hospital Fees: \$23,500
- Estimated Physician/Surgeon Fees: \$3,500
- Discharge to approved Medicare nursing facility
- Medication expenses not considered in this case.

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## Sample Case Study

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Out of Pocket Costs

	Original Medicare (w/o Medigap)	Original Medicare (Medigap Plan "G")	Advantage Plan (PPO Network)
Total Annual Premium	\$1,782 (\$148.50 Part B Premium)	\$3,474 (Part B + \$141 Medigap)	\$1,782 (Part B + No Additional Plan Premium)
Hospital/SNF Costs (Part A)	Ded: \$1,484 Copay: \$1,855	Ded: \$0 Copay: \$0	Ded: \$0 Copay: \$2,980
Medical/Doc Costs (Part B)	Ded: \$203 Coinsurance: \$700	Ded: \$203 Coinsurance: \$0	Ded: \$0 Copay: \$45
Total Expense	\$6,024	\$3,677	\$4,807 (Max OOP + Part B: \$5,532)

Source(s): Medicare.gov / Healthcarebluebook.com / Aetna / Mutual of Omaha  
Illustration uses 2021 premiums/copays/coinsurance amounts

MA Plan has \$3,750 In-Network OOP Limit

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## Key Takeaways

1) Medicare ≠ “Set It and Forget It”

2) Coverages Change Y2Y: *Important* to Review

3) Think About Healthcare Costs Like Taxes

**MAXIMIZE** *Insurance Coverage*  
*Tax-Efficiency*

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