

"The indispensable guide to Medicare that does for this essential program what *Get What's Yours* does for Social Security." —JANE BRYANT QUINN

GET WHAT'S YOURS *for* MEDICARE

Get It Right
the First Time:
COMPLIMENTS OF



Blue Cross
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of the Blue Cross and Blue Shield Association



Philip Moeller

coauthor of *Get What's Yours:*

The Secrets to Maxing Out Your Social Security



**GET WHAT'S
YOURS
FOR
MEDICARE**

**MAXIMIZE YOUR COVERAGE,
MINIMIZE YOUR COSTS**

Philip Moeller

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**This excerpted chapter compliments of
Blue Cross Blue Shield of Michigan**

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Retirement.

We used to share a collective vision of what that looked like. Thirty years ago, the word conjured up visions of gold watches, good-bye parties, and long-awaited vacations.

Today as people think about retirement, it's sometimes with uncertainty and doubt. Reaching that career pinnacle now finds people consulting financial advisors and redrafting their "bucket list" (a term that wasn't even widely used until the movie of the same name came out in 2007).

For Boomers born between 1943 and 1954, full retirement age is 66. Comprising a powerful demographic force dubbed the "Silver Tsunami," people 55 and up who are considering retirement tell us that "68 is the new 65!"

Paths to retirement today are now as varied as the meaning of the word itself.

No more office job. Finally getting the chance to do something that's physically active and hands on. Spending the day doing something that brings you joy rather

than a paycheck. Combining a couple of these scenarios and semiretiring. Postponing it indefinitely. Retirement plans of the future will be as unique as the people building them.

What we do still share is a sense of the importance of the decision, its impact on our lives, and a desire to move from success to significance as we near the end of traditional careers. What's next is a chance to reinvent and redefine our lives—and some big decisions.

Big decisions we face at the same time another big decision comes our way—how best to use the Medicare benefits we've worked so hard to earn. Medicare decisions are a critical part of retirement readiness.

How does Medicare work if you retire? How does it work if you don't?

When you're ready to make the right Medicare choice for you, count on us. Blue Cross Blue Shield of Michigan and Blue Care Network can help you make the transition whether you're retiring and losing employer coverage or choosing individual Medicare coverage by preference to meet your budget and health needs. Start by gathering the insight, information, and tools to help you make the most of Medicare. This excerpted chapter from *Get What's Yours for Medicare* is a great place to begin.

Both employers and insurers today are committed to helping employees take a holistic view of healthcare plans, providing integrated well-being programs that consider both financial and physical wellness. At Blue Cross, we do so by offering educational tools, planning expertise, top-rated customer service, and an expansive Medicare plan portfolio designed to meet every need, budget, and preference.

We can help you better prepare for retirement, however—and whenever—you define it.

Older is wiser. With the wisdom here and a partner in Blue Cross Blue Shield of Michigan, you've got this. Read on, to “Get It Right the First Time.”

Krischa Winright

Senior Vice President, Blue Cross Blue Shield of Michigan
Senior Health Services



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**GET IT RIGHT THE
FIRST TIME**

Signing up for Medicare should be a snap, right? You turn 65, you retire from your job, and you sign up for Parts A and B of Medicare with the Social Security Administration (SSA). You then decide if you want other coverage. Beginning and end of story. And, for the most part, this is how things used to work.

The linkage between Medicare and Social Security is hardly accidental. The SSA is legally responsible for a lot of Medicare work, including alerting people when they're eligible, signing them up, sending out their Medicare cards, and withholding Medicare premiums from monthly Social Security payments.

Until 2008, 65 was the full retirement age for Social Security as well as the primary enrollment age for Medicare, so signing up for the two programs at the same time was common. Well, *no más*.

Today, signing up for Medicare can cause a major brain freeze, as was the case in our opening chapter with Phyllis. Based on questions I get to the "Ask Phil" column on the *PBS NewsHour's* Making Sen\$e website, people often are confused by getting just this piece right.

SOCIAL SECURITY AND MEDICARE GO THEIR SEPARATE WAYS

Based on changes to Social Security rules included in the program's major 1983 reforms, Full Retirement Age has been steadily rising. Full Retirement Age, by the way, is the age when benefits are not reduced by early claiming reductions or hit with earnings test reductions. It moved in two-month increments from 65 in 2002, for people born in 1937 or earlier, to 66 in 2009, for those born from 1943 to 1954. It will stay there until 2020 and then begin moving again in two-month stages, for people born from 1955 to 1959, settling at 67 by 2027, for anyone born in 1960 or later. This shift is not only a big deal for Social Security but also a big deal for Medicare, because it further reduces the linkage between the two programs in terms of claiming dates.

This bond also has been weakened if not blown up by the historic rise in the percentages of people who keep working well past their 65th birthdays. Roughly a third of people aged 65 to 69 are still in the labor force, and about 20 percent of those aged 70 to 74 are also still included. For sure, retirement is not what it used to be.

For good measure, the Great Recession erased trillions in retirement assets. And, while these losses have been recovered for the economy as a whole, they

certainly haven't been recovered by many of the individuals who took the hits. Some were forced to defer retirements; others took their Social Security benefits early.

The big picture here is that we no longer have two programs where people elect benefits at the same time. We have two programs with an enormous range of different claiming patterns. This is a big deal for Medicare because it means you can't simply assume you will need Medicare as soon as you turn 65.

Some people will and others won't. But the circumstances under which we do or don't need Medicare at age 65 are often unclear. And neither Medicare nor Social Security has done a particularly good job of explaining what all of this means to the mere mortals who have to figure out when and how to claim their Medicare benefits.

Adding injury to insult, if you will, the government has also created a set of potentially harsh financial penalties for people who get this decision wrong and miss one of Medicare's many enrollment deadlines.

WHAT REALLY HAPPENS WHEN YOU TURN 65?

It is tempting here to do a riff on the dubious joys of aging and decrepitude that seem to visit us with increasing regularity when we turn 65. But let's stick to Medicare eligibility.

At any age, if you are disabled and approved to receive Social Security disability income payments, you should be automatically enrolled *after two years and a month* in Parts A and B of Medicare. There is normally a five-month lag in disability processing, so it will take most disabled persons 30 months to get Medicare.

Reminder for all readers: You usually must have Part A (primarily coverage for hospitals, skilled nursing facilities, other inpatient treatment facilities, home health care, and hospice) and Part B (primarily coverage for doctor, outpatient, and medical equipment expenses) *before* you can purchase other Medicare policies, including MA plans (Part C), Medicare prescription drug plans (Part D), and Medicare supplement insurance, also known as Medigap.

At 65, if you're a U.S. citizen, or if not, you have been a permanent resident of the United States for at least five consecutive years, you are eligible to begin

Medicare. Being eligible does not mean you *must* sign up right then. This is a big distinction that clearly trips up lots of people. And one of the big reasons it does so, of course, is that it's been pounded into our heads for years that Medicare is required when people turn 65.

If you already have started receiving Social Security benefits when you turn 65, you should be automatically enrolled by Social Security in Parts A and B, and receive a Medicare card. Don't panic! This does not mean you have to actually accept Part B and pay its monthly premium. It does mean you have free Part A coverage. This is usually a good thing but, as we'll see in a bit, not always.

However, the key determinant of whether you must sign up for Medicare Part B is not whether you're receiving Social Security. At 65 or older, if you have—yourself or through your spouse or even ex-spouse—an active employer group health insurance policy, you usually *do not have to sign up for Medicare Part B* or the rest of the alphabet soup. You do need to take Part A if you receive Social Security and are 65 or older.

Even if you don't have to get Medicare, you might prefer it in favor of your employer plan. Perhaps Medicare coverage is more comprehensive, cheaper, or both. If so, it is your right to enroll in Medicare at 65 and

drop your employer plan. Be warned, however, that if you do this and later change your mind, you might not be able to rejoin your employer plan.

Before doing anything that might be irreversible, talk with your employer benefits folks and make sure you know all the possible consequences of dropping your employer plan. In most cases, you're probably better off not signing up for Medicare in this situation. This is especially true if you have family members on your employer plan who are not eligible for their own Medicare coverage.

You still might wish to get free Part A, and can do so by getting in touch with Social Security, either online or via phone (1-800-MEDICARE or 1-800-633-4227). If you do this, don't be surprised if you also get signed up for Part B and get a Medicare card. But you should be able to send back the card and reject Part B for the time being.

Based on the many sad tales tied to our Social Security book, I am leery of telling people to rely on any Social Security process without personally contacting a representative and making sure your wishes are being carried out. This should not be a confrontational process but more of a courtesy. Unfortunately, Social Security is short-staffed and is trying to restrict—not encourage—face-to-face meetings.

The major exception to this “don’t need it” rule is for people who are covered by an active employer group plan and who work for an employer with fewer than 20 employees (the exclusion size is 100 employees for Medicare coverage for the disabled). And for members of the fine-print club, if this employer is part of a multi-employer group plan, then there must be fewer than 20 people in the entire group to render it a small-employer plan.

Employees at such places have to get Medicare when they turn 65. This is because at age 65, their group plan will stop being what’s called the “primary” payer of their insurance claims. Medicare will assume that role. Their employer insurance moves to the backseat as the “secondary” payer of claims. In this role, it can help to pay expenses not fully covered by Medicare, including Medicare deductibles, copays, and coinsurance.

But if you work for a small employer, don’t know this rule, and don’t get Medicare, you might unknowingly find yourself with *no* primary insurance coverage! What you think of as your primary coverage—your employer group plan—is not permitted to fill that role when you turn 65. You will be on the hook for nearly all your health care expenses. And, in many cases, you won’t even know this until you get the bill for medical expenses. Pray that they are minor.

To recap, you can't be forced to get Medicare if you are actively covered at a plan offered by an employer with more than 20 employees. This employment ceiling goes up to 100 if you're disabled. At larger employers and multi-employer plans, Medicare is usually the secondary payer for those situations where employees have both coverages. This can still be worth a lot. Even the primary payer of claims under Medicare may not pay everything, and so the secondary insurer may be able to fill some important coverage gaps.

**HERE'S A POP QUIZ BUT IT
HAS ONLY ONE QUESTION**

As a prize for taking this quiz, I promise to send you a Web link to a picture of *someone else's* trip to Disney World. Ready? Here's your snarky one-question pop quiz.

Without looking up what I just wrote, did you notice that my reference to employer group insurance was preceded by the word “active”? Be honest!

I bet you didn't. Neither did I when I began fielding reader questions about Medicare. But it turns out that “active” is an important modifier. Why? Well, because people who receive a retiree health plan from the same employer that insured them when they worked no longer have an *active* employer group health insurance plan. Usually, neither do people who get health insurance under the COBRA law. (The acronym stands for the Consolidated Omnibus Budget Reconciliation Act, which contained the provision allowing people to get 18 to 36 months of continued health insurance should they lose their employer group coverage.)

Down the road, COBRA use will diminish because people will have guaranteed access to health insurance from a state insurance exchange under the Affordable Care Act. But it will continue to be very helpful in some

circumstances. However, while the insurance coverage people receive may be nearly identical to that from their employer group health insurance plan, it's not considered active employer insurance.

If you are 65 or older when you get COBRA, the clock may start ticking on your Medicare enrollment obligations. Check with your former employer or your COBRA insurer, or both. Otherwise, you could face late-enrollment penalties or worse. COBRA insurance benefits always pay secondary to Medicare.* If you have COBRA and don't know this, and don't know that you might be required to get Medicare, it's possible you might have no primary health insurance at all! So, if you are on COBRA, it's vital that you find out your Medicare obligations and the possible adverse consequences of failing to enroll in Medicare.

COBRA may seem like a landmine for Medicare users but there are some strong benefits as well. First, while COBRA is not considered active coverage for Medicare Part B, that's not necessarily the case with Part D drug coverage. According to the Center for Medicare Advocacy, if your COBRA drug coverage is

* Medicare Part B Enrollment: Pitfalls, Problems and Penalties, <http://www.medicarerights.org/pdf/PartB-Enrollment-Pitfalls-Problems-and-Penalties.pdf>.

creditable, meaning it's at least as good as a Medicare Part D plan, you will not need to get a Part D plan until your COBRA coverage ends. And when you do, you will have a special enrollment period to do so and will not face a late-enrollment penalty.

More importantly, COBRA can be a godsend to an employee who turns 65 and loses his or her active employee coverage. When this happens, the employee can get a COBRA policy and continue protecting any insured family members for as long as 36 months. If this applies to you, just make sure you sign up for Part B right away and also check whether you need Part D or if your COBRA drug coverage is creditable.

**WHY “ACTIVE” IS A KEY
WORD IN RETIREE PLANS**

Dennia from Missouri asks:

I retired from an employer who partially paid my medical coverage as part of my retirement compensation in 2013. I did not take Medicare B at 65 because I worked for another company until two weeks ago. I am 66 now and am at Full Retirement Age for Social Security. I discovered that although I have retirement medical coverage partially paid by my ex-employer, I have to pay a penalty for Medicare Part B coverage because I refused it when I turned 65 thinking that since I had retirement coverage and paid more than \$675 a month for medical benefits, that I did not need to take Medicare B and pay another \$208 a month on top of the \$675 I already was paying. To add salt to the wound, I found out that I have to wait months before Medicare Part B becomes effective. Can you help me understand how they can make me wait before I can use Medicare Part B and also have to pay a penalty on top of the \$208 each month? The bills I am getting already have reached more than \$5,000.

You are correct that the requirement to get Medicare at age 65 is waived if you have group health coverage from an employer (unless the employer has fewer than 20 employees). But the fine print here (which, honestly, I had never stopped to think about) is that this group health coverage has to be provided by an employer where you actively work. In your case, you were working for an employer, but your health insurance was not from that employer but from a previous employer.

Medicare has a special enrollment period that allows 65-year-olds with group health coverage from a current employer to defer enrolling in Medicare until they leave their job or cease getting health coverage from this employer. Because this was not your situation, you fall under the program's general enrollment provisions. And because you missed the time frame for applying under these general rules, you face premium penalties and the related coverage hassles you describe.

It will not come as a surprise that I am not on the list of people that Medicare consults about its rules. But it seems to me that paying a premium penalty is bad enough without also having to go without coverage for months because of what is nearly always an unintentional failure to sign up for Medicare. The purpose of the program is to insure people and encourage healthy behaviors. That's not happening here.

THE BASIC RETIREE HEALTH PLAN RULE

There is one simple rule to keep in mind if you are fortunate enough to have a private retiree health plan: such plans *always* pay secondary to Medicare.

Jo from Maryland says she

retired in 2012 but will turn 65 this June. I am a retired county employee and am covered under its retirement insurance. Do I need to sign up for Medicare? Is there any reason why it would be good for me to continue my retiree plan and to also get Medicare?

Well, because you have to. Retiree plans become what are called “secondary payers” to Medicare once their members reach age 65, so you must sign up for Original Medicare (Parts A and B). Jo will need to enroll no later than this fall or she may face a premium penalty for late enrollment. Another set of decisions Jo needs to make is how the total costs for her retiree coverage plus Original Medicare compare with a Medicare-only solution that could include a Part D drug plan and a Medigap policy or an MA plan that includes Part D drug coverage. This can be a complex decision and one that your employer’s retirement

benefits department can help you make, preferably well before you turn 65.

Jo also doesn't say if her plan includes only her or also covers other family members. If your spouse and children are covered on your plan, you probably should keep your retiree coverage. At the very least, check with the administrator of your retiree health plan and make sure you understand how its coverage of your family members would be affected by your decision.

Some employers sponsor MA plans for retirees who are eligible for Medicare. If you worked for such an employer, you can get both your Medicare benefits and your retiree health benefits by signing up for an MA plan that has a contract with your former employer. You can always choose not to take your employer's coverage and sign up for other Medicare plans. But if you do this, you may not be able to rejoin the retiree plan later.

WHAT'S YOUR RETIREE HEALTH PLAN CHECKLIST?

Retiree health plans are diverse. If you retired from XYZ Corp. and are on its retiree health plan, it may take more time than it's worth for you to compare it with other retiree plans. The good news is that this would for the most part be a waste of time anyway. You don't qualify for those other plans, so your job really is to learn how XYZ Corp.'s plan works, and whether there is anything you should do to improve its coverage.

To me, the most pressing concern would be if I had family members on my retiree health plan that were not covered by or even eligible for Medicare. When Medicare becomes the primary payer of my health claims, what if anything might happen to the health coverage and claims of my spouse and children? Will they still be covered or will they have to find their own health insurance, possibly from a state exchange? Find out from your plan's benefits experts.

Because the plan pays secondary to Medicare, another concern is how well your plan plugs any holes in Medicare. Keep in mind that if Medicare does not cover an expense, odds are other plans won't, either. This is an important distinction you need to explore: does your plan cover things that Medicare doesn't, or

just help you pay expenses for things that Medicare does cover but for which it does not pay all expenses?

For Medicare-covered items, does it pay any uncovered copays, coinsurance, and other remaining expenses, which is what a Medigap plan with Original Medicare does? If you have an MA retiree plan, does it provide additional coverage of things like dental, hearing, and vision needs? If such protection seems unacceptably skimpy, what would it cost you to get better stand-alone plans from other insurers?

Likewise, drug coverage traditionally has been a strength of many retiree health plans (keeping in mind that Original Medicare does not provide drug coverage). How does your retiree plan's drug coverage compare with what you could get from a stand-alone Part D drug plan?

More and more retiree plans are reducing benefits due to competitive cost pressures on their parent businesses. Increasingly, retiree plans are using health reimbursement accounts (HRAs), which are funded by employers and may be used to pay qualifying health care expenses, including Medicare premiums. If you have such a plan, learn how it works *before* you access such funds.

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“Phil Moeller is my pick as travel guide for smarties who had no idea how many potholes we could encounter in the back roads and highways of elder care.”
—ELLEN GOODMAN

EVEN THOUGH MEDICARE IS THE BACKBONE OF HEALTH CARE for most seniors, few know what it covers and what it doesn't, what it costs, and when to sign up. Yet mastering Medicare could be the key to living a longer and healthier life and protecting your pocketbook at the same time.

Do you understand Medicare's parts A, B, C, and D? Which is better, Medigap or Medicare Advantage? What do you do if Medicare denies payment for a procedure that your doctor says you need? If you're still working or have a retiree health plan, how do those benefits work with Medicare? Do you know about the annual enrollment period for Medicare, or about lifetime penalties for late enrollment, or any number of other key Medicare rules?

In *Get What's Yours for Medicare*, retirement expert and coauthor of the bestselling *Get What's Yours* guide to Social Security Philip Moeller explains your Medicare choices so that you can make the right decisions for your health and wealth—now and for the future.

PHILIP MOELLER writes about retirement for *Money* and the PBS website *Making Sen\$e*, and others. He is also a Research Fellow at the Center on Aging & Work at Boston College.

Visit the author and get more information at www.getwhatsyours.org.



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