

2019 Southern Arizona Estate Planning Council

Social Security and Medicare: Addressing Critical Issues for Clients

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Key Statistics and Forecasts

- More than 62 million retirees, disabled workers, spouses and surviving children receive social security benefits annually.
- Medicare provides health insurance for approximately 60 million people...most of whom are 65 or older.
- Forecasts: Social security will become insolvent in 2034. Medicare will become insolvent in 2026. (Source: Social security system trustees).
- The Aging Population: In 2019: Americans under 18 will be outnumbered by those over 60. By 2035: Americans under 18 will be outnumbered by those over 65.

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Part 1: Social Security Application

- Applying for benefits
- The Social Security Administration estimates that baby boomers are becoming eligible for Social Security benefits at the rate of about 10,000 each day for the next 20 years
- Go to www.socialsecurity.gov and click on "Applying Online for Retirement Benefits"
- If the applicant has a special consideration it will be necessary to visit a local office
 - i.e., name change, applying for benefits on someone else's record, utilizing a special strategy for benefits, etc.

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Earning Credits for Coverage

- The number of credits (formerly referred to as “quarters of coverage”) needed to be fully insured under the Social Security system is 40
 - Once the required number of credits has been earned, the worker is insured for life
 - A maximum of four credits may be earned in any one year
 - To qualify for a credit in 2019, a client must earn \$1,360 (1 year: \$5440)
 - The dollar amount required to earn a credit is recalculated in October each year, based on a set formula
- Note: A client must have 40 credits to be fully insured under Medicare as well.

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Did the Client Accumulate Social Security Credits at the Maximum Rate?

- For 2017, the “number” was \$127,200
- For 2018, it was \$128,400
- For 2019 it is \$132,900.

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Employment Covered Under Social Security

- | Covered | Not Covered |
|---|--|
| <ul style="list-style-type: none">➤ Nongovernmental employment and self-employment➤ Military service➤ Farm workers➤ Domestic services➤ Nonprofit organization employees | <ul style="list-style-type: none">➤ Family employment➤ Students (interns) |

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Payments into Social Security

- Employed persons (including self-employed)
- Hobbyists (Is it a business?)

Employee payment = 7.65%

Employer payment = 7.65%

Self-employed payment = 15.3%

Basic Medicare tax = 2.9% of earned income (no cap)

Additional Medicare tax = 0.9% when AGI exceeds limits

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Maximum Earnings

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- \$132,900 for 2019
- Above this amount, income not subject to FICA tax.
- But: No cap on income subject to basic Medicare tax – or additional Medicare tax above the threshold.

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Social Security Retirement Benefits Available for the Worker

- General Eligibility
 - A worker must be at least age 62 and deemed fully covered at that time.
 - If the worker retires between ages 62 and his or her “normal” retirement age, such retirement is considered “early retirement” and means a reduced benefit for the worker.

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Social Security Retirement Benefits Available for the Worker

- Most Baby Boomers born between 1946 and 1954 have age 66 as their full retirement age.
- After 1954 births, full retirement age increases by 2 months per year until 1960 births, when the full retirement age is age 67.
- If a worker elects to receive benefits prior to attaining his or her full retirement age, the benefits are reduced by five-ninths of 1% for each month before the age of full retirement that the worker begins to collect benefits.
- If the worker decides to delay benefits beyond the normal retirement age, the benefit payable to such person increases by 8% per year, until the worker attains age 70.

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Social Security Retirement Benefits Available for the Worker

- Today, for one-third of Americans over 65, Social Security benefits constitute 90 percent of their total income.
- In 2019, the maximum monthly benefit an individual may collect on his or her own record is \$2,209 if retire at age 62; \$2757 if retire at age 65; \$3770 if retire at age 70.
 - To calculate a worker's benefit, earnings are indexed to bring each of those prior year's earnings to near-current wage levels (basically adjusting for inflation)
 - The highest 35 years indexed earnings are then added together and divided by 420

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Social Security Retirement Benefits Available for the Worker

- It is always possible for a worker to increase his or her benefit by improving the earnings record, even after the worker started receiving benefits

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Benefit Reduction for Early Retirement

- **Additional Reduction at Age 62 for Continued Earnings**
 - In 2019, one dollar in benefits is withheld for every two dollars in earnings above the threshold limitation.
 - For 2019, the threshold limitation is \$17,640 per year, or \$1,470 per month.

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Benefit Reduction for Early Retirement

- **Early vs. Normal Retirement Age — “Catch Up Period”**
 - A worker who elects to retire before reaching normal retirement age will receive more lifetime benefits for the first 15 years from the initial date of entitlement before the early retirement reduction causes a lifetime loss of benefits
 - The breakeven point is approximately age 77

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Benefit Reduction for Early Retirement

- **No Earnings Limit Once Full Retirement Age Reached**
 - There is no limit on earnings beginning in the months that an individual attains full retirement age
 - For the year in which the client reaches full retirement age, the earnings limit is increased to \$46,920 (for 2019) before a reduction applies and the reduction is \$1 of Social Security benefit for every \$3 of earned income over the limit
 - The limit applies only to the months before reaching full retirement age
 - Starting with the month full retirement age is reached, the client can have unlimited earned income and still receive his or her full Social Security benefit

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Extra Benefits for Delayed Retirement

- **Year of Birth - Credit for Delayed Retirement**
- Born 1943 and later 8.0%
- It is estimated that when comparing the benefit received by a person who began collecting at age 66 vs. one who began collecting at age 70, the person who waited until age 70 gets “ahead” at age 81/82
- Social Security benefits are not retroactive

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How Social Security Benefits Are Taxed

- **Federal Income Taxation**
 - About one-third of the persons who collect Social Security benefits pay federal income taxes on them
 - Client’s “combined income”, defined as adjusted gross income plus tax-exempt interest plus one-half of their Social Security benefits
 - If that total combined income exceeds the amounts in the following chart, the portion of the client’s Social Security benefits will be taxable

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How Social Security Benefits Are Taxed

- Taxpayer Who Is: Percentage of benefits taxable:

- Single or Head of Household: 50% over \$25,000; 85% over \$34,000
- Married Filing Jointly: 50% over \$32,000; 85% over \$44,000
- Married Filing Separately: 85% of all SS benefits taxable at any income level.

- No uniformity of State Taxation of Social Security Benefits

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Planning to Lower or Avoid Taxation of Social Security Benefits?

- Delay receiving Social Security retirement benefits until age 70 and begin drawing from taxable IRA accounts or taxable annuities after age 59½
- Convert taxable IRAs to Roth IRAs
- Sell significantly appreciated property before beginning to collect Social Security benefits
- Consider using tax-deferred annuities

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Spousal Social Security Benefits

- Married couples have most benefit options
- Spousal benefit = 50% of worker benefit at Full Retirement Age
- Survivor benefit = 100% of worker benefit if collected at worker FRA (reduced if collected before FRA)
- Surviving spouses may begin to collect benefits at age 60 – but the amount available is a reduced amount of the worker's full benefit.

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Early Retirement Benefit Reduction

- Reduction calculations if collect before Full Retirement Age.
- Reduction at age 62 (25%); age 63(20%); age 64 (13%); age 65 (7%).

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Rights and Opportunities for Divorced Spouses

- Entitled to collect benefits based on record of ex-spouse if married at least 10 years, divorced at least 2 years, not remarried before age 60.
- Must be unmarried when claim benefits.
- Both divorced and ex-spouse must be at least age 62 – but the ex-spouse does not have to be collecting benefits.
- Remarriage before age 60 does not disqualify from a survivor's benefit if subsequent marriage(s) ended in death/divorce before applying for benefits.

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Divorced Spouses

- If client remarries after age 60 – and “new” spouse dies or there is another divorce, the client can choose the “better” benefit between the new spouse and a qualifying ex-spouse.
- Benefits received have no effect on what the worker spouse or a new spouse of the worker spouse may receive.
- A divorced spouse born on or before 1/1/54 can claim benefits based on the record of the ex-spouse at FRA, and delay receiving own benefits until reaching age 70. (Restricted application rule).
- If the ex-spouse suspends or delays claiming a benefit, that will not block or deny the former spouse's benefit claim.

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Lump-Sum Death Benefit

- A one-time \$255 lump-sum death benefit is payable to a spouse or children under age 18 who lived with a covered worker who died.
- The lump-sum is not payable to an ex-spouse who might be eligible for other benefits.
- The payment must be applied for within two years of the decedent's date of death.

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Survivors' Benefits

- Survivors' benefits are available as long as the deceased worker earned the required minimum number of Social Security credits
- Eligible Recipients
 - The following people can receive Social Security survivors' benefits on the earnings of a deceased worker
 - A widow or widower
 - A surviving divorced spouse
 - Unmarried children
 - Dependent parents

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Survivors' Benefits

- U.S. Supreme Court ruled unanimously in *Astrue v. Capato*, 132 S. Ct. 2021 (2012) that a child artificially conceived after the death of the father was not a "dependent child" under the Social Security laws

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Survivor Benefits – Widow(er)

- Full benefits at FRA; reduced benefit available at age 60 (eligible if were married at least 9 months). Age 50 – if disabled.
- At FRA – 100% of highest benefit received by the couple before spouse's death
- Should reduced survivor benefits be taken at age 60? Reduction is 30% less than what available at FRA. Break-even at age 74.
- Age 62 option (Take one's own reduced benefit at 62; switch to survivor's benefit at FRA).

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Survivor Benefits – Widow(er)

- A widow or widower can begin collecting Social Security benefits at any age if he or she is taking care of the deceased worker's child who is eligible for the children's benefit and is under age 16 or disabled.
- Receive 75% of the deceased worker's benefit in this situation.

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Survivor Benefits – Others

- Unmarried children who are younger than 18 can receive Social Security survivor's benefits on the deceased worker's record. (75% of the deceased worker's benefit).
- Dependent parents of the deceased qualify if they are age 62 or older and the deceased or disabled worker was providing more than ½ of their support.
- Divorced widow(er) – similar criteria to divorced spouse (10 years married; no divorce before age 60). Surviving divorced spouse and spouse married to decedent at death can BOTH collect full benefit.

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Survivor Benefits

- There is a calculation of a "Family Maximum" for survivor benefits beyond the surviving spouse of a worker. It may affect the benefits for children and/or parents.
- Taxation of survivor's benefits – same rules as all other social security benefits.
- Allocating benefits between family members: If some forego benefits (such as a working spouse, subject to benefit reduction for earnings) others (typically children) can get more as part of the family maximum.

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Asset Protection of Social Security Benefits

- May not be assigned.
- Protected against execution, levy, attachment, garnishment - EXCEPT for child support, alimony and federal taxes.

Windfall Elimination Provisions

People receive a pension for work not covered by social security. (Public sector employees in 15 states). These people also worked in jobs covered by social security.

This pension reduces their social security benefit – if they are eligible for social security (a formula reduces the SS benefit computation that favors the lower paid).

The maximum reduction is 1/2 of the social security benefit – but there is NO reduction for survivor's benefits....BUT the Government Pension Offset (below) may reduce the survivor's benefit.

Government Pension Offset

- Federal workers not covered by SS (worked for the federal government prior to SS covering federal workers)
- Some federal workers also earned SS wages from work outside of the government
- The social security benefit amount is reduced by 2/3 of the government pension not covered by social security...it may wipe out completely the entire social security benefit.
- This rule applies to spousal benefits and survivorship benefits based on a spouse's record. It does NOT provide a limit on the spouse's own record or benefits.

Strategy: Repay and Reapply

- Must be used w/in 12 months of original benefits receipt
- Only available once per lifetime
- When does this makes sense?

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Strategy: File and Suspend

- Eliminated by Bipartisan Budget Act (BBA) of 2015.
- Rules if age 66 or older before April 29, 2016 and elected by then to file and suspend (allowed).
- Rules after April 29, 2016 (file and suspend prohibited)– now: if participant suspends – no one can collect on the participant’s record – EXCEPT a divorced spouse collecting on an ex-spouse’s record.

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Strategy: Restricted Claims for Spousal Benefits

- Under Bipartisan Budget Act of 2015 – limited to those 62 or older in 2015 (i.e. born prior to January 1, 1954)
- If eligible: File for spousal benefits only; allow own benefit to increase and accrue delayed retirement credits – then claim own benefit later.
- **If not eligible for a restricted claim: Filing for ANY benefit (own or spouse’s) is deemed as filing for ALL available benefits – automatically get the best available benefit.**
- **This limitation does NOT apply to survivor benefits.**

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~~Strategy: Retroactive~~
Benefits Payable in a Lump Sum

- Eliminated by BBA 2015
- When “hedge your bet” strategy was available – wait beyond FRA – if decided to collect before age 70 could choose a lump-sum of all amounts due to date – OR start the accrued benefit at the attained age.
- Now: When claim – no retroactive lump-sum available. When benefits claimed, start receiving the benefit earned.

Part 2: Medicare
The National Health Insurance Program

Overview

- Medicare is a federal health insurance program for persons 65 years of age and over, as well as persons under age 65 considered permanently disabled for purposes of the Social Security Act, and persons with end-stage renal disease.
- It is available to U.S. citizens or legally admitted aliens (residing in U.S. at least 5 continuous years)
 - Medicare is not needs based

Overview

- Medicare is considered minimum essential health coverage under the Affordable Care Act
- Accordingly, persons covered under Medicare are not required to purchase health insurance under the Act

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Medicare

Overview

- Part A – hospital insurance
- Part B – supplemental medical insurance
- Part C – supplemental managed care or fee for service insurance
- Part D – prescription drug insurance

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Overview: The Parts of Medicare

- **Medicare Part A is the hospital insurance part of Medicare.**
 - It is free to everyone eligible.
 - No premium to pay for Part A is required from persons entitled to retirement or disability benefits from either the Social Security or the Railroad Retirement systems.
 - Part A covers institutional care in hospitals and skilled nursing facilities, limited care offered by home health agencies, and hospice care.

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Overview: The Parts of Medicare

- Medicare Part B is a Supplementary Medical Insurance Benefit program
 - Part B covers items such as physician visits, outpatient services, ambulance transportation, and durable medical equipment
 - Part B Medicare beneficiaries typically pay a portion of the cost of the service they are receiving as a deductible or a co-payment
 - Part C – Medicare Advantage – Is a voluntary supplemental managed care or fee for services program
- Medicare Part D is a voluntary prescription drug program that provides assistance to persons eligible for Medicare to pay for their drugs

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Eligibility

- **A person eligible for Medicare may not be rejected or limited in treatment due to any pre-existing health conditions, and may not be charged more for Medicare coverage due to age or health status.**

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Application for Enrollment

- Persons entitled to social security who enroll in social security prior to or at age 65 are automatically enrolled in Medicare when reaching age 65.
- If not yet enrolled in Social Security:
 - To avoid delays in coverage, or premium charges for late enrollment, a person should apply for Medicare not earlier than three months prior to attaining age 65, and not later than three months after attaining age 65...a 7 month "window".

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Application for Enrollment

- **Persons who voluntarily purchase Medicare Part A through the payment of a premium must also purchase Medicare Part B**
- However, those persons can choose to enroll only in Medicare Part B
- If a person has reached age 65 and does not qualify for Medicare (i.e., has accumulated less than 40 quarters of Social Security coverage), that person can purchase Part A Medicare coverage by paying a monthly premium ranging from \$240 (at least 30 credits) to \$437 (fewer than 30 credits) per month (2019)

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Application for Enrollment *Penalties for Late Applications*

- There are penalties imposed where the Medicare application is late.
- For each year that a beneficiary fails to enroll during his or her initial or special enrollment period, a 10% lifetime penalty (Part B) and a 12% lifetime penalty (Part D) on premium costs is applied once the beneficiary does enroll. A lesser penalty applies for late Part A enrollment.
- A person that has group health coverage through one's own or one's spouse's employer upon reaching age 65 qualifies for a "special enrollment period" that avoids the late application penalty. ("Creditable Coverage")
 - This does NOT apply to self-employed persons.

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Benefits Available under Medicare Part A

- **Hospitalization Insurance**
- **Hospital Stays**
 - The patient pays a deductible of \$1,364 (in 2019) for a "benefit period" (the first 60 days).
 - There is a coinsurance payment of \$341 (in 2019) per day for days 61-90 (for a total of \$10,230).
 - After a patient has been hospitalized for 90 days in a benefit period, there are 60 "reserve days" available
 - Coinsurance payment of \$682 per day (2019)

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Benefits Available under Medicare Part A

- Beyond 150 days there are no benefit payments. Patient pays all costs.
- Medicare will pay for a semi-private hospital room, and all routine hospital services.
 - Part A does not cover the services of doctors.
 - These services may be covered under Part B.
- If a person is discharged from a hospital, remains out of the hospital for at least 60 days, and then is readmitted to the hospital, a new benefit period begins for Part A purposes.

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Benefits Available under Medicare Part A

• Skilled Nursing Home Stays

- For stays in a skilled nursing home to be covered by Medicare, the patient must:
 - Have spent at least three consecutive days in a hospital,
 - Be admitted to the nursing home within 30 days after having been discharged from the hospital, and
 - Require skilled nursing care.

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Benefits Available under Medicare Part A

• Skilled Nursing Care:

- Medicare will pay in full for this care for the first 20 days of each benefit period.
- For days 21 through 100, the person pays co-insurance of \$170.50 per day, a total of \$13,640.
- After 100 days, the patient pays the entire cost.

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Benefits Available under Medicare Part A

- **Home Health Visits** (First 100 – up to 35 hours per week).
- **Hospice Care** (90 day intervals subject to review)
- **No charge for home health visits or hospice care**

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Medicare Part B Premiums

- Part B is a Voluntary Insurance Program
- A monthly premium (\$112.00 in 2019 for about 3.5 million recipients who are enrolled in Part B and “held harmless” from premium increases beyond the annual cost of living increase) is deducted from the beneficiary’s Social Security check.
- The standard monthly premium for most enrollees is \$135.50 in 2019.
- About 5% of enrollees are not held harmless, and pay a higher premium based on income (below)
- There are NO annual or lifetime out-of-pocket limits.

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Medicare Part B Premiums

Premiums are partially means based – IRMMA Adjustment

- In 2019, higher income beneficiaries will pay a monthly premium equal to 35, 50, 65 or 80 percent of the total actual cost of the Part B premium.
- Single persons whose adjusted gross income exceeds \$85,000 and married persons filing jointly whose income exceeds \$170,000 must pay an additional 2019 Medicare Part B premium based on their 2017 AGI.
- The highest monthly premium is \$460.50 in 2019 – charged to singles over \$500,000 AGI; Married filing jointly over \$600,000 AGI (MFS over \$415,000).
- SEE THE CHART BELOW

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Beneficiaries who file individual tax returns with income for 2017	Beneficiaries who file joint tax returns with income for 2017:	Income-related monthly adjustment amount	Total monthly premium amount for 2019:
Less than or equal to \$85,000	Less than or equal to \$170,000	\$0.00	\$135.50
Greater than \$85,000 and less than or equal to \$107,000	Greater than \$170,000 and less than or equal to \$214,000	\$54.10	\$189.60
Greater than \$107,000 and less than or equal to \$133,500	Greater than \$214,000 and less than or equal to \$267,000	\$135.40	\$270.90
Greater than \$133,500 and less than or equal to \$160,000	Greater than \$267,000 and less than or equal to \$320,000	\$216.70	\$352.20
Greater than \$160,000 and less than \$500,000	Greater than \$320,000 and less than \$750,000	\$297.90	\$433.40
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$325.00	\$460.50

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Medicare Part B Premiums

- Each spouse pays his/her own premium. There are no “joint returns” to share Medicare premium costs.
- Medicare provides an annual notice to advise participants of their Part B premium.
- A single event increasing income in an earlier year can force a significant IRMAA adjustment (Bonus, Roth Conversion, Sale of valuable assets, etc).
- One can amend a tax return to show a reduced income; One can appeal a decision increasing the Part B payment (retirement, divorce, spouse’s death, loss of income or assets). Form SSA-561-U2.

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Benefits Available under Medicare Part B

- Part B of Medicare covers payments for physicians, durable medical equipment, ambulances, diagnostic, blood, laboratory and X-ray tests, outpatient hospital care, mammography, outpatient physical and speech therapy, home health aides, and various shots.
- The patient pays a 20% co-payment, and a \$185 (in 2019) annual deductible, while Medicare pays 80% of the physician’s “reasonable” charge.

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Benefits Available under Medicare Part B

- Part B of Medicare does not cover custodial care, acupuncture, insulin injections, eye, and dental examinations, dentures, eyeglasses, contact lenses, hearing aids, private hospital rooms and private-duty nurses.
- For 2011 and thereafter, Medicare added preventative care and wellness care.

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Benefits Available under Medicare Part B

- **Physician Charges; Assignment; the Limiting Charge Rule**
 - If the physician accepts assignment, he or she is agreeing to accept what Medicare has established as the appropriate charge for the service provided, of which Medicare pays 80% directly to the physician, and the physician charges the patient the remaining 20%.
 - If the physician does not accept assignment, Medicare pays the patient 80% of the customary charge, and the patient is responsible for dealing with the physician to satisfy the bill.
 - Even if doctors do not accept assignment, if they treat Medicare patients, they are subject to limitations (generally not in excess of 115% of the approved Medicare charge) on the amount they may charge above the approved Medicare charge.

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Medicare Part C

- **Medicare Advantage Plans**
 - A private managed care plan or a private fee-for-services plan.
 - If you are eligible for Medicare Parts A and B, you can join a Medicare Advantage Plan.

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Medicare Part C

• Variety of Part C Coverages

- They are not available in all areas of the country
- They typically offer all of the Part A and Part B coverage, possibly the Part D coverage, as well as additional benefits they may offer (eyeglasses, hearing, dental)
- In some cases, deductibles will be lower or waived.
- In some cases, there may be little choice of care providers (HMOs).

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Benefits under Medicare Part D Prescription Drug Plan

- Part D provides a voluntary prescription drug program.
- This program will be available to persons either entitled to Part A or enrolled in Part B.

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If your filing status and yearly income in 2017 was:			Your 2019 Premium will be:
File individual tax return	File joint tax return	File married & separate tax return	You pay each month (in 2019)
\$85,000 or less	\$170,000 or less	\$85,000 or less	your plan premium
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	not applicable	\$12.40 + your plan premium
above \$107,000 up to \$133,500	above \$214,000 up to \$267,000	not applicable	\$31.90 + your plan premium
above \$133,500 up to \$160,000	above \$267,000 up to \$320,000	not applicable	\$51.40 + your plan premium
above \$160,000 and less than \$500,000	above \$320,000 and less than \$750,000	above \$85,000 and less than \$415,000	\$70.90 + your plan premium
\$500,000 or above	\$750,000 and above	\$415,000 and above	\$77.40 + your plan premium

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Benefits under Medicare Part D Prescription Drug Plan

• The Part D Drug Benefit

- Part D plans do have some discretion in determining which specific drugs will or will not be covered (the "formulary").
 - This may make evaluating each plan difficult.
- In 2019, the standard drug benefit requires the payment of a \$415 deductible
 - The participant then pays 25 percent of the cost of a covered Part D prescription up to the initial coverage limit of \$3,405 (for 2019), which is up to \$851.25 out of pocket. Medicare pays \$2,553.75.

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Benefits under Medicare Part D Prescription Drug Plan

- After that, there's a coverage gap known as the "**doughnut hole**." You'll need to pay 100% of your prescription drugs until you've spent an additional \$3,833.75. However, once your prescription costs total \$7,653.75, you've paid \$5,100 and Medicare has paid \$2,553.75, then your Medicare drug plan will generally cover 95% of any further prescription costs. For the rest of the year you'll pay either a coinsurance amount of 5% of the prescription cost, or a small copayment for each prescription, whichever is greater.
- In 2019, if you have spending in the coverage gap, you'll receive a 75% discount on covered brand-name drugs and a 63% discount on covered generic drugs.

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Benefits under Medicare Part D Prescription Drug Plan

- There is no set premium amount that must be paid for a Part D plan. The "doughnut hole" gap is scheduled to close in 2020 when participants are scheduled to pay 25% of all drug costs.
 - Part D plan cost varies from region to region and is set by the company offering the plan.
 - The cost paid to Medicare is based in part on the participant's income. The maximum monthly cost is \$77.40 (singles over \$500,000, MFJ over \$750,000).
 - Payments by participants for prescriptions not included in their plan, do not count toward the out-of-pocket limit.

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Benefits under Medicare Part D Prescription Drug Plan

- Enrollment in Part D
 - Enrollment in Part D requires a person to act affirmatively to choose a plan from those available in the area, and enroll through the selected plan.
 - The general enrollment period (for 2019 enrollment) is October 15 through December 7.
 - A person who fails to enroll in a Part D Plan within 63 days of initial eligibility is assessed a late penalty if he or she subsequently enrolls in a Part D plan. The penalty is 12% per year for the rest of the person's life.

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Benefits under Medicare Part D Prescription Drug Plan

- Persons who delay enrollment because they have insurance coverage comparable to the Part D plan are not assessed a penalty if they later enroll in Part D. ("Creditable Coverage").
- Full and partial subsidies of the Part D costs are available to low-income individuals.

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CAUTION

Medicare will **not** pay for hospital or medical services outside of the United States, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands.

If a person moves outside the United States (and the above territories), eligibility for Part D ends, as well.

If a person leaves the United States, and then returns, eligibility is restored, but there will be a penalty imposed (reflected as an increased premium) under Parts B and D that reflects the time a person could have been enrolled, but was not.

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Medicare Supplemental Insurance — Medigap Plans

- Private insurance companies sell Medigap coverage.
 - These are supplemental insurance plans regulated by the federal government.
 - Medicare does not pay for any of the costs of a Medigap policy.
- The companies may offer standard Medigap insurance plans, designated A through N.
 - Each plan has a different set of benefits.

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Medicare Supplemental Insurance — Medigap Plans

- Medigap Plans A through N
 - All of the 14 Medigap policies cover basic benefits, but each has additional benefits that vary according to the plan.
- None of the standard Medigap plans cover private-duty nursing services, hearing aids, vision or dental care or long-term care.
- Supplementing the Part A Hospitalization Coverage as well as Part B medical coverage, skilled nursing home coverage, home care, preventive care, and physicians who do not accept assignment.
- Medigap Plan costs vary.

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Medicare Supplemental Insurance — Medigap Plans

- If application for a Medigap plan is made during the “regular” Medicare application period, there is no underwriting of the applicant’s condition, and coverage is immediate. Late applications allow underwriting and delayed coverage.
- Renewals of Medigap Coverage:
 - Once a Medigap Plan has been purchased, the insurance company must offer ongoing renewals.
 - The insurance company can increase the premium and must notify the patient in advance of any such increases.

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Medicare Supplemental Insurance — Medigap Plans

- Premium Costs Will Vary:
- Premium costs of comparable Medigap programs vary widely — by company, region of the country and age of the person insured.
- Medigap Plan F with the standard deductible attracts 41 percent of all Medigap enrollees.
 - It was recently announced that Plan F will not be available after 2020.

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Medicare – HSAs

- Contributions not permitted once enrolled in Medicare
- Use existing HSA funds to pay Medicare premiums and medical expenses past age 65

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Medicare Coverage Issues

- Is a Non-Working Spouse Eligible for Medicare at Age 65?
- A non-working spouse is eligible for Medicare based on a working spouse's work history when the non-working spouse turns age 65 in certain circumstances.
 - Non-worker married to worker who is eligible and applied for social security
 - Non-worker divorced, now single – worker eligible for and applied for social security, marriage lasted at least 10 years
 - Non-worker widow(er) now single – was married to eligible worker at least 9 months
 - Non-worker turns 65 before worker spouse – if worker at least 62 and has 40 credits in SS system, non-worker eligible
 - Non-worker younger than the 65 year old worker spouse – and under age 65. No coverage for the younger spouse until age 65 – unless disabled.

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THANK YOU
