

Understanding Medicare

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Caregivers not yet enrolled in Medicare themselves, often need to learn the essentials of this government program as soon as they start caring for a loved one. Regardless of income, virtually every American who turns 65 qualifies for Medicare. For many older adults the choices that are made regarding this federal program will be important factors in their financial futures.

Traditionally, Medicare's full benefit package has consisted of two parts, part A and part B.

PART A covers:

Hospital in-patient care
Home Care
Skilled Nursing care or hospice (but no long-term care for chronic conditions)

Part B covers:

80% of the cost of the following outpatient services:
Doctor Visits
Outpatient hospital care
Physical therapy
Medical equipment (such as wheelchairs)

People receiving Social Security Benefits are

automatically enrolled in Part A and Part B on the first day of the month of their birthday. Those not receiving Social Security Benefits must apply for Medicare at a Social Security office.

Part A is free and Part B costs \$99.90 per month (2012), typically deducted from Social Security checks. Although Part B is optional, it is an easy choice for most Medicare participants. Without Part B, doctor's visits and outpatient services are not covered. Furthermore, Part B is heavily subsidized so premiums are only 25% of what they should actually cost.

There might be a temptation to delay subscribing to Part B until it is actually needed but there is a penalty of 10% for each year of delay with one exception. If a person (or a spouse) is working past the age of 65 for a company with 20 or more employees and is covered by the company's health plan, then that person may delay participation in Part B until retirement without penalty.

For those with Medicare Part A and Part B coverage, there are still significant out of pocket expenses that may be incurred. Those costs include:

-- Prescription drugs,

-- 20% of doctor visits and outpatient services,
-- Deductible of \$1,156 (2012) for hospital care.

There are basically four options to deal with these out of pocket expenses.

- If you are still working and covered by employer's health plan, much of this extra expense may be covered.
- Purchase Medicare Part D -- prescription drug coverage
- Purchase supplemental "Medigap" insurance.
- Choose a Medicare HMO -- Part C, called Medicare Advantage, instead of traditional Medicare.

Choice number 1 needs no further explanation, but if it is not an option, then the other three choices require considerable understanding in order to make intelligent choices.

MEDICARE PART D

Medicare Part "D" is the newest component of Medicare coverage. Medicare prescription drug coverage is available to everyone who has Medicare. Medicare Part "D" can considerably lower the costs of prescription drugs and help protect against higher costs in the future.

When you get Medicare Part “D” coverage, you pay part of the cost and Medicare pays part of the cost. Each plan also has a premium or monthly cost. Your costs will vary depending on which drug plan you choose. Some plans have a deductible or a set dollar amount you pay before the plan coverage begins. Some individual may qualify for “extra help”, a low-income subsidy which will help pay for Medicare “D” drug plan’s monthly premium. The amount of extra help is based on your income and assets.

Except under special circumstances, Medicare limits the time to enroll in or change Medicare Part “D” coverage to November 15 thru December 31 of each year.

“MEDIGAP” INSURANCE

Blue Cross/Blue Shield, AARP and many private

insurance companies sell 10 standard “Medigap” plans, A (the least expensive) through J (the most expensive). These policies cover a variety of the out of pocket expenses not covered by Medicare, and since they are standardized it pays to shop.

Plan C will offer the same benefits regardless of the company that offers it. Only the most expensive (H, I, and J) of these plans include prescription drug coverage.

MEDICARE HMO – MEDICARE ADVANTAGE (Medicare Part C)

Medicare HMOs, like regular HMOs restrict the choice of doctors and hospitals. They have been available since 1985, but have soared in popularity in recent years.

People who need prescription drug coverage,

but cannot afford the “Medigap” policies are responsible for that surge. Enrollees in Medicare HMOs must still pay the Part B premium of \$88.50 per month, and depending on the plan, pay an average of \$35.00 per month above. About 65% of those Medicare HMOs have the basic plan and pay nothing above the Part B premium.

Caregivers should continue to monitor insurance coverage and assess the changing needs of their loved one to ensure that the coverage continually remains commensurate. A professional geriatric care manager can help review current coverage to ensure that your loved one has insurance that meets their needs and financial situation.

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