Medicare Planning in a Box

Synopsis: ***A noted Medicare consultant's new online tool allows you to provide Medicare planning and advice to your age 65+ clients.***

Takeaways: ***Beware of situations where over-65 clients are covered by plans at work or in their retirement packages. Have clients shop annually during the open enrollment period for Medigap and Part D coverage, because the coverages change constantly. Use the online calculator to check your clients' IRMAA.***

Medicare consultant Diane Omdahl tells the story of a medical consumer who was taking a very complicated regimen of prescription drugs, who came to her with a question about doctors. This person had already enrolled in a Part D drug plan and was set to go when Omdahl decided to check her current plan.

"She called us on December 6, the last day of the open enrollment period," says Omdahl, referring to the window of time, from October 15 through December 7, when Medicare participants can change their drug or Medicare Advantage plans to a new provider. "When I pulled up her file," Omdahl continues, "I discovered that two of her brand name medications were being dropped by her [Medicare Part D] drug plan. She would have had $21,900 a month worth of non-covered medications."

The solution? Omdahl checked among 20 different providers for more accommodating coverage. "We found a plan that would cover both of these drugs," she says, "and now this person is paying around $970 a month."

A more normal situation comes from what Omdahl calls the biggest Medicare risk group: the growing number of people over 65 who are currently employed or covered by a retirement health plan, who don't understand how these coverages interact with Medicare decisions. "I had to break the news to a guy who had just turned 71, who had gone six years on his wife's employer group plan," she says. The plan was a high-deductible HSA, and Omdahl discovered that the drug coverage was not what the Medicare system defines as "creditable"—in other words, it doesn't pay at least as much as a Medicare Part D drug plan.

> ***Navigating Medicare looks straightforward. In reality, it is anything but.***

If the plan had been "creditable," no problem. But in this case, the penalty for not signing up for Part D in a timely fashion was 35 cents times the 72 months of non-enrollment since the person turned age 65. That's $25.20 added to the retiree's monthly Part D cost—for the rest of his life.

Omdahl also sees people with medical issues who were talked into a no-premium Medicare Advantage plan, and are now discovering that they're on the hook for upwards of $6,000 in out-of-pocket expenses. Worse, if they develop new conditions, they would also lose their guaranteed issue right to switch to a new plan without medical underwriting.

Meanwhile, Omdahl has had to untangle the complexities created by misinformed people who have enrolled in Medicare Part A, but for the next few years they were under the impression that they were still eligible to contribute to a Health Savings Account. The consequences: those years of contributions are subject to a 6% penalty tax, that money cannot be used for healthcare, and any employer match would have to be paid back. Any of those funds that WERE used to pay for healthcare expenses would have to be paid back as well. "You can get into a real mess if you don't know the rules," says Omdahl.

But who DOES know the rules? As we approach yet another open enrollment period this coming October 15, Omdahl cites research showing that many people turning age 65, and no small number of people who might benefit from switching plans, would like to have their financial planners help them sort through their options. But until now there hasn't been a tool that provides Omdahl's expertise to the planning professional.

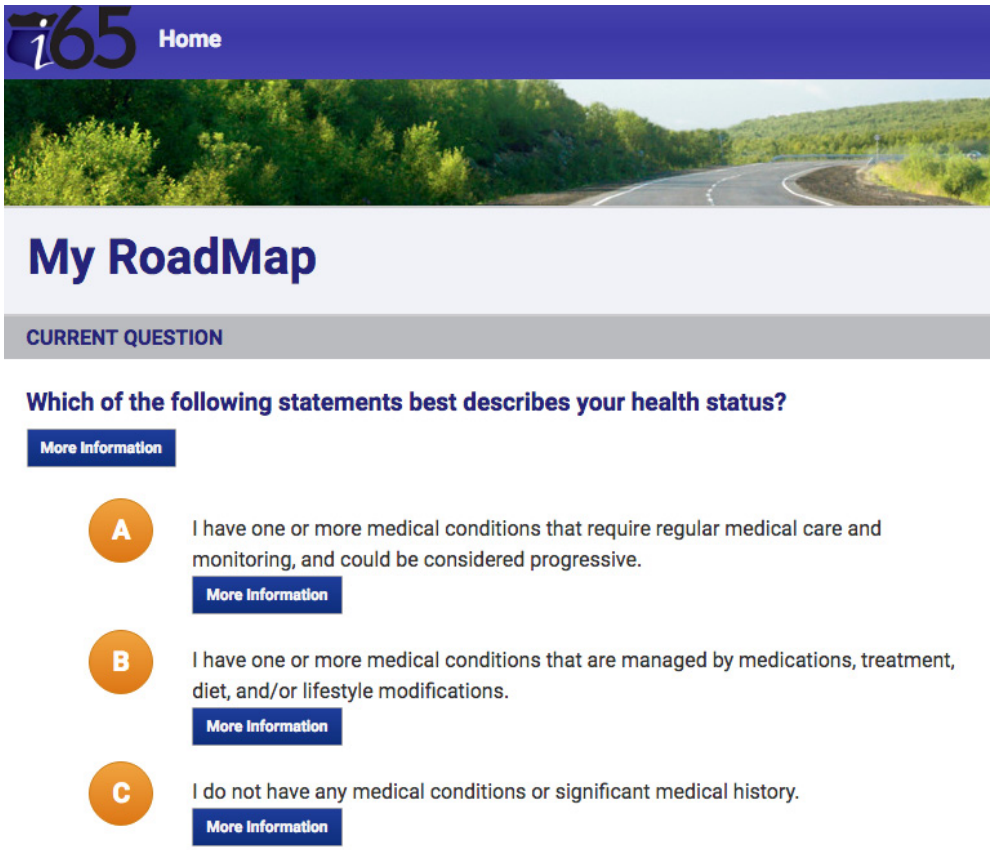
Taming the complexity

Over the past two years, Omdahl has transferred her Medicare planning knowledge—from her background as a registered nurse, home health care executive, director of a long-term care facility and author of a definitive manual on Medicare documentation—to a software program that advisors can use to help clients get the most out of their Medicare benefits. She still performs group and one-on-one counseling through her Milwaukee-based 65 Incorporated consulting organization. But the software, called i65 (www.i65.com), turns the advisor into an effective collaborator on Medicare decisions.

How does it work? Most advisors know the basics of Medicare: you enroll in Part A (hospitalization) somewhere in the window of three months before to three months after the month you turn 65, and if you're taking Social Security benefits, you have no choice but be enrolled and have premiums deducted from the Social Security payments. Part B (outpatient coverage) can be either original Medicare through the government or Medicare Advantage through an insurance or network provider—and coverage will be delayed if you slip up and register after the month of your 65th birthday. Part D coverage comes from a variety of drug plans that you choose from.

Behind the basics is a lot of complexity that you have to navigate to identify the best plan for any given individual. What if a client is still working at or after age 65 and covered by a plan at work? What if your client has medical coverage as a part of his/her retirement package? Bigger picture, which is better for a client with certain medical conditions: original Medicare or Medicare Advantage? Where do you go to find the options, and features of the options, for Part D?

The i65 software starts with the obligatory dashboard listing of your clients, and lets you click once to automatically send a customized email to any clients you want



to invite for an analysis of their Medicare options. The client can log on and go through the initial questions or—better—the advisor can sit down with the client and go through them together.

"We're discovering that the Medicare conversation can lead to a rich discussion of other issues, like Social Security timing, long-term care planning and estate planning," says i65 Chief Marketing Officer Melinda Caughill.

The quiz can be private-label formatted to your firm, so it looks like an extension of your software. The questions are direct. You start by having the client choose one of four options, which each lead to different sets of questions. Is the client still working? Does the client currently have insurance through an employer, former employer or a spouse? Is there a retiree plan that will work with Medicare? If the client is planning to drop insurance coverage or is without coverage, then the followup question is whether he or she is currently receiving Social Security benefits. (If the client wants to know why this or any other question is being asked, you click a link to an explanation.) Will the client be receiving Social Security benefits in the next year or so?

If not (and most advisory clients will defer benefits to age 70), then the next questions relate to whether the client plans to spend significant time away from home—at, say, the beach condo in Florida for the three winter months, or on an extended vacation trip. This helps determine whether original Medicare (which has participating doctors everywhere) or Medicare Advantage (where coverage is restricted to a local network) will be recommended.

The i65 software then asks about health status, and whether there are any medical conditions requiring regular care and monitoring. (Click on "more information" and the software provides examples of "progressive" conditions that could get expensive later in retirement.)

Does the client prefer predictable monthly premiums with little or no out-of-pocket expenses or considerably reduced premiums with a risk of unpredictable out-of-pocket costs?

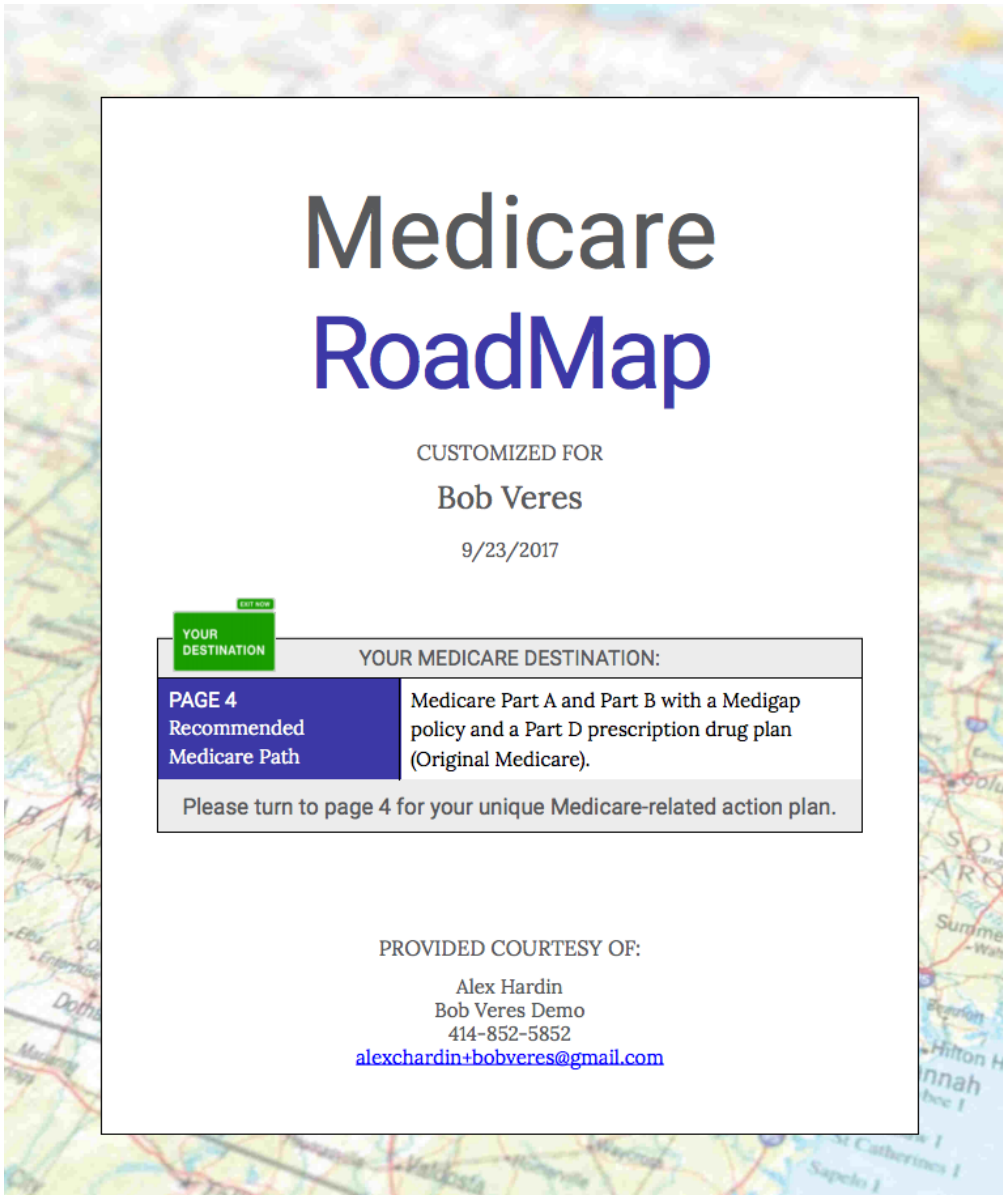
At the end of my trial, the software recommended that I sign up for original Medicare with a medigap policy and a part D drug plan. It explains why: I plan to spend significant time in other locations (speaking engagements and vacation trips), my medical conditions, such as they are, are currently under control, and I prefer predictable to unpredictable expenses.

"Remember," Caughill reminds me, "during the first six months of Part B enrollment, you DO have a guaranteed issue right. This means your medical history will not affect your ability to get your Medigap policy now." If I'd reported one or more of those "progressive" conditions, it would have been extremely beneficial to lock in comprehensive Medigap coverage right up-front.

Once all the questions have

been answered and confirmed, the software produces a report which provides essentially the same recommendations, and it does NOT recommend any particular Medigap plan. Why? In Omdahl's experience, most advisors will have a relationship with a health insurance agent who can survey the current marketplace. She also believes that product-agnostic recommendations limit the advisory firm's risk in case a recommendation goes awry.

Page four of the report provides helpful step-by-step instructions for enrolling in Medicare Parts A and B during the initial enrollment period—with a link to the Medicare website. There's information about Part D and how to shop for it in Medicare's Plan Finder service. Other topics: how do you choose medical providers (like doctors and hospitals) under original Medicare, what preventative services are included (Medicare does NOT cover vision, dental or hearing issues), how you pay premiums, and there's an additional feature that financial planners will be especially interested in.



Medicare
RoadMap

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Bob Veres
9/23/2017

YOUR DESTINATION

YOUR MEDICARE DESTINATION:	
PAGE 4 Recommended Medicare Path	Medicare Part A and Part B with a Medigap policy and a Part D prescription drug plan (Original Medicare).

Please turn to page 4 for your unique Medicare-related action plan.

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The i65 software includes a calculator that takes your clients' income and calculates the income-related monthly adjustment amount (IRMAA)—basically the additional amount that clients with higher incomes will pay for coverage. The report also talks about how clients can appeal the IRMAA calculation if their income today (post-retirement) is significantly reduced from what it was two years ago, which is the income figure used in the calculation.

Cost? Most advisors will opt to try the "starter" package, up to five clients, customized to their company, for $60 a month. Then more clients will retire, and they'll upgrade to the "pro" ($95 a month) or "premier" ($130 a month) package, and if they choose the latter, they get Medicare training and support resources.

Case studies

With open enrollment coming up, you might consider revisiting the plan choices of your over-65 clients, who probably don't realize that this is an opportunity to find a better coverage "fit." Others might be enrolling in Medicare after having worked well past age 65. What kind of issues might come

up? And how much money are we saving with this type of advice?

Omdahl recently worked with the downsized employees at a company that had sweetened its severance package by offering them a year of the same health coverage they had been receiving, completely paid.

"These people were over 65," Omdahl says. "Had they taken that year of coverage and deferred Medicare, they would have been looking at an enrollment penalty and a delayed gap in coverage."

Why? Medicare gives people past age 65 who haven't enrolled a special 8-month enrollment window that begins from the day your coverage ends or the day your employment ends, whichever comes first. "These former employees were moving forward on the premise that they could sign up for Medicare when their coverage ended," Omdahl explains. "Except that it actually had to happen when their employment ended, 12 months earlier. They would not have had a special enrollment period, which means they could not have enrolled until general enrollment in January, and coverage wouldn't have begun until July."

A bigger problem is that they would have had to pay higher premiums forever. "This year, it goes up $13.50 a month for every year you delay enrolling," says Omdahl.

A more extreme example of the same problem cropped up when Omdahl talked with a woman whose mother is moving back from Canada, where she has lived for 40 years. "She's 88. She called me to confirm that her mother was looking at a 23-year penalty," Omdahl says. "You multiply that by $13.50 and that's her additional monthly premium."

On the other end of the spectrum, consider the woman who enrolled in Medicare A, B and D when she turned 65, on the advice of a trusted professional. "About 18 months later, when her husband was dealing with Medicare enrollment himself, she learned that she had needlessly enrolled in B and D," says Omdahl, because she had remained on her husband's employer's group plan. "She wound up paying for B and D coverage that she could never benefit from, to the tune of $5,200 over a 20-month period," Omdahl explains. "Because they are considered higher-income Medicare beneficiaries, she wound up paying at one of the highest levels."

Worse, she no longer has a guaranteed issue right to get a Medicare supplement plan. If she has any pre-existing medical conditions, she may never be able to get a supplement plan in the future.

Omdahl says that in her consulting engagements, due to constant plan coverage changes and changes in health status, nearly 100% of her consulting clients make one change or another every year during the open enrollment period. Meanwhile, in the initial enrollments so far, the software has recommended original Medicare over private insurance-provided Medicare Advantage about 80% of the time—a very different pattern than the national averages. She believes that just about everybody who goes through the i65.com process comes out ahead of where they might have been even if they put in hours of research.

One person wound up paying for Part B and D Medicare coverage for 20 months when it was completely unnecessary.

As you try out i65, you realize that this interesting little tool is filling another hole in the financial planning service offering, one that many advisors were only vaguely aware of. As more clients reach age 65, they will be grateful for any guidance you can give them on their options.

"It's really too bad that our government's healthcare system is so complicated," Omdahl says. "About the only good thing about that is that it provides an opportunity for trusted advisors to provide an additional service to their clients, whether it saves them thousands or just hundreds of dollars a year."■

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