

Medicare Decision Making

Why is Medicare so Complicated &
Confusing?

Medicare Decision Making

Why is Medicare so Complicated &
Confusing?

It was created by
Congress

Components of Original Medicare

- ◉ Part A – inpatient care
- ◉ Part B – outpatient care, all physician bills
- ◉ Medigap – covers cost sharing in A & B
- ◉ Part D – medications

The Alternative

Medicare Part C – Medicare Advantage

- Run by private insurance companies
- Reliance on coordinated care – PCPs
= managed care
- Provider panels/networks

Decision #1

Should I sign up for Medicare at all?

Part A – almost assuredly yes – it's FREE
(for most people)

Part B – usually, but there are definite
exceptions – it's definitely NOT FREE

Medicare Part B Premiums

- Base premium is \$104.90 for 2013
- The affluent pay more – depending on MAGI (modified adjusted gross income)

<u>MAGI</u>	<u>Monthly Premium</u>
• Up to \$170,000	\$104.90
• \$170,000-\$214,000	\$146.90
• \$214,001-\$320,000	\$209.80
• \$320,001-\$428,000	\$272.70
• \$428,001 +	\$335.70

Decision #1

Penalties for not enrolling in Part B at the right time:

- 10% per year premium surcharge for every 12 month period you don't sign up- and you pay it forever
- Important difference between insurance provided by current employment vs insurance as a retiree benefit

Decision #2

Medigap Plans

- ◉ Assuming you choose Original Medicare which include Part A & Part B:
 - Should you purchase a Medigap Plan? YES (exception: employee benefit plan)
 - What are they? Cost Sharing: deductibles, copays, and coinsurance.
 - When? When you sign up for Medicare Part B
 - Which one? “Lettered plans.” Buy the best lettered plan you can get—Plan F.

Decision #3

Original Medicare Versus Medicare Advantage

ORIGINAL MEDICARE

- 4 plans; 3 ID cards
- No restrictions on which providers you may see
- Standard Medicare cost sharing rules apply
- Requires Medigap to preclude catastrophic costs
- Any “medically necessary” test or procedure

MEDICARE ADVANTAGE

- 1 plan; 1 ID card
- Coordinated Care and Provider panels
- Variable cost sharing: PCP vs specialist; in-network vs out-of-network
- Potentially lower total cost; maximum annual costs
- Many tests and procedures subject to pre-approval

Decision #3

Original Medicare versus Medicare Advantage

Medicare Advantage Plans:

- ◉ Differ widely, company-to-company and within one company.
- ◉ No medical underwriting for MA plans
- ◉ Can switch MA plans once each year
- ◉ Can switch MA to/from Orig. Medicare each year, but beware of Medigap rules!
- ◉ Must still pay Part B monthly premiums
- ◉ Insurance agents: MA, Medigap, Part D

Decision # 4

Medicare Drug Plans

- Can be free-standing Part D plans or plans that are included in MA plans
- Cost sharing
- Dozens of plans to chose from
- How they work
 - tiers
 - donut hole @\$2930
- Monthly premiums, penalties.
- Plan finder at [Medicare.gov](https://www.Medicare.gov)

Decision #5

Choosing Doctors

Original Medicare

- Participating vs non-participating providers
- Concept of accepting assignment
- Limiting fees
- “Doctors who reject Medicare”

Medicare Advantage

- PCP vs specialist
- Preventive care vs therapeutic care
- In-network vs out-of-network

Decision #5

Choosing Doctors

Doctor's regular fee = \$175 Medicare approved fee = \$100

Doctor is participating: Medicare pays 80% = \$80
▪ Patient or Medigap pays 20% = \$20

Doctor is non-participating:

- Medicare reduces its approved fee by 5%; approved fee = \$95
- Medicare sets the doctors limiting fee at 115% of the new, lower approved fee = \$109.25 (115% of \$95)
- The patient owes the doctor \$109.25
- Medicare will reimburse the patient 80% of \$95 = \$76, so his out-of-pocket cost is \$109.25 - \$76 = \$33.25
- If the patient has a Medigap plan F or G, the plan will reimburse him \$33.25

Decision #6

Admission versus Observation

- A decision you don't get to make!
- You may be hospitalized for 1-2 days, yet not technically admitted.
- Results from the way in which Medicare pays hospitals: Prospective payment system using DRGs (Diagnostics Related Groups).