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### A PRIMER ON MEDICARE AND MEDIGAP COVERAGE

Despite all the public discussion about health care, very few people under the age of 65 understand the basics of Medicare, the federal health program for seniors and certain disabled individuals, or Medigap, the supplemental private coverage many buy to cover treatment that shortfalls what the federal program doesn't pay.

Even if you have years before you qualify, why focus on Medicare and Medigap now? Because as big changes happen in our healthcare system, those who understand the programs and products ahead of time will not only be better equipped to plan for their post-retirement healthcare options, but they'll have a better understanding of these critical federal programs change over time.

A visit with a CERTIFIED FINANCIAL PLANNER™ professional can give a broader view of what the federal government will and won't pay and how you should plan your coverage going forward.

Here's a summary:

**Who is eligible for Medicare?** More people than you might think. Medicare is available to anyone over the age of 65 who is a U.S. citizen or a permanent legal resident for five continuous years. Yet people under the age of 65 qualify under certain circumstances, including: If they are permanently disabled and have received Social Security disability payments for the last two years, or if they need a kidney transplant, are under dialysis for permanent kidney failure or have Amyotrophic Lateral Sclerosis, also known as Lou Gehrig's disease.

**How does Medicare cover expenses?** Medicare coverage is divided into three primary parts: Part A, Part B and Part D. And yes, there is a Part C. Here's what each part covers:

- Part A is the segment of the program most associated with hospital care. It covers hospital inpatient care, a limited amount of care at some skilled nursing facilities, some specific home health care alternatives and hospice care. Most people are enrolled automatically in Part A when they reach 65 and they get this coverage for free. What's important is that Medicare doesn't cover long-term nursing home expenses, so that's why long-term care planning is necessary for all individuals.
- Part B is all about outpatient services. This is the part of the plan that covers doctors' visits, outpatient care and some other medical services that Part A doesn't cover, such as the services of physical and occupational therapists, and other aspects of home health care. You do have to pay a monthly premium for Part B coverage with a deductible – in 2009, the basic premium is \$96.40 per month though it might be higher for some people based on income. By the way, you'll sometimes hear people refer to Part A and Part B coverage as "Original Medicare."



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- **Part D** is Medicare's prescription drug coverage. Part D is administered by a number of private insurance companies that operate in various areas of the country, so this requires some shopping on your part to make sure you're getting the right drugs at the right price. Financial assistance might be available if you need it.
- **Part C** is actually the Medicare Advantage Plan, which is an optional plan individuals may choose so they receive their Medicare benefits through private health plans. You'll also hear this plan referred to as Medicare+Choice. These private plans include conventional HMOs and PPOs and are required by law to offer benefits that cover everything that Medicare covers, but they don't have to cover everything exactly as Medicare Part A and B do. There might be some customized options that allow for lower copayments or lower total out-of-pocket expenses. In simplest language, Medicare Advantage plans blend the benefits of Original Medicare and Medigap plans (more on this below). By law, you can't buy Medigap supplemental insurance if you've chosen Medicare Advantage. However, it's very important to get some expertise on the choice between Original Medicare and Medicare Advantage plans based on your anticipated health needs to make sure the coverage you buy covers what you really need.

**What about Medigap?** So-called "Medigap" coverage is supplemental coverage that's available for people who opt to be covered under Original Medicare – Part A and B coverage. You buy Medigap insurance from a private insurer, and your primary goal is to determine whether that supplementary coverage actually pays for the things you know you'll need that Medicare doesn't cover. You do have to pay a monthly premium for this coverage. And again, if you choose Medicare Advantage (Part C) coverage, you're not allowed to buy Medigap coverage.

To compare Medicare and Medigap coverage, visit the [Medicare Personal Plan Finder](#) on the Medicare.gov website.

**When do I enroll for Medicare?** You have a six-month window to enroll for Medicare that starts three months before your 65<sup>th</sup> birthday and ends three months after. As mentioned above, if you're already receiving Social Security at age 65, you'll automatically be enrolled in Part A, but if not and you enroll more than three months after your 65<sup>th</sup>, you may be subject to a late enrollment penalty.

**By the way, what's Medicaid?** This is the name for the federal program – and corresponding state programs – that pick up healthcare costs for indigent children and adults. Unless you're below the poverty line or you spend out your assets in your senior years, this won't be part of the discussion.

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October 2009 — This column is produced by the Financial Planning Association (FPA), the membership organization for the financial planning community, and is provided by John Englin, CERTIFIED FINANCIAL PLANNER™. John is a local member of the FPA and is employed by Lincoln Savings Bank and LSB Financial.