

Intelligent Money

Current thinking from Haven Financial Advisors

Practical Advice for Medicare Enrollment



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Special Notes of Interest:

Since the Medicare program was implemented in 1966, the number of Medicare beneficiaries has increased from 19 million to 40 million. By 2030, Medicare is projected cover more than 77 million people.

According to a survey by Blue Cross, Blue Shield, Satisfaction levels among Medicare Advantage members are extremely high. Eighty-four percent (84%) of Medicare Advantage members report being "satisfied" with their current health care coverage.

Nearly all Americans become eligible for Medicare when they turn 65. A question often raised is how or if one should enroll in the program. For most prospective retirees, there are two major channels of Medicare coverage. The first is the Original Medicare and the second is Medicare Advantage (formerly known as Medicare+Choice). While there are special programs designed for people with chronic ailments, this article will focus on these two major options.

Traditional Medicare actually has four components: Part A which covers hospital care and is free to nearly all who are eligible; Part B covering outpatient care including doctor's visits; Part D covering prescription drugs; and Medigap policies to pay for gaps in the foregoing coverages. Today nearly five in six retirees participates in the Original Medicare.

Enrollment in Part A of Medicare is automatic if the individual is already receiving Social Security retirement benefits 3 months prior to reaching age 65. If that is not the case, the individual must apply for the program. The 7-month initial enrollment period starts 3 months prior to the individual's 65th birthday. By applying early, one can avoid a possible delay in the start of Part B coverage. One applies by contacting any Social Security Administration office.

Part B is funded in part by monthly premiums paid by beneficiaries. In 2007, the monthly premiums start at \$93.50 and they graduate with higher income levels. If you don't take Part B when you are first eligible, the cost of Part B will go up 10% for each full 12-month period that you could have had Part B but didn't sign up for it. One exception to the penalty occurs when the individual is covered by a group health plan sponsored by an employer or a union. The individual can defer enrollment without penalty until group coverage ends. At that point, a new 8-month enrollment period begins the month employment ends or the month you are no longer covered under the employer plan, whichever comes first. If that deadline is missed, the retiree must wait until the next "general enrollment period" which runs each year from Jan 1 through March 31 and pay the penalty for waiting.

However, it is important to consult with one's benefits administrator to determine whether the group health coverage automatically becomes secondary to Medicare when the participant turns 65. Many employers design medical coverage to "coordinate" with Medicare so that the privately sponsored coverage serves only as a backstop once the beneficiary turns 65.

Prescription drug coverage was added to Original Medicare in 2003. Some four dozen plans offered by 20 different companies are approved here in Texas. You have a chance to switch prescription drug plans available through Original Medicare each year between November 15 and December 31.

In most states, you may be able to choose from up to 12 different Medigap policies (Medigap Plans A through L). Medigap policies must follow Federal and state laws that effectively standardize the benefits. Each Medigap Plan A through L has a different set of basic and extra benefits. On the other hand, the benefits of each lettered plan are the same for any insurance company. (For example, the benefits in one insurance company's Medigap Plan C are the same as any other insurance company's Medigap Plan C.) The decision variables that consumers should consider among different policy writers are:

- Premium levels
- Restrictions in facilities or physicians covered
- whether there is a pre-existing condition waiting period

The primary alternative to traditional Medicare is the Medicare Advantage plan. If you enroll in a Medicare Advantage plan, you are still part of the Medicare program and continue to pay your Medicare Part B premium. In fact, Medicare Advantage is considered part "C" of Medicare. Medicare pays a fixed amount per subscriber to the Medicare Advantage plan to provide health care. Some Medicare Advantage plans may charge an additional monthly premium beyond the part B premium. Medicare Advantage plans are run by private insurers that are usually structured as HMOs. Most are available only to residents of a specific geographic area



Congress raised the compensation to private insurers in 2003 in order to increase the number of Medicare Advantage plans. Recent data indicates that payments to Medicare Advantage plans exceed those to Original Medicare by 12%. In return, they must either reduce costs to participants or provide additional services not covered in Original Medicare. For example, some Advantage plans bundle prescription drug coverage at no extra cost or include reduced deductibles for hospital stays.

Medicare Advantage Plans, how does one shop for them? If you need help comparing a Medicare Advantage plan with original Medicare or other options, call the Health Information, Counseling, and Advocacy Program (HICAP) at 800-252-9240. HICAP provides free one-on-one counseling to seniors about insurance and related issues. If you are a Texan age 60 or older and have questions about your rights, your benefits, or the law, call the *Legal Hotline for Texans* at 477-3950 in Travis County

If you are eligible for a Medicare Advantage Plan, you can join or switch Medicare Advantage Plans from January 1 to March 31 of any year. In some cases, if you join a Medicare Advantage Plan or a Medicare Prescription Drug Plan and also have employer or union coverage, you may still be able to use your employer or union coverage along with the plan you join. Talk to your employer or union benefits administrator about the rules that apply. You can even switch from a Medicare Advantage Plan to the Original Medicare Plan during this open enrollment period.

A private source of Medicare information is Healthmetrix Research Inc. This January, Healthmetrix recommended 38 Medicare Advantage plans for its *Senior Gold Choice* award. This is an annual recognition of health plans nationwide based on excellence in benefit design and cost-effectiveness. Among those available to central Texans were Texas Community Care and Humana Choice.

Below is a table of some of the plan options offered by Humana in the Central Texas area. Note that three plans are prescription drug plans that coordinate with Original Medicare.

Now that we've talked about the principals of

“Capitated payments to Medicare Advantage plans exceed those to Original Medicare by 12%. In return, they must either reduce costs to participants or provide additional services not covered in Original Medicare.”

Plan Name	Type	Monthly Premium & comments vs. Original Medicare
HumanaChoicePPO 026	PPO	\$ 0.00 ; lower deductibles for hospital stays
HumanaChoicePPO 012	PPO + Rx	\$66.00; prescription drugs included
HumanaChoicePPO 003	PPO + RX	\$75.00
Humana Gold Choice PFFS H146	PFFS+ Rx	\$69.00; no network restrictions
Humana Gold Choice PFFS H238	PFFS+ Rx	\$89.00; \$50 per emergency room visit
Humana PDP Standard S5884-080	PDP only	\$12.70
Humana PDP Standard S5884-020	PDP only	\$19.80
Humana PDP Standard S5884-050	PDP only	\$76.60;

PPO - preferred provider plan
 + Rx - the plan includes prescription drug coverage
 PFFS - Private Fee-for-Service plan
 PDP - Prescription Drug plan to supplement Original Medicare

“Corporate earnings are still projected to increase about 10.7% relative to 2006. Moreover, the limited data available for 2008 indicates that earnings growth will proceed apace.”

Corporate Earnings Remain Strong

Last month, there was a moderate sell off in worldwide equity markets. Among the causes for the decline in share prices were worries of an upcoming recession in the United States. In light of this, it is useful to review corporate earnings estimates for the near term.

over 1700 revisions to these estimates during the past four weeks. 844 were positive and 881 were negative. The net impact was minimal – reducing overall estimates by less than ½ of 1%. Corporate earnings are still projected to increase about 10.7% relative to 2006.

Recent history has been very positive. Since bottoming out in 2002, actual profits for S&P 500 companies have grown at annual rates exceeding 10% for each of the last 19 quarters. This is one of the reasons for the buoyant capital markets over that time frame. What, then, of the future?

More good news. The limited data available for 2008 indicate that earnings growth will proceed apace - S&P 500 firms are projected to increase their bottom line by another 10.8% in 2008. It is possible that earnings revisions will turn sharply negative as they did in 2000. However, it is important to note that hundreds of earnings revisions have been issued recently and there is no evidence to date of a significant slowdown in the earnings capacity of major corporations

Zacks research www.zacks.com tabulates corporate earnings estimates. There have been