

Post-Retirement Health Care Planning

Understanding Medicare and Long-
Term Care Options and Costs



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Contact info

Ray Eustace
Eustace Advisors
Phone 910-377-5021
ray@eustaceadvisors.com

Discussion Topics

1. Planning for Post-Retirement Health Care Expenses
2. Medicare
 - An Overview of Medicare
 - Traditional Medicare vs. Medicare Advantage
 - Enrollment
 - Costs
 - Common mistakes
3. Long-Term Care Considerations
 - Expenses that are not covered by Medicare
 - Options for paying for these expenses
 - Projected costs
4. Resources and Analysis Tools



Common Misperceptions

1. I will be automatically enrolled in Medicare.
2. Medicare is free.
3. Medicare will cover my long-term care needs.
4. I have a retiree health plan, so I won't need Medicare.
5. I won't need long-term care, as I plan to age in place.
6. My doctors accept Medicare.
7. Original Medicare includes drug coverage.
8. I can continue to contribute to an HSA while on Medicare.
9. Medicare covers 100% of qualified expense types.
10. I won't get sick, so I shouldn't need supplemental insurance.
11. My co-worker/friend/neighbor is an expert on Medicare.


Health Care Options Prior to Age 65

- Employer Health Benefits
- Former Employer Health Benefits
- Spouse's Health Plan
- COBRA
- ACA Marketplace
- Direct Private Insurance

These options are NOT the focus of this presentation.

Health Care During Retirement


Traditional Health Care Costs



Doctor's care
Prescriptions
Dental Care
Vision Care
Hospitalization

Covered by Medicare

Long-Term Care Costs



Adult Day Care
Assisted Living
Homemaker Assistance
Home Health Aide Care
Nursing Home Care

Typically, NOT Covered by Medicare

Preparing for Post-Retirement Health Care



- Health Care costs are a primary post-retirement non-discretionary expense, along with housing, transportation, food and taxes.
- A good health care preparation plan addresses:
 1. Traditional Health Care Expenses
 2. Long-Term Care Needs and Expenses
- It's important to understand your projected health care costs BEFORE retirement, and to build a plan.
- Once in retirement, you'll need to periodically review your health care insurance options and possibly adjust based on your situation and cost factors.

Medicare Coverage Overview

Cannot have Medigap and Medicare Part C

PLAN	Part A	Part B	Part D	Medigap	<u>OR</u>	Part C
COVERS	Hospital coverage	Medical coverage	Prescription drug coverage	Out-of-pocket costs, such as co-insurance and deductibles		Hospital & physician costs
THE BASICS	Part of Original Medicare run by the U.S. government.	Part of Original Medicare run by the U.S. government.	Can be added to Original Medicare (A+B) .	Can be added to Original Medicare (A+B) offered by private insurance companies.		Also known as Medicare Advantage offered by private insurance companies.
YOU SHOULD KNOW	It's free at 65 if you or your spouse have worked (and paid taxes) for 10 years.	It's not free. Monthly premiums are set annually. You also may have co-insurance.	Costs will vary depending on the plan you choose and prescriptions you need.	You can get Medigap later, but you might pay more.		Plans set an annual limit on out-of-pocket costs. They typically have provider networks and may include extras such as dental, vision, or gym memberships.

Source: For a more complete description of what is and is not covered under original Medicare, see *Medicare & You*, available at <https://www.medicare.gov/medicare-and-you>.

Medicare Part A: hospital coverage

- Inpatient hospital stay
- Inpatient surgeries
- Skilled nursing (up to 100 days after a qualifying hospital stay)
- Inpatient medications
- Blood transfusions
- Hospice

Medicare Part B: outpatient coverage

- Doctor Visits
- Lab work
- Preventative care
- Outpatient surgeries
- Physical Therapy
- Diagnostic Tests
- Dialysis / Chemotherapy
- Certain (“Part B”) drugs

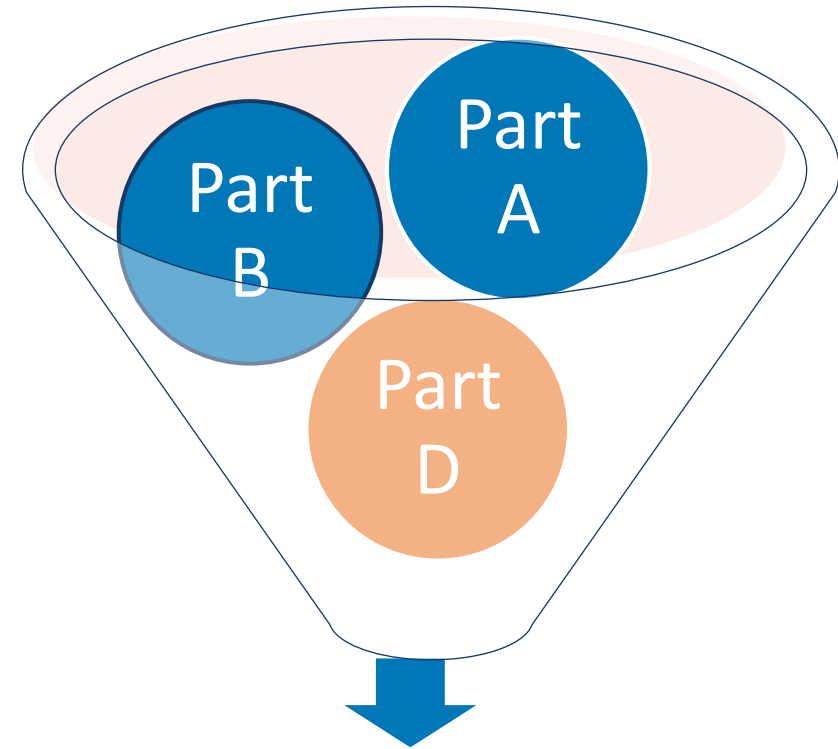
Part B covers **100% of preventive care**, and **80% of all other outpatient care**

Medicare Part D: optional drug coverage

- This is a voluntary option, which is part of Medicare but is administered by private insurance carriers.
- Although optional, if you do not sign up when you are first eligible and you do not have other creditable drug coverage, you will incur a Medicare penalty for not enrolling. The penalty is cumulative and gets larger with time.
- Once you enroll with a private insurance carrier, you will receive a coverage card and be able to purchase your drugs at a reduced cost from in-network pharmacies.
- It is recommended that you shop your Part D plan each year during the fall enrollment period to make sure you have the best coverage for you based on your current medication needs.
- Part D drug coverage is more complicated than what people are used to with employer-sponsored coverage and typically has an annual deductible.

Medicare Part C: Medicare Advantage (MA)

- Medicare Part C is also known as Medicare Advantage.
- This option was established as part of the Balanced Budget Act of 1997.
- MA is an optional way to get your Part A and B benefits through a private insurance company instead of directly from Medicare.
- There are pros and cons of MA vs. Original Medicare, which will be discussed later.



Part C: Medicare Advantage

Enrolling In Original Medicare

Parts A and B

- Enrollment is via Social Security or the Railroad Retirement Board.
- The Initial Enrollment Period offers a 7-month window.
 - Begins 3 months before and ends 3 months after your 65th birthday month.
 - Ex: if your birthday is May 17th, your IEP runs from Feb 1 thru Aug 31.
- Your Medicare coverage starts:
 - On the 1st of your 65th birthday month, if you enroll prior to your birthday month.
 - On the 1st of the month AFTER your application date, if you enroll during or after your birthday month.
- If you are still working when you turn 65, you may be able to defer your enrollment in Medicare but will have to enroll with Medicare when the employer coverage is no longer a qualified alternative to Medicare.

Important Definitions

Premium: the cost to establish and maintain insurance. Typically, this is paid monthly.

Cost-Sharing: when paying for health-related expenses other than premiums, Medicare will pay a portion of the cost, and you'll pay a portion.

Co-Pays: one part of cost-sharing, in the insured pays a portion of the actual health related expense such as a doctor's visit.

Co-Insurance: another option for cost-sharing, this is the use of multiple policies to cover the same type of expenses. This is often used to help reduce out-of-pocket costs and protect against catastrophic uncapped health expenses.

Deductible: the amount of money an insured person pays before their insurance company starts paying for covered expenses. This amount typically resets annually.

Let's Start with Monthly Premiums

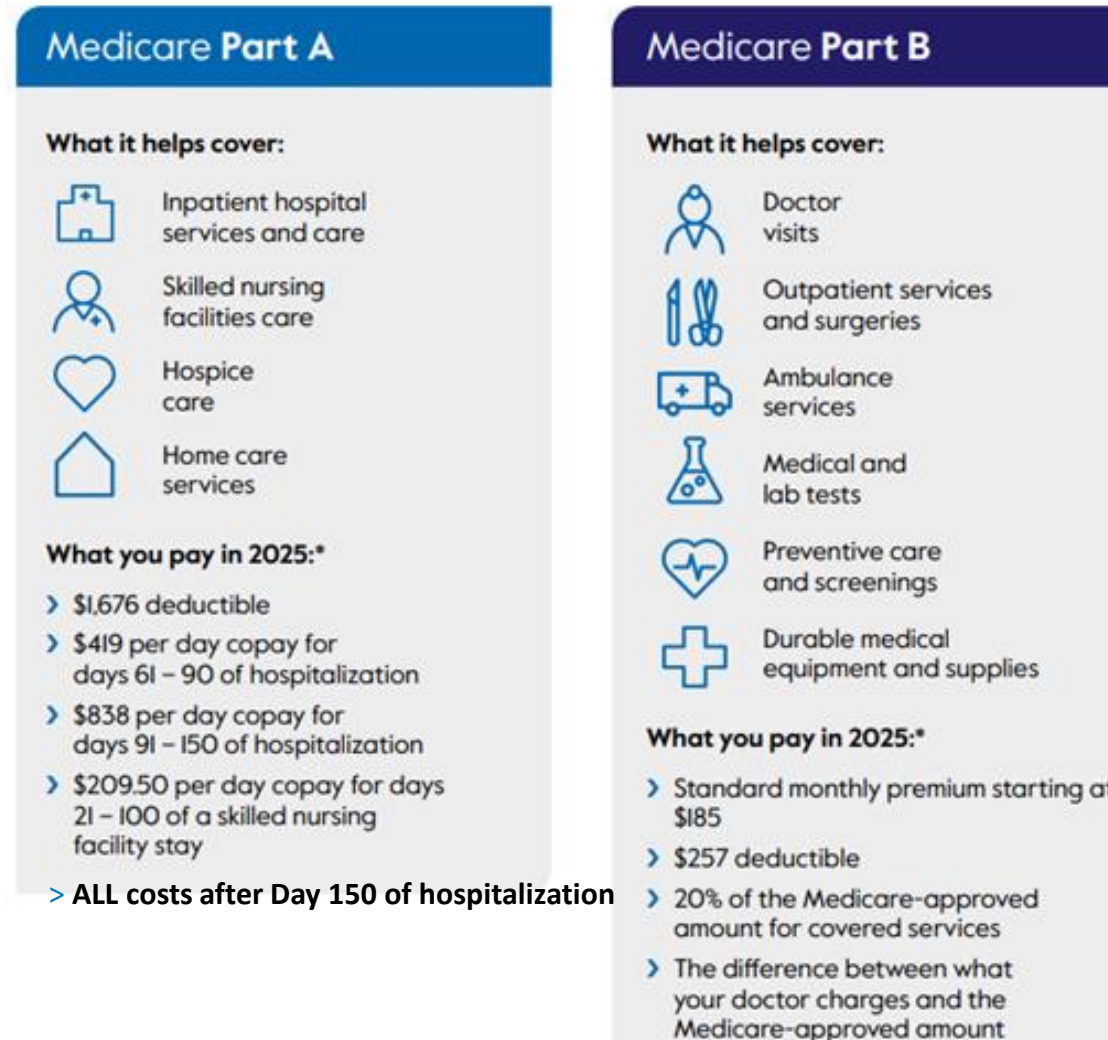
- Medicare Part A requires no monthly premium if you have worked and paid FICA taxes for at least 40 quarters (10 years). You may also qualify for zero-premium Part A coverage based on your spouse's work history.
- Medicare Part B always requires a monthly premium, which starts at \$185/month in 2025 for new enrollees. Part B premiums are either deducted from your SS check or billed quarterly if not yet taking SS.
- Medicare Part D premiums vary by provider, and average ~\$55/month.
- For both Part B and Part D, your premium may be higher based on your income – this is called IRMMA (Income-Related Monthly Adjustment Amount). See Next Slide.

The Impact of Income on Medicare Premiums

IRMAA 2025: Part B and Part D Premiums				
If your filing status and your modified gross adjusted income in 2023 is				
File Individual Tax Return	File Joint Tax Return	File Married & Separate tax return	Part B (you pay each month in 2025)	Part D (you pay each month in 2025)
\$106,000 or less	\$212,000 or less	\$106,000 or less	\$185.00	Your plan premium plus \$0
above \$106,001 up to \$133,000	\$212,001 to \$266,000	not applicable	\$259.00 (185.00 + 74.00)	Your plan premium plus \$ 13.70
above \$133,001 up to \$167,000	\$266,001 to \$334,000	not applicable	\$370.00 (185.00 + 185.00)	Your plan premium plus \$ 35.30
above \$167,001 up to \$200,000	\$334,001 to \$400,000	not applicable	\$480.90 (185.00 + 295.90)	Your plan premium plus \$ 57.00
above \$200,001 up to \$499,999	\$400,001 to \$749,999	\$106,001 to \$394,000	\$591.90 (185.00 + 406.90)	Your Plan premium plus \$ 78.60
\$500,000 and above	\$750,000 and above	\$394,000 and above	\$628.90 (185.00 + 443.90)	Your plan premium plus \$ 85.80

Medicare recalculates these rates annually based on your IRS tax returns.

Cost-Sharing Considerations



As you can see in the charts to the left, significant out of pocket costs can accrue with basic Original Medicare Coverage, and the coverage does NOT include vision, hearing or prescription drug coverage.

We recommend consideration of optional Medigap and Part D prescription coverage, or a Medicare Advantage Plan, to reduce out-of-pocket cost exposure and cover prescriptions, dental and vision.

> There is no out of pocket maximum.

Cost-Sharing Option#1 - Medigap

- Also referred to as a Medicare Supplement Plan, Medigap insurance is offered by Medicare-approved private insurers to help cover out-of-pocket costs not covered by Medicare Parts A and B. Any provider who accepts Medicare will accept Medigap coverage.
- There are 10 variations of Medicare supplement plans. Each has common basic benefits, like coinsurance for Original Medicare Parts A and B, but some plans have added benefits, like skilled nursing facility care, foreign travel coverage and Part A deductibles.
- Medigap Benefits do NOT change year-to-year and are guaranteed renewable.
- While not all Medigap insurance companies will offer every plan, the benefits within each of the plans are standardized, which means they'll be the same no matter which insurance company you purchase the plan from.
- Medigap premiums will vary based on several factors.
- You need a separate Plan D plan if you want prescription coverage.

Medigap Plans and Coverages

Medigap Plan Comparison Chart

Medigap Plan Benefits	Plan A	Plan B	Plan C	Plan D	Plan F	Plan G	Plan K	Plan L	Plan M	Plan N
Medicare Part A Coinsurance & Hospital Costs Up to an additional 365 days after Medicare benefits are used	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Medicare Part B Coinsurance or Copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	***100%
Blood (First 3 Pints)	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Part A Hospice Care Coinsurance or Copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Skilled Nursing Facility Coinsurance	X	X	100%	100%	100%	100%	50%	75%	100%	100%
Medicare Part A Deductible	X	100%	100%	100%	100%	100%	50%	75%	50%	100%
Medicare Part B Deductible	X	X	100%	X	100%	X	X	X	X	X
Medicare Part B Excess Charges	X	X	X	X	100%	100%	X	X	X	X
Foreign Travel Emergency up to plan limits	X	X	80%	80%	80%	80%	X	X	80%	80%
							**Out-of-Pocket Limit	\$7,220	\$3,610	

**Plans in Wisconsin, Minnesota and Massachusetts are different.*

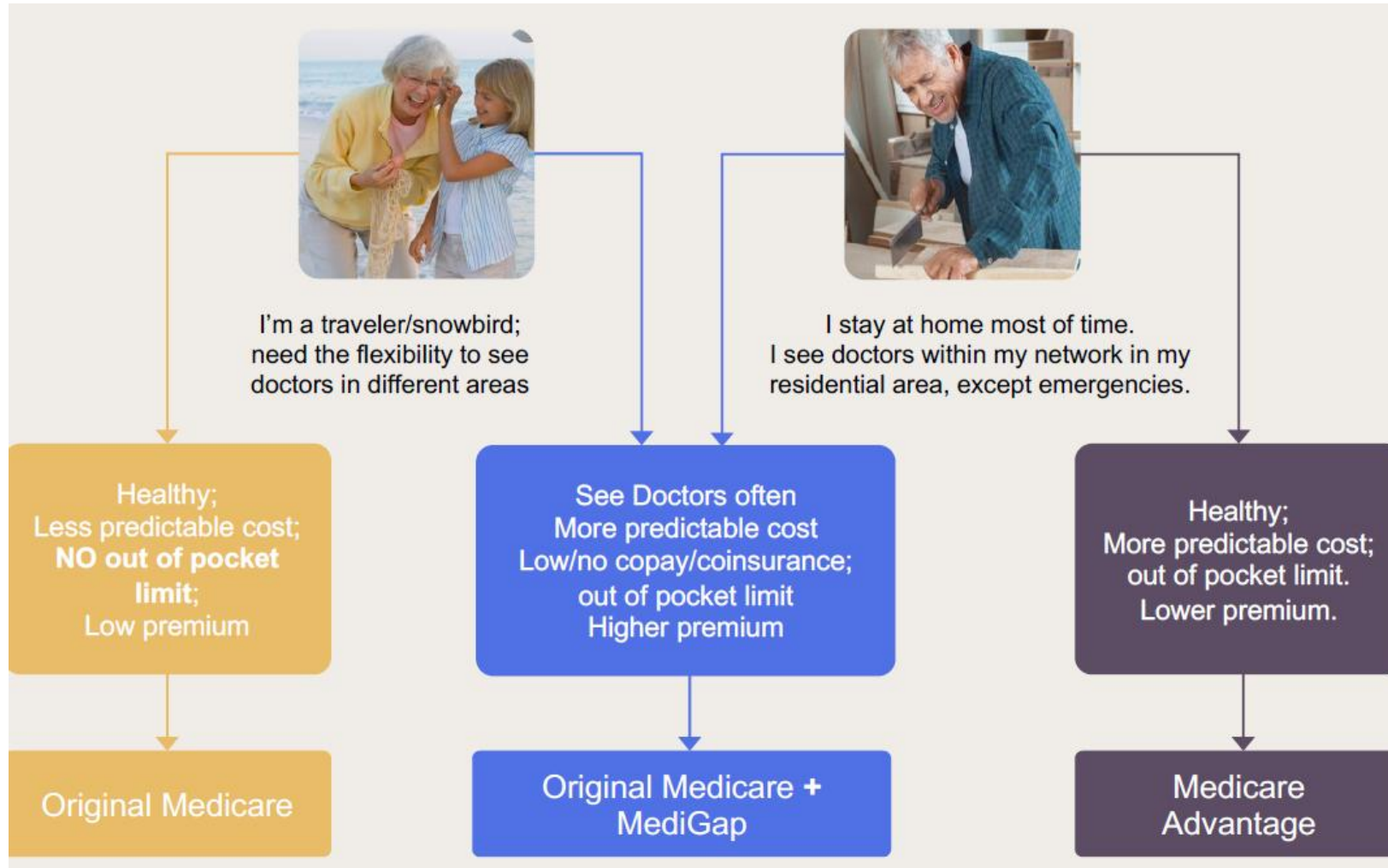
Cost-Sharing Option #2 – Medicare Advantage

- This is a private insurance plan that delivers benefits through a local network of approved providers.
- To qualify for a MA plan, you must be enrolled in Medicare Parts A and B.
- Most MA plans include Part D (prescription) coverage.
- Some MA plans also offer coverage for dental, vision, hearing and other services NOT covered by Original Medicare.
- Most plans offer HMO or PPO plans. HMO plans are less expensive, but more restrictive re: out-of-network coverage and referrals.
- Each Medicare Advantage plan sets its own premiums and co-pays for various services. Most MA plans change benefits every year – must be closely watched.
- MA premiums are typically lower than Medigap, but the co-pay costs of MA need to be considered for services to treat chronic illnesses (dialysis, cancer, infusions).

Cost-Sharing Option Comparison

Medicare Supplement Plan	Medicare Advantage Plan
<ul style="list-style-type: none">• You'll often have no or very low copays for doctor visits, hospital stays and other Medicare-approved services• Freedom to see any provider that accepts Medicare• No referrals needed to see a specialist• Dental, vision and prescription drug coverage are not included• A higher monthly premium than a Medicare Advantage plan	<ul style="list-style-type: none">• Some plans include dental and vision care and benefits, like fitness club memberships and transportation• Most plans include Part D prescription coverage• You need to obtain care from a local network, similar to an HMO or PPO plan• You need a referral to see a specialist• A lower monthly premium than a Medicare supplement plan

Guidelines for Selecting a Cost-Share Option



Enrolling In Cost-Sharing Options

Medigap

- Per federal law, you get a 6-month Medigap Open Enrollment Period. This OEP starts the first month you have Medicare Part B and you're 65 or older.
- This is the best time to buy a Medigap policy, as you:
 1. Can enroll in any Medigap policy.
 2. Will generally get better prices and more choices among policies.
 3. Can buy any Medigap policy sold in your state.
 4. Can not be denied coverage due to pre-existing health problems.
- After this period, you may not be able to buy a Medigap policy, or it may cost more.

Medicare Advantage and Part D Plans

- The Initial Enrollment Period aligns with the IEP for Original Medicare.
- These plans change every year. You should review your plan during the Annual Enrollment Period, Oct. 15-Dec. 7, as you can change plans during this timeframe.
- If you are already in a MA plan, you may also switch plans between Jan 1 thru Mar 31.
- Check for higher premiums, reduced benefits, changes in provider network.

2025 Example - Medicare Premium Costs

Coverage Model: Original Medicare with Medigap + Part D

Part A: **\$0**

Part B: **\$185** (for new enrollees not subject to (IRMMA))

Part D: **\$55.50** (average)

Plan G: **\$100+***

Total approximately: \$340.50+/month (\$4,086+/year)

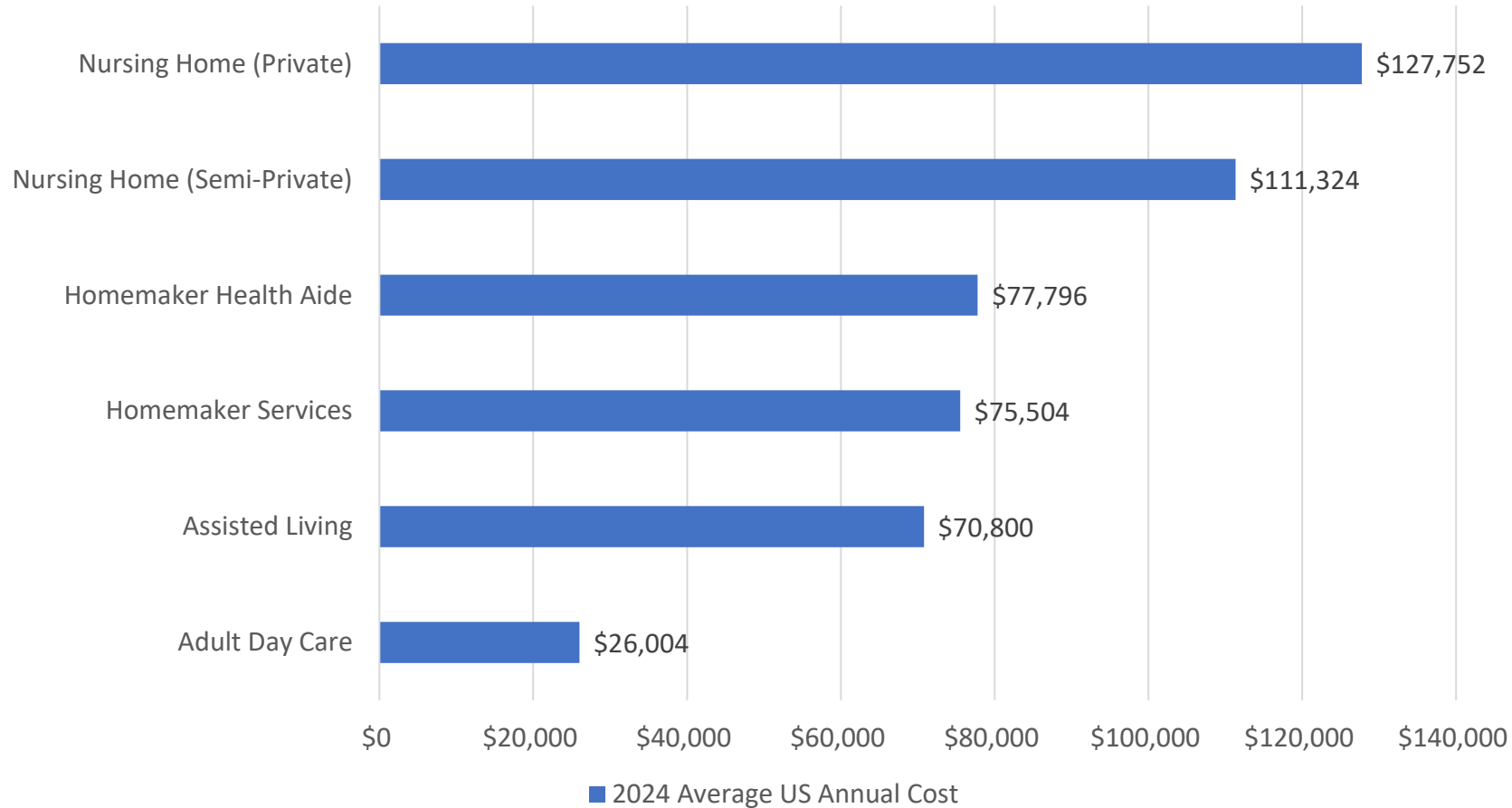
**Medigap: monthly premium varies by zip code, gender, age, tobacco usage*

Planning for Long-Term Care

- Medicare does not generally cover long-term care, such as assistance with daily living activities in nursing homes or assisted living facilities.
- Medicare may cover some short-term skilled nursing facility stays after a hospital stay and hospice care, but its coverage primarily focuses on acute care and medical services, not long-term care.
- Other funding options for Long-Term Care must be considered, including:
 - Medicaid
 - Veteran's Benefits
 - Long-Term Care Insurance
 - Self-funding (i.e. use of personal assets)

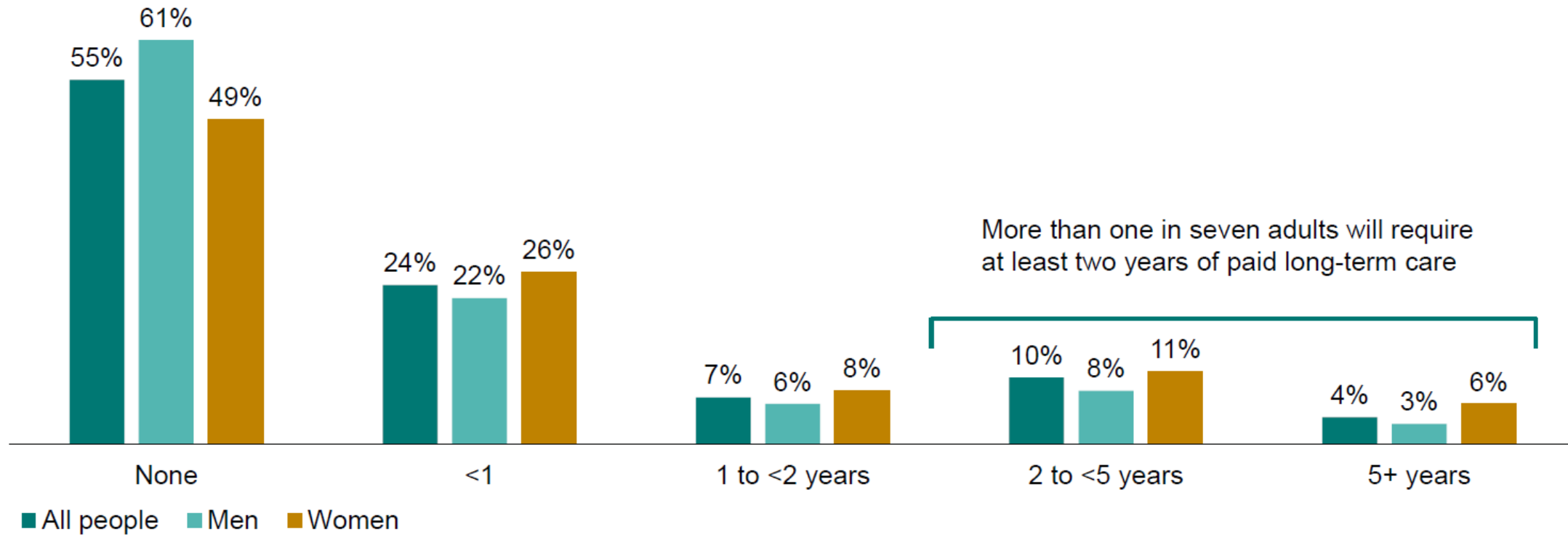
Understanding Long-Term Care Costs

Long-term care is the biggest health care expense NOT covered by Medicare



Who Will Need Long-Term Care?

Projected use of paid LTC for people turning age 65 between 2021 and 2025

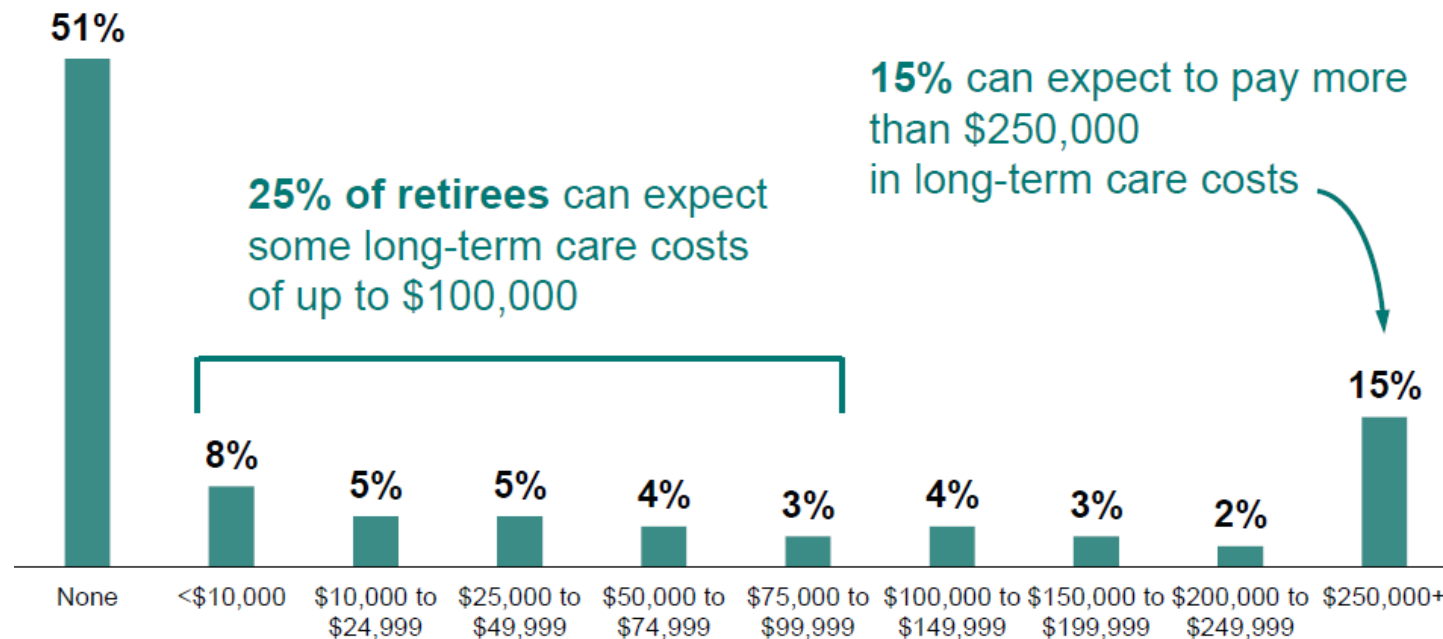


Source: U.S. Department of Health and Human Services Assistant Secretary for Planning and Evaluation (ASPE) Issue Brief *Long-term Services and Supports for Older Americans: Risks and Financing*, August 2022, Table 2.

Paying for LTC Expenses: Save Up or Insure

Percentage of retirees by expected long-term care costs

For people turning age 65 between 2021 and 2025



Consider your payment options

Remember, Medicare pays for only 100 days in a skilled nursing facility. To cover additional days, you might:

- Set aside special savings
- Use existing brokerage funds
- Purchase long-term care insurance
- Purchase life insurance with a long-term care rider

As always, your advisor will help you determine what is suitable and consider any possible tax consequences.

Source: U.S. Department of Health and Human Services Assistant Secretary for Planning and Evaluation (ASPE) Issue Brief *Long-term Services and Supports for Older Americans: Risks and Financing*, August 2022, Table 7.

Recommended Actions

1. Build a plan to pay for expected post-retirement health care expenses before retiring. This will include estimated 1st-year costs and a plan for long-term care.
2. Establish health care directives and agent(s) as part of this plan.
3. Review this plan (income, expenses, insurance plans) annually; adjust as needed.
4. Confirm if your existing providers accept Medicare.
5. Understand the impacts your income has on Medicare premiums.
6. As you near retirement, consider working with a Medicare specialist or SHIP.
7. Ensure you enroll for Medicare as required.
8. Review your health insurance options on an annual basis prior to the open enrollment period.

Resources and Analysis Tools

✓ **The Centers for Medicare and Medicaid**

Phone: 1-800-MEDICARE

Website: <https://www.medicare.gov/>

✓ **Social Security Administration**

Phone: 1-800-772-1213

Website: <https://www.ssa.gov/>

✓ **Under 65 health plans**

Phone: 1-800-318-2596

Website: <https://www.healthcare.gov/>

✓ **SHIP (State Health Insurance Assistance Program)**

Website: shiphelp.org

✓ **Health Care Planning Info on Financial Sites**

1. <https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>
2. <https://investor.vanguard.com/investor-resources-education/retirement/planning-how-much-does-retirement-health-care-cost>
3. <https://www.investopedia.com/retirement/how-plan-medical-expenses-retirement/>

Questions?