

Eye on 65 – Episode 7 Transcript

Marianne Hey John, happy New Year.

John Hey, happy new year to you too, Marianne.

Marianne I thought we would talk today about open enrollment since it just ended and about some of the changes to Medicare advantage plans for 2021. But before we do that, I think it would be really helpful if we gave our listeners some basic information about Medicare.

John I think that's a great idea. It's a really complicated time, and it's a process that even people who know a lot about Medicare get confused about. So now let's dive in.

Marianne You're right, John. There's nothing simple about healthcare in America. And for Medicare, we start with a bit of alphabet soup. So we have gotten Medicare parts A, B, C, and D. So let's start from the beginning. John, can you share with our listeners what Medicare part A covers?

John Medicare part A was first introduced in 1965, right when Medicare began and it provides coverage for hospitalization. Now, original Medicare generally requires you to pay daily hospital deductibles, but it covers a large part of your inpatient costs after that deductible. And keep in mind that almost everyone who turns age 65 signs up for Medicare part A. You can do that as early as three months before your birthday month, during your birthday month, or as late as three months after your birthday.

Marianne That's right John, and for most Americans Medicare part A is premium free. That's zero cost. So that's good news.

John Yeah, that's right. It's premium free because you've been paying taxes into Medicare over the course of your career. So as long as you've been doing that for at least 10 years or 40 quarters it's premium free. Marianne, why don't you tell us about Medicare part B?

Marianne Medicare part B covers your outpatient costs. So think charges for lab work, doctor visits, x-rays and part B coverage isn't not 100%. So it generally covers about 80%, which is why we see people out on additional coverage to pick up the remaining 20% they may owe. Part B coverage comes with a premium though unlike part A and right now that monthly premium is about \$148 a month for most Americans. But keep in mind, John, if you have higher income, you're going to pay a higher premium for it. And if you're really low income, you might be able to find some federal programs that can reduce or even eliminate your premium.

John I want to add one really important point here, which is that people need to enroll in Medicare part B when they turn 65 or right away after they're no longer covered by

either their employer's plan or by their spouse's employer plan, because there are significant penalties for each year that you go without enrolling in Medicare part B coverage, once you were eligible. So again, if you're working and you get healthcare coverage from your employer, you don't necessarily have to sign up for Medicare part B right when you turn 65, but as soon as you lose that employer coverage, you really want to enroll right on time so that you don't have to pay the part B premium penalty.

Marianne That's a really good point. I've seen some retirees get into that predicament and the premium can end up being cost prohibitive, so I'm glad you mentioned that. But can retirees do anything to lower the out-of-pocket costs we talked about? The hospital deductibles, the co-insurance both, you know, we see in part A and part B, what can they do?

John Original Medicare actually isn't that generous of a benefit. You know, for example, it doesn't have an out of pocket maximum. And so over 90% of Medicare beneficiaries actually do get some form of additional coverage to ensure that they are protected from really high medical costs each year. Now what most folks who choose original Medicare, the type of additional coverage that they find is called a Medicare supplement policy. It's also known as a Medigap plan. So the way a Medigap plan works is it will pick up that 20% that you owe when you go to the doctor if you have just original Medicare or it could pick up some or all of the deductible that you have to pay each visit to the hospital. So if you want original Medicare, but you also want to cap your costs each year, you should consider a Medigap plan to ensure that you're covered.

Marianne Both Medicare parts A and B were created when Medicare was first created in 1965, there was no prescription drug coverage until 2006 and Medicare drug coverage is called Medicare part D. So why don't you talk a little bit about how Medicare part D coverage works, John.

John You get prescription drug coverage by enrolling in a drug plan called the part D plan. And it's provided by a private insurer. You have to actively go and shop for a private drug plan. Retirees have to pay a premium for Medicare part D which generally covers a substantial amount of drug costs. The retirees will pay some form of cost sharing during the year when they go to the pharmacy and like part B, you can put off enrollment if you're covered by employer sponsored healthcare. But once you do lose that employer coverage, you should sign up for a part D plan right away.

Marianne I feel like it's really important when retirees are looking at the drug side of this equation, because each drug plan has its own drug formulary and what might be a good drug plan for your wife and her medications may not be the best option for you because you take a different list of prescription drugs.

John Yep. That's right. It's there. These plans are personalized to your specific patient profile and drug formularies can change from plan to plan and even from one year to the next. But the good news is that these plans are always guaranteed issue. That means that you are guaranteed to be offered enrollment into a plan every year during the open

enrollment period, regardless of what preexisting conditions that you have. So that's where having a Medicare exchange can really help retirees choose the right plan each year. These exchanges will do an annual prescription drug checkup for you to make sure that whatever happened to you during the year, if you got a new medication or you dropped one that you're in the best plan based on the medications that you take.

Marianne Yeah. I'm so glad you said that John, you know, we at Willis towers, Watson, we do an annual checkup with our retirees to make sure that their drug plan still does work for them. And I was just talking to a retiree who is saving more than a thousand dollars a year in out-of-pocket drug costs in this new, uh, calendar year simply because they did that exercise.

John Marianne, I am the father to a three-year-old and, uh, I've been practicing my ABC's lately and are wanting to just point out that our listeners may have noticed that we talked about Medicare parts, A and B and D, but we skipped over Medicare part C.

Marianne And you're exactly right. And, I hope your daughters are learning their alphabet very well. Don't try to teach them the Medicare alphabet. That's just too complicated. But, I did that intentionally John, because I feel like you need to understand the drug component of Medicare before you could talk about Medicare part C. These are Medicare Advantage plans, often called MA plans, but they usually come bundled with a drug plan and then we call them an MAPD plan. And I felt we needed to talk about drugs first. So now that I've said that, why don't you talk a little bit about Medicare Advantage plans?

John Medicare part C is commonly known as the Medicare Advantage program. Medicare advantage plans are private insurance plans that replace traditional Medicare parts, A and B. They have to cover everything that part A and B cover. And then generally cover more. As you mentioned, Medicare Advantage plans also typically come bundled with a prescription drug plan, which is why we call these Medicare Advantage plans that come with part D plans as well. We call them MAPD plan for Medicare Advantage and Part D.

Marianne So let's talk practically about how all this comes together. It sounds like you're saying they have two options. Option one starts with original Medicare and then adds other coverage to fill in the gaps, a part D drug plan for coverage and a Medigap plan to cap your out-of-pocket costs for inpatient and outpatient care.

John Right. And option two is to enroll in a Medicare advantage part D plan, which combines all the coverages and option one together into one plan. But the nice thing about all this is that retirees have the choice to pick the type of plan they want. They pick a Medigap plan. They're going to have a higher monthly premium, but very little out of pocket costs during the year when they'd go to the pharmacy or the doctor or the hospital. On the other hand, if they choose a Medicare Advantage plan, they're going to have maybe a \$0 premium or a really, really small premium, but they'll probably pay more out of pocket costs when they go and seek care.

Marianne That's very true. You know, another key difference John, that we want to point out is that Medigap plans do not have networks. So you can see any doctor that accepts Medicare, which is most doctors, whereas Medicare Advantage plans tend to have networks. So you need to make sure that your doctor is in the plan that your hospital is in the plan. And if you travel a lot, it may not be the best option for you because you might not find doctors in the state that you're spending some time in, that are in your network. So, John, one of the things about Medicare Advantage plans, is there some additional benefits that they might cover that you typically don't find in Medigap plans? Could you share what some of those are?

John We're seeing a lot of new different plan benefits added to Medicare Advantage plans that really increase the value for retirees who are enrolled in these plans. So, you know, the traditional benefits cover what Medicare part A and part B cover: going to the hospital, going to the doctor. They also cover what part D covers filling a prescription when you go to the pharmacy. But now Medicare Advantage plans have been given flexibility by Medicare to offer more creative types of benefits. Things like rides to doctor's offices, if you need help getting there. Or home meal delivery after surgery, funding for emergency response systems in your home, and even some dollars dedicated to over-the-counter items.

Marianne Yeah, I think those items can be very helpful. There's another part I want you to explain to our listeners that I keep hearing about. It's called Medicare part B Premium Giveback plans. Can you explain what that is and how prevalent it is?

John Medicare Part B Premium Giveback is a program where your Medicare Advantage plan will actually pay some portion of your Medicare part B premium. I've seen it as low as 25 or 50 bucks, but even all the way up to a full \$140 reduction. Now they have to coordinate this with social security, because most people have their Medicare part B premium deducted from their social security check. But it's just another way that Medicare Advantage plans are getting more creative with making their plans more affordable for retirees.

Marianne I was quite confused when I first heard of this. So I checked with a number of group plan sponsors around the country, and I haven't found one, at least in the public sector, that's doing this Medicare part B premium giveback. So it sounds like if retirees want reductions in their Medicare part B premium that the place they're going to find them as in an individual Medicare Advantage plan, and maybe again with the help of a Medicare exchange to help them find which plans do that because I'm not seeing these reductions happening in any of the group Medicare Advantage plans,

John The ability to do this has been around for a while. But what we're seeing now is more and more individual marketplace Medicare Advantage plans⁰² taking advantage of the option and offering it to retirees.

Marianne John, I think we've about run out of time. And I want to thank you for talking with me about one of my favorite subjects, the ABCs of Medicare, and I hope everybody stays

safe out there, wash their hands, wear their masks, and until next time, thanks for listening to Eye on 65. Thanks John.

John Thanks Marianne.

John Thank you for listening to Eye on 65 by Willis Towers Watson, a leading global advisory broking and solutions company, serving thousands of employers worldwide. For more information on Willis Towers Watson's solutions to manage employee risk, optimize benefits, cultivate talent, and expand the power of capital, visit us at willistowerswatson.com. You can find more episodes of Eye 65 on iTunes. Share with your colleagues with hashtag Eye on 65 that's E-Y-E on 65. Join us next time.