



Economic and Market Insights

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Medicare Signup: Give Yourself Plenty of Time to Sort Through the Options

As part of the Social Security Amendments of 1965, Medicare legislation established a health insurance program for senior persons to complement the retirement, survivors, and disability insurance benefits under Title II of the Social Security Act. The program we have today has grown complex. Making informed choices on your healthcare insurance as you approach retirement age is critical to meeting your unique long-term needs.

*If you are still working and covered by a **qualified** group health insurance plan (20 or more employees), for the most part you will be able to defer any Medicare decisions until you separate from your employer's service. If you are approaching retirement, the clock may be ticking on your choices. David Stubblefield, Senior Financial Planner at The Commerce Trust Company, takes a moment to answer some Medicare retirement planning questions.*

Q. I am approaching 65 and considering retirement. After calculating my Social Security monthly retirement benefits, how should I approach the healthcare insurance part of my planning?

A. Keep in mind if you are already receiving Social Security benefits you will be automatically enrolled at age 65.

If you are not going to be automatically enrolled, the official seven-month initial Medicare enrollment period begins three months prior to your 65th birthday.* During that period you would sign up for what is called Medicare Part A, which covers hospital insurance, and Part B, which covers supplementary medical insurance. Part A essentially helps pay inpatient hospital stays and is free of premiums for most eligible people. Part B helps pay for routine physician visits and outpatient hospital and other services, but all eligible people must pay a monthly premium.



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Q. What other steps should I consider?

A. The more critical question in our mind is deciding on the choice of “Medigap” plans, which by definition address any gaps you might have in your particular coverage. Based on your unique circumstances, you can plug these gaps with many different policies. Two of the most comprehensive Medigap policies available today are Plan F and Plan G.** Plan F covers almost all your contingencies for deductibles and copays that will not be covered by Part B. Plan G is very similar except that it doesn’t cover a Part B deductible. Frankly, some may even elect to self-insure.

Various commercial health insurance companies that meet federally imposed standards offer coverage. Whatever benefits they provide are standardized through different insurance carriers – it’s just a matter of price and service levels. Remember that you must have Medicare Part A and B to be able to purchase private Medigap plans.

Another option is Medicare Part C, the Medicare Advantage Program, which replaces traditional Medicare with a private insurance-only plan. While these plans are generally less costly, they are also generally more restrictive than traditional Medicare.

Q. What about my prescription drugs?

A. You can also bolster your coverage by adding Medicare Part D, which helps pay for prescription drugs not otherwise covered in Parts A and B.

Q. Is it possible to acquire too much coverage?

A. I personally favor maximum coverage, but you can always unwind it later if it proves to be too costly. It’s very difficult to go the other direction. If you are choosing Medigap coverage, you have a six-month special enrollment period that starts when you enroll in Part B. You can buy any policy sold in your state at this time. But just remember it’s generally harder to get maximum Medigap coverage after you enroll than it is to decrease your coverage at a later date.

Q. Any unique situations I should look out for?

A. Another important point relative to a timing issue is if you go on Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation insurance on or after age 65. You should act quickly and not wait until your COBRA coverage lapses to enroll in Medicare.

There is a special enrollment period of eight months for Medicare A and B based on when you leave qualified group health coverage any time after the initial enrollment period discussed earlier. Neither



retiree group insurance nor COBRA is considered qualified group coverage for Medicare. COBRA coverage will last 18 months, so if you wait for your COBRA to lapse, you waited too long and could pay more permanently for your insurance coverage than you would have otherwise.

Q. How can I further educate myself on Medicare options?

A. The government has some excellent resources and a robust website at *Medicare.gov*. My favorite program description there is “Medicare & You,” which is a downloadable and searchable booklet. There are also many private companies that can help you make these decisions as opposed to your trying to understand all of this yourself. You could be very diligent yet still miss something, so reach out for help when you need it.

Takeaways

- Do I need to enroll now? Yes or no?
- What are my coverage type options when I enroll?
- How does my personal health situation match up with my chosen Medigap coverage?
- Act quickly once you leave group health care coverage or know you will.
- This choice is complicated. Reach out to knowledgeable advisors before you act.

*Initial Enrollment Period – You can first sign up for Part A and/or Part B during the seven-month period that begins three months before the month you turn 65, includes the month you turn 65, and ends three months after the month you turn 65.

** All plans that reimburse the Part B deductible such as Plan F are currently set to be discontinued in 2020.



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