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ELDERCARE



By the numbers

- Older Americans spent nearly twice the amount of younger Americans on out-of-pocket health expenditures in 2010. Individuals under age 65 spent, on average, \$1,943 in out-of-pocket expenses,¹ while individuals over age 65 (on Medicare) spent, on average, \$3,278.²
- A 65-year old couple retiring in 2010 needed about \$200,000 to cover uninsured health care costs, including insurance premiums, out-of-pocket costs, and home health costs but excluding nursing home care. When nursing home costs are included, the amount increases to \$260,000.³

¹ Source: Aon Hewitt Health Value Initiative, Emerging Health Trends 2010: The Road Ahead, November 2010

² Source: Medical benefits, "Will Health Care Costs Bankrupt Aging Boomers?" March 2010

³ Source: Center for Retirement Research at Boston College, February 2010

FACING THE COMPLEXITIES OF MEDICARE

There is no denying it: Medicare is a complicated insurance program that beneficiaries often find as challenging as it is helpful. It is important to use a guide when trying to work within the system. This brief "Medicare map" gives you an overview of what to expect from Medicare, as well as the steps you can take to ease your journey toward securing the maximum benefits due you.

This information sheet offers an overview of Medicare. It provides information on health plan options, eligibility, enrollment, and costs. It also includes useful tips about coverage. Ask your financial advisor for additional literature on ways to fill gaps in Medicare coverage and special programs for people with low incomes.

Who is eligible?

You are eligible for Medicare if you meet one or more of the following requirements:

- You are age 65 or older and eligible for Social Security or railroad retirement benefits.
- You are age 65 or older and are a current U.S. resident and either a U.S. citizen or a

permanent resident who has lived in the United States for five continuous years before applying for Medicare.

- You have been receiving Social Security disability income for at least 24 months.
- You qualify for disability insurance because of ALS (Lou Gehrig's disease).
- You have end-stage renal disease and you, your spouse, or your parent has paid Medicare taxes for a sufficient amount of time.

If you are eligible for Social Security retirement benefits but do not take them at age 65, or if you are working after age 65, you can still receive Medicare benefits. If you

Key points

- Understanding the basics of Medicare A, B, and D gives you good standing to take necessary steps on schedule. It also helps you deal with problems in the system when you must.
- Begin the enrollment process in advance of your sixty-fifth birthday, or immediately after any other qualifying event, in order to become eligible for benefits as soon as possible.
- Always find out whether providers take assignment and insist that doctors, pharmacists, nursing homes, and other vendors bill Medicare directly to make certain that you pay minimum copays or other out-of-pocket costs.

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are not eligible for Social Security or railroad retirement, you are eligible for Medicare if you meet residency and citizenship requirements, but you must pay Part A premiums. How much you pay for Part A depends on your work history (how long you paid Medicare taxes while working).

How Medicare works

Medicare is the federal health insurance program available to older Americans and to many adults with disabilities, regardless of income.

Medicare is divided into three parts: Part A, Part B, and Part D. Medicare Part A covers in-patient hospital, skilled nursing facility, home health, and hospice services. Medicare Part B covers almost all reasonable and necessary outpatient medical services, including physicians' services, outpatient hospital care, durable medical equipment, laboratory tests, X-rays, therapy, mental health, and ambulance services. Medicare Part D is the outpatient prescription drug benefit available only through Medicare private drug plans or Medicare private health plans that include drug coverage. The more you understand about Medicare, the better you will be able to enjoy the full benefits of the program.

A snapshot of the basics

How and when to enroll

For most people, enrollment in Medicare is automatic and does not require an application.

- If you already get Social Security retirement or railroad retirement benefits when you turn 65, enrollment is automatic.
- If you are under 65 and receive

Social Security Disability Insurance (SSDI), you are automatically enrolled in Medicare during the twenty-fifth month you receive SSDI. If you are under 65 and have ALS, you are automatically enrolled in Medicare the first month you receive SSDI or, if you are a railroad worker, a railroad disability annuity check.

You need to actively enroll in Medicare and file an application with your Social Security or Railroad Retirement Board office if, for example,

- you qualify for Social Security retirement or railroad retirement benefits but are not receiving them when you turn 65
- you do not qualify for Social Security retirement or railroad retirement benefits but you qualify to purchase Part A

- you qualify for Medicare because you have end-stage renal disease and have a sufficient work history

There are three periods during which you can enroll or be enrolled in Medicare:

1. Initial enrollment

If you are turning 65, you can file an enrollment application with your local Social Security office during the seven-month period surrounding the month of your sixty-fifth birthday. This period includes the three months before your birthday month, your birthday month, and the three months after your birthday month.

If you are under 65 and are eligible because of disability, you can file an application during the seven-month period surrounding your twenty-fifth month of SSDI or railroad retirement disability benefits. This period includes the three months before your twenty-fifth month of disability, your twenty-fifth month of disability, and the three months following your twenty-fifth month of disability.

2. General enrollment

If you are eligible for Medicare and miss your initial enrollment period, you may enroll between January and March 31 each year, but you may pay a penalty for late enrollment. If you apply during the general enrollment period, your Medicare coverage starts on July 1 of the year you enroll.

3. Special enrollment

If you or your spouse has coverage under an employer group health plan (GHP) because you are currently employed, you can enroll in Medicare at any time while you are covered by the GHP. If you or your spouse end your GHP coverage or stop working, you have a special eight-month enrollment period beginning when you lose the GHP coverage or stop working, whichever comes first. If you still get coverage from a former employer after you retire, it is considered retiree coverage and is secondary to Medicare. This means that Medicare pays first, so it is important to sign up for Medicare.

Coverage and costs

Medicare covers most reasonable and necessary health care costs. It covers a portion of most outpatient prescription drugs as well. However, it does not cover routine dental services, most custodial or long-term nursing home care, or experimental procedures.

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Medicare Part A costs

Most people get Medicare Part A for free. Your Part A premium is free if

- you are 65 or older and eligible for Social Security or railroad retirement benefits
- you have received Social Security disability income for at least 24 months
- you qualify for disability insurance because of ALS
- you have end-stage renal disease and have sufficient work history

If you or your spouse have worked 40 quarters (10 years) or more, which means you are eligible for Social Security retirement benefits, you do not have to pay a Part A premium. For 2012, if you have worked between 30 and 39 quarters, your Part A premium is \$248 per month. If you have worked less than 30 quarters, the premium in 2012 is \$451 per month. In both cases there may be a surcharge for delayed enrollment. Call Social Security for individual information (1-800-772-1213) or go to www.socialsecurity.gov.

You also do not need to pay a premium for Part A if you are disabled (qualify for SSDI) and either do not work or it has been 8½ years or less since you have returned to work. After 8½ years, if you are still disabled, you can still participate in Medicare, but you must pay the Part A premium.

Medicare coverage tips

- Medicare covers most health care services that you and your doctor think you need. If you get a service and Medicare denies coverage, you can challenge the denial through the appeals process.
- If you have questions about Medicare, you can get free help from your State Health Insurance Assistance Program. You can get the number by calling 1-800-MEDICARE.
- Most doctors accept Medicare. Doctors do not have to treat Medicare patients, but if they do, they are legally bound to file claims with Medicare and to charge no more than state and federal laws permit.
- It is always a good idea to ask doctors whether they will take Medicare assignment. Doctors who take assignment have to accept the Medicare-approved amount as payment in full. Medicare will pay the doctor 80% of its approved amount, and you are responsible only for the remaining 20%. (Doctors who do not take assignment can charge you up to 15% more than Medicare's approved amount.)

- In most cases, if you have Medicare and Medicaid (except based on a spend-down), you should be able to see any doctor who takes Medicare or is in your Medicare private plan's network without having to pay coinsurance or deductibles. However, a doctor who also accepts Medicaid, is more likely to know about these cost protections.

Medicare Part B premiums

Everyone pays a monthly premium for Medicare Part B. In 2012 the standard Part B premium is \$99.90 per month, but most people will continue to pay the same premium they paid in 2011. This is because there is a provision in the federal law called "hold harmless" that does not let your Social Security check decrease as a result of an increased Part B premium. Since there will be no increase in

Social Security this year, if you automatically have your Part B premium deducted from your Social Security check, your premium cannot increase.

You will pay \$96.40 if you began having your premiums deducted from your Social Security check in or prior to December 2009. If you began having your premium deducted in 2011, you will pay \$115.40 each month in 2012.

New enrollees and people who do not have their premiums deducted from their Social Security checks pay the standard premium, which in 2012 is \$99.90 per month.

People with very high incomes will pay a higher Part B premium. If your income is above \$85,000 for individuals and \$170,000 for couples, you pay more for Part B.

If you do not enroll when you are initially eligible, you may have to pay a 10% premium penalty for each 12-month period you delay your enrollment (unless you had employer insurance through your or your spouse's current job). For example, if you were eligible for Medicare

Part B at age 65 but only enrolled in Medicare 66 months later when you were 70, you would pay a 50% penalty.

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Medicare does not cover

- private duty nursing
- a private hospital room
- custodial care in a nursing home
- custodial care in home
- most chiropractic services
- experimental procedures
- cosmetic surgery and treatments
- most care outside of the United States
- most dental care
- acupuncture
- long-term care
- hearing aids
- nonmedical services
- most eyecare

Medicare Part D

Medicare recipients can get prescription drug coverage through Medicare Part D. This coverage is only available through Medicare private drug plans. Most people must actively sign up if they want this coverage.

- Enrollment in the benefit is optional for most people (although the vast majority of people with both Medicare and Medicaid must get their drug coverage this way). Whether Medicare drug coverage will help you depends on your current drug coverage and drug needs.

If you have other drug coverage, you should check with the plan to see how it will coordinate with Medicare. Sometimes having Part D could cause you or your family members to lose other health care coverage.

- If your current drug coverage is as good as or better than Medicare's ("creditable"), you can keep it without penalty. If you do not have coverage as good as Medicare's and do not enroll when you are first eligible, you will pay a penalty if you enroll later. Find out from whoever provides your coverage — for example, your employer or union — whether it is creditable.

- If you want Medicare drug coverage, you must pick a plan that works with your current Medicare health benefits. If you have Original Medicare and want to stay with it, choose a stand-alone plan that offers just drug coverage (PDP). If you have a Medicare Advantage plan (Medicare private health plan), you should generally get your Part D coverage as part of your plan's benefits package.
- Each plan has different costs and a different list of drugs that it covers and works at different pharmacies.
- You can first enroll in the Medicare drug benefit when you first become eligible for Medicare and enroll in Medicare Parts A or B. You can usually enroll in or change plans only during Fall Open Enrollment. Starting in 2012 open enrollment will be from October 15 to December 7.
- If you have a low income, you may qualify for Extra Help — federal assistance that can help pay for most of the costs of the Medicare drug benefit. You can get an application for Extra Help by calling Social Security at 1-800-772-1213 or going online to www.socialsecurity.gov.

Adapted from the 2010 publication Medicare Basics, created by the Medicare Rights Center. Used with permission.

Resources

www.medicare.gov
www.medicareinteractive.org

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