Seven Tips on choosing Medicare Options

When you turn 65, you are flooded with packets, cards, booklets, invitations and phone calls offering information or assistance about Medicare options. Offers and solicitations like these usually only increase worry and confusion.

Fortunately, if you know some basic points and select a qualified agent, you can have a life-long worry-free plan that fits your situation and health needs. Choosing without the proper information could both impact your out of pocket costs for health care and limit your ability to choose certain plans later on if you should desire to change.

Tip 1: Understand your Medicare

Contrary to what many people believe, Medicare was never intended to provide total free health care to seniors. During your working years, money was deducted from your paycheck for Medicare Part A. Part A pays the hospital, 100 days of skilled care in a nursing home, and certain other benefits. Deductibles and co-payments apply; these costs increase every year. In 2008, the Part A deductible alone was $1025.

Medicare Part B could be thought of as the part that pays the doctor, but it actually pays everything that is not covered under Part A, except for prescription drugs. Medicare Part B also comes with a premium that increases yearly. Part B pays 80% of the eligible expenses after your annual deductible. Unless you have creditable coverage somewhere else (such as employer group retiree coverage), you must sign up for Part B. Otherwise you will be ineligible for any other coverage such as Medigap Insurance or Medicare Advantage (MA) plans. Also, failure to take Part B when you are eligible results in a 10% penalty per year which is applied when you try to get it later.

Tip 2: Timeless and full-disclosure, not emotion, should impact your decision

There is no annual out-of-pocket max on what you could owe under Medicare alone. While Medicare pays a great deal, your copays and deductibles will mount up quickly if you have a major illness. If you try to tell yourself you will not get sick, you will be unprepared for any illness that comes along later on.

Most people choose either a Medigap Insurance or a Medicare Advantage Plan. There are important differences in these plans, but when you are turning 65, you are in open enrollment for any plan that fits your need and is available in your coverage area. Time is an important factor. When choosing a Medigap policy, you have a 13 month window of opportunity--six months before and after your birth month, but it is to your advantage to make sure your coverage begins in the same month your Medicare does.

The MA sales agents are trained in high pressure strategies and will often present only the best features of the MA unless you insist on reading the book first.

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Then they may ask you to "go ahead and sign, and just cancel if you don't like it." Do not be fooled by these pressure techniques. MA plans are difficult to get out of without waiting until open enrollment. By then, it may be too late to get the more dependable coverage offered by a supplement. If you have analyzed your financial and medical situation properly, there will be no reason to re-think your first decision. Listen to your head, not your emotions. Health insurance is never free, so do not allow anyone to con you into thinking otherwise.

Tip 3: Don't be confused by the language

The language of Medicare related options can cause great confusion when choosing what is best. Medicare itself uses the word "Part" to refer to Part A, Part B, and now the separate Part D for drug plans.

All Medigap plans, also called Medicare Supplement Insurance, use the word "Plan." Currently, there are 11 Medicare Supplement plans identified with the letters A through L. Not all plans are available in all states or with all companies, but any given plan will have identical coverage from one company to another. For example, a J plan with "Smith" Company and a J plan with "Jones" Company will provide exactly the same coverage. The only differences will be in the premium, which changes every year, and in the quality of service, which can be significant. When using a Medicare Supplement, you use your Medicare first. The supplement pays the co-pays and deductibles according to the terms of the specific plan.

MA plans are NOT Supplement or Medigap plans. They may be Private Fee for Service (PFFS), Health Maintenance Organization (HMO), or Preferred Provider Organization (PPO) plans. If you choose an MA plan, you will not use your Medicare card, although, you will keep paying your Part B premium. That is because Medicare will be paying a private company to handle your health insurance needs. MA plans are sometimes called "Medicare Part C," but they are actually owned by private companies. Some of them include prescription drugs, and are referred as MAPD plans.

Tip 4: Medicare Advantage plans vary annually and from company to company

MA plans help control your health care costs by giving you a low premium. Several of the MA plans that do not include prescription drugs, have zero premium. You usually have a co-payment to the doctor, and co-insurance, co-payments or deductibles to the hospital. However, most plans have an annual out of pocket max. These $1000 to $6000 ceilings change annually and can be found in the back of your Medicare and Me Handbook.

MA and MAPD Plans do not change with your age, and are not medically underwritten, except for certain Special Needs Plans. Kidney dialysis is the only exclusion for most MA plans.

MA plans (including MAPD) often DO change the details of coverage and the premiums annually. Your coverage is guaranteed for the current year only. Also, if your doctor does not accept payment, you will have to pay the bill yourself, and you will not be reimbursed.

Tip 5: MA plans cover differently from Medicare, and Medicare does not pay the remainder

In addition to controlling your costs, MA plans

usually offer some benefits that Medicare does not cover. For example, many health screenings such as colonoscopies and pap smears are free under MA plans, but have a 20% co-pay under Medicare alone. Also, MA plans may provide limited benefits for dental, vision and hearing needs.

Nursing home coverage is an important difference between MA and original Medicare. While MA plans may not require a hospital stay first, some only give three days free instead of the 20 under original Medicare. All MA plans cover up to 100 days, but the co-payments can vary significantly. When choosing an MA or MAPD plan, it is important to go over the coverage details before signing. Unless you are in open enrollment or a special enrollment period, it may be difficult to change the coverage if it is less than you expected.

Tip 6: Medicare Supplement - A way to life-long worry free coverage

Medicare Supplements are designed by Medicare and offered by private companies. Because of the way they are created, a supplement will not change terms of coverage once you purchase it. The premium will usually go up each year, but, depending on the plan you choose, you can limit your out-of-pocket costs to just your premium and any care not covered by Medicare. For example, Medicare does not generally cover routine dental work, or eye glasses. Thus, your Medigap policy will not cover those items either.

You can choose a Medigap coverage that leaves you with zero co-pays or deductibles for any Medicare covered expense. However, several other Medicare Supplements, such as the L plan or the High Deductible F, may fit your budget better. They are equally dependable and predictable. Your best option is to work with a reputable agent who is able and willing to find the plan that will serve you the best for as long as you live.

Tip 7: Chronic illnesses can limit your choices

During your "aging in" open window, you can freely choose either Medicare Supplement or Medicare Advantage. You will only have this one opportunity to purchase a Medicare so it is important to recognize that if you have or develop certain chronic illnesses, such as congestive heart failure, kidney disease, insulin dependent diabetes, or others, you will not get another chance to get it. Furthermore, if you drop a Medicare Supplement after developing a chronic illness, you will be unable to get it back. You will be able to get original Medicare, but you will never have another opportunity for true Medicare Supplement Insurance.

Most doctors who accept Medicare assignment also accept Medicare Supplement Insurance. If, however, you are one who does not, you can submit the claims yourself and be reimbursed for the Medicare approved co-pay amount. With plans F and J you can also be reimbursed if the doctor charges the "excess charges" allowance of 15% over the Medicare approved fee.