



Medicare:

Choosing The Supplemental Plan That Fits Your Needs

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Introduction



I have given this talk to many organizations and frustrated many people. They want to know the best supplemental program to get when they join Medicare, and they don't want to hear about planning, because they believe they know what their future holds. The problem you have when you take that attitude is that you are just planning for today instead of tomorrow. Remember, when you join Medicare, it is the medical insurance you will have for the rest of your life. You have to look at it differently now. As one client told me, picking a health plan with Medicare is a "crap shoot" and she's right in many ways. You don't know what the future holds. You can increase your odds in picking the right plan by following the advice given in this document. It is not perfect, and it is not a "one size fits all." It can set you on the right path.

Supplemental Plans

There are two basic types of supplemental insurance that come under Part C: Medigap and Medicare Advantage Plans. Both of these supplemental plans have to follow the guidelines of Medicare.

- **Medigap-** (Also called supplemental insurance or tie-in plan). There are various Medigap plans and each is slightly different to meet different needs. It is important that you choose the specific plan that covers your specific needs. Most insurance companies steer clients toward a Plan F. This plan covers most medical expenses that a person will incur. Medigaps are tightly controlled by the government and the rule is: The Medigap pays if Medicare pays. Medigap plans are required to pay within a specified time. The plans are very transparent. You present your insurance card, along with your Medicare card, when you go to the doctor. The doctor bills Medicare and Medicare then sends the balance of the bill to the insurance company to pay its part.
- **Medicare Advantage:** You generally get your entire Medicare-covered healthcare through Medicare Advantage Plans (MAP), including prescription drugs. There are different types of Medicare Advantage Plans including:
 1. Medicare Health Maintenance Organization (HMO's)
 2. Preferred Provider Organizations (PPO)
 3. Private Fee-for-Service Plans
 4. Medicare Special Needs Plans.

MAPs are private insurance companies like Humana and Coventry that offer medical care to millions of Medicare participants. You opt-out of Original Medicare to join these plans, but you can return to Original Medicare. These plans cannot offer less

than original Medicare and can offer more services than regular Medicare such as vision and dental care. Some provide memberships to health clubs. Most of these plans do not pay for the full deductible for Part A like a Medigap plan.

You may sign up for a MAP during your initial enrollment period or during the annual enrollment from October 15 to December 7. You also may disenroll from your MAP every year from January 1 through February 14.

Things to Consider

Which plan is right for you? This is a difficult decision for many people. There are many things for you to consider:

- **Lifestyle**-When individuals think about retirement and going on Medicare, one of the questions that I ask is about their lifestyle. Most couples get a puzzled look on their faces; it is apparent that they believe that nothing will change in their lives. Why is looking at your future lifestyle important in choosing the correct supplemental plan? It can mean a lot if you don't plan right. Remember, you are planning your healthcare for the rest of your life. I have had individuals that didn't plan on changing their lifestyle come into my office and tell me that their grandson had moved to Denver, Colorado and they rented a small apartment so they can spend more time with their children and grandchildren. One friend told me he and his wife had not really talked about what they were going to do after he retired. He thought it was going to be a time for him to piddle around and take up various hobbies, although he had none on his list. His wife thought it would be a great time to get things done around the house and they could shop together. Like many couples I see, they have had to sit down and plan their retirement lifestyle after the fact. [SeniorSite](#) has an article that describes a situation that many couples find themselves in once they retire Are you going to buy an RV and travel? Spend the winters in Apache Junction, AZ? I have one woman who goes to Memphis, TN for four months each winter to live with her daughter. Another couple goes to Brownsville, TX every winter for six months. Many of these people had no idea what they were going to do until after they retired. Some came to the Shepherd's Center before they retired and realized that their lifestyle and Medicare supplemental plan they planned to purchase were not compatible.

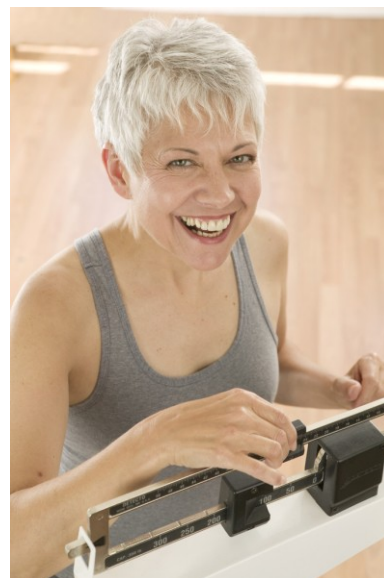


[Money Magazine](#) has an article that states that planning your lifestyle for retirement is just as important as financial planning. [Explore Your Future](#) is a program presented by the Shepherd's Center that helps an individual plan and make goals for the future. It helps them decide what they want to do once they retire. Another program is offered online by [T Rowe Price](#). [AARP](#) has an article about the roadmap to retirement that talks about planning your lifestyle.

By now you are probably wondering what it has to do with picking a supplemental program for Medicare. Let me give you an example. I had a couple come into my office and they had looked at Medigaps and Medicare Advantage Plans and picked the Advantage plan based on monthly cost although they could easily afford a Medigap plan. His family had a history of heart problems, Diabetes and obesity. Two years later, they came into my office and told me they had bought a house at the Lake of the Ozarks where they spent the summers. Their children and grandchildren visited often. A year later, the husband had a massive heart attack, and he needed a doctor at the lake as well in Kansas City, but his plan only allowed him to go to an emergency room for care. If he had a Medigap plan, he could have had a relationship with a doctor while he was at the lake instead of going to the emergency room. This was a classic case of a couple planning their lifestyle after the fact. I hope you can see how lifestyle planning is an important part of what kind of supplemental plan that you chose. Now we will go to the next important part of planning your medical future is your health history and the health history of your family.

- **Your Health**-I am constantly surprised at how many people have no idea about the health history of their family beyond their own parents. This is another factor along with your lifestyle that helps you choose the right supplemental plan. This is even more important for people who have not had insurance before getting on Medicare..

[The Center for Disease Control](#) has designated Thanksgiving as a day when family get together and they should share the family's health history. Why? Because it can help your doctor determine what kind of tests or signs to look for because of your family's health history. For example, every male on my father's side of the family has had prostate cancer. I have had prostate cancer. My oncologist had me meet with a nurse who tracks family history, and after we discussed my family health history, she determined that our family's prostate cancer is genetic. I have told my son that in all likelihood, he will have prostate cancer and should start screening as early as age 40. Because I knew my grandfather, father and brother had prostate cancer, I had my doctor aggressively check for prostate cancer and we caught it early. This allowed me to be able to choose among available treatments. [The Genetic Alliance](#) has a booklet online that guides you through collecting your family history.



Knowing your health history allows you too make choices. The first thing you have to decide is do you want to control your health treatment in the future, or do you want to work with a plan that may limit your choices. That is why it is so important to have this history so you can see the plan you are looking at will cover your needs. Let's say you have a history of heart problems. You haven't had any problems yet, but if you

do, you want to go to a specific doctor and hospital. Does the plan you are choosing go to that hospital and does that doctor take that particular insurance?

- **Disposable Income**-The next thing you have to look at is how much money do you have in your pocket? It is amazing how many clients come in to see me and have no idea about the financial side of retirement. Many have a 401k and IRA's and some have pension funds, but still don't know how they are going to distribute their money. They are hoping things will continue as they are presently. Their mouths drop open when I tell them that the average retiree will lose 15-25% of the buying income to inflation, etc. from the time they retire to the time they die. If you don't have your finances in order, how do you know what supplemental you can afford now and in the future? Some people will not have much choice because of lack of funds, but you still have choices, but you need to know from the start how much money you have for healthcare. [Healthcare](#) is expected to reach 20% of the



U.S. economy by 2021.

[Purdue University](#) put out a workbook on retirement. It is involved, but some of you might want something like this to figure your own finances. Another workbook is published by the [Department of Labor](#). [AARP](#) has a calculator that many people have used to plan their retirement. There are other calculators and workbooks out there. Be educated about retirement so you can be educated about how much you have to spend on healthcare.

- **Examples**-Now let's look at some examples.

I had a client who was joining Medicare and had stage 3 end-stage renal disease. She had the choice of going with a Medigap or Medicare Advantage Plan. Her future would probably include dialysis and a kidney transplant. She had an income of approximately \$2,200 a month. First, her lifestyle was definitely going to be affected if she had to go on dialysis. Her health history did not show any warning signs of genetic diseases. She was the only one in her family who had kidney problems. Her disposable income was adequate. She was divorced and lived alone. At the time, we asked what the co-pay would be for dialysis. We were told that the co-pay with a Medicare Advantage Plan would be \$100. Since she'd have to have dialysis three times a week that added up to \$1,200 a month (co-pays change yearly, so don't accept this co-pay as accurate for today's co-pay). She would be able to buy a Medigap policy that would pay all costs not covered by Medicare at a little over \$1,400 a year. This woman bought a Medigap policy. If she'd been on dialysis at the time she joined Medicare, she probably wouldn't have been able to purchase a supplemental plan.

A couple came to see me to find the right supplemental plans to fit their needs. Their birthdays were a month apart and they'd just received their Medicare cards. Both were retired. His family had a history of heart problems. The man had a long history

of heart problems including stents, by-pass surgery, angioplasty and four heart attacks. He was overweight and working with his doctor on weight loss. The woman was in good health, but her family had a history of Diabetes 2. At the time, she was showing no indications of the disease. She was not overweight. Their lifestyle was fairly sedentary because of the husband's condition. They stayed at home much of the time except for trips to see children and grandchildren two or three times a year. They were financially stable and could afford whatever was needed. After we talked about the different plans, the wife decided she would be fine with a Medicare Advantage Plan. Her doctors were on the plan she chose, and because they traveled infrequently, she felt this was the best plan for her. They both decided that a Medigap would be the preferred plan for him. If he went into the hospital again, they didn't want the wife to worry about medical bills.

A middle-aged disabled woman was receiving Medicaid and now is eligible for Medicare. Her disability curtailed a very active lifestyle. Health history was normal. Her disability was Cerebral Palsy from birth. She was able to work until she was in her early forties. She made \$1,200 a month in Social Security benefits. She has a spend down of approximately \$400 a month before Medicaid begins payment. She can't afford \$400 a month. In choosing the right plan for her, we made a list of her doctors, her hospital, and then we called to make sure what various insurance plans they accepted. We compared whether it would benefit her to pay a spend down or join a Medicare Advantage Plan. She chose a Medicare Advantage Plan. This did not eliminate her Medicaid, but at the same time, one of her specialists did not accept Medicaid but did accept the Medicare Advantage Plan. So, by accepting the Medicare Advantage Plan, she actually improved her health coverage and saved money.

It sounds like a simple task, but I've seen so many people get blindsided by medical costs. Many people believe that Medicare is free: they're wrong. That is why it is important to look at these different areas of your life and then schedule an appointment at the Shepherd's Center with one of our counselors. We can help you pick the right program for your particular needs.