

# How to Cut Health Care Costs



## INSIDE: TEN TIPS FOR MEDICARE BENEFICIARIES

What is one of the biggest financial surprises in retirement? Health care costs. It's a growing concern among many Medicare beneficiaries, and it's no wonder. There is an alphabet soup of terms to learn — Part A, Part B, Part C, Part D — and an ever increasing choice of plans. And the price tag for healthcare coverage for a 65 year old couple retiring today is estimated to be \$225,000 during their retirement years. And yours could be more!

These ten tips can help you find ways to cut your healthcare costs, minimize your out-of-pocket costs and better predict what those out-of-pocket costs will be, so you can worry less and enjoy life more.

# 1

## KNOW WHAT MEDICARE COVERS... AND WHAT IT DOESN'T

There are four “Parts” of Medicare that you’ll hear a lot about. Get familiar with what they cover and what they don’t. Remember these two key points:

**Medicare does not cover all of your healthcare expenses.** You may still be liable for deductibles, coinsurances, copayments, non-covered services, excess charges from your doctors and the cost of some or all of your prescription drugs.

**It does not generally cover long-term care costs.** The average annual cost of care in a nursing home or assisted living facility or at home has increased over the past four years to a new high of \$76,460, according to Genworth Financial’s 2008 Cost of Care Survey. Costs are even higher in the Northeast.

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**Part A** pays for inpatient hospital, skilled nursing facility, and some home health care. For each benefit period Medicare pays all covered costs except the Medicare Part A deductible (in 2008 it is \$1,024) during the first 60 days and coinsurance amounts for hospital stays that last beyond 60 days. Once your 60 Lifetime Hospital Reserve Days have been exhausted, you will be liable for the total cost of hospital stays that extend beyond 90 days. Most people have Part A coverage because they or their spouse paid Medicare taxes while working. This coverage coupled with Part B is often called “Original Medicare.”

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**Part B** covers Medicare eligible physician services, outpatient hospital services, outpatient laboratory and diagnostic services, certain home health services, and durable medical equipment. This coverage is not automatic and you must sign up for it. The cost for 2008 is \$96.40 per month for most people. However, if your income is above \$80,000 (single) or \$160,000 (married couple), then your Medicare Part B premium may be higher. The deductible for 2008 is \$135.00 per year and is expected to increase each year. You pay 20% of the Medicare-approved amount for most services after you meet the annual Part B deductible.

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**Part C** was created in 1997 and these private company Medicare-approved plans, called Medicare Advantage Plans, are an alternative to Original Medicare. These are discussed in greater detail later in this booklet.

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**Part D** provides coverage for prescription drugs. Medicare Prescription Drug Plans are offered by insurance companies and other private companies approved by Medicare. These insurance plans cover both brand-name and generic prescription drugs at participating pharmacies located throughout the United States, or by mail order. Medicare Prescription Drug Plans are discussed in greater detail later in this booklet.

**Your best source of information is the “Medicare and You” booklet published by Medicare. You can find it online at [www.medicare.gov](http://www.medicare.gov) or call 1-800-633-4227 to request a copy.**

## 2 DON'T WAIT TO SIGN UP

Missing sign up deadlines can mean higher prices and few choices. Your 65th birthday is a key date for Medicare coverage. If you are already 65, November 15th of each year is a key date since additional plans are open for enrollment and you may find more choices in coverage. Here are the rules.

**Medicare eligibility.** You first become eligible for Medicare on the first day of the month in which you turn age 65 (unless your birthday is the first of the month in which case you become eligible for Medicare on the first day of the month of the month preceding your 65th birthday). You may enroll in Medicare starting three (3) months before the month in which you turn 65 up until three months after the month in which you turn age 65. If you get Medicare due to a disability, you can enroll from three months before to three months after your 25th month of cash disability payments. Enrollment is generally automatic for Part A.

**Part B:** You should enroll in Part B of Medicare as soon as you first become eligible unless you have coverage from another source, such as through your or your spouse's employer or former employer. For most people, this is the first day of the month in which you become 65. If you don't enroll in Part B and if you have no comparable coverage, you will be liable for the full cost of outpatient services, such as doctors' visits, and laboratory and diagnostic tests. If you delay enrollment, you likely will have to pay a penalty once you do enroll for as long as you are enrolled.

### Register at [www.MyMedicare.gov](http://www.MyMedicare.gov) to:

- Track your healthcare claims
- Check your Part B deductible status
- View your eligibility information
- Track the preventative services you can use
- Find your Medicare health and prescription plans

**Part C:** If you choose a Medicare Advantage plan, sign up when you are first eligible for Medicare. You can generally enroll in a Medicare Advantage Plan during the Annual Election Period each year from November 15 to December 31. You may also be able to switch Medicare Advantage Plans from November 15 to March 31. If you move and your plan is no longer available, you will also be able to enroll in a different Medicare Advantage Plan which is available in your new location.

**Part D:** Individuals who are eligible for Part A and/or enrolled in Part B are eligible for a Medicare Prescription Drug Plan. If you don't sign up when you are first eligible, you may have to pay a penalty when you do enroll. If you didn't join when you were first eligible, your next opportunity to enroll will be from November 15 to December 31, with coverage effective on January 1 of the following year. Part D Plans come as stand-alone (PDP) or bundled within the Advantage Plans (MA-PD).

### 3

## CHOOSE THE RIGHT PLAN

Carefully consider your choice of health plan coverage. Don't make the mistake of focusing only on keeping monthly premiums down. Many times a plan that is priced less may easily cost more. Try to realistically factor in deductibles and copayments. For prescription drug coverage, for example, factor in deductibles, copayments, formulary inclusions/exclusions and tier ratings, donut hole thresholds, full drug plan's costs and eligible pharmacy choices.

**Consider a Medicare Advantage Plan.** Medicare Advantage Plans are private health plan alternatives that are part of the Medicare program. If you join one of these plans, you generally get all of your Medicare-covered health care through that plan. This coverage can include prescription drug coverage. Medicare Advantage Plans include:

- Medicare Health Maintenance Organizations (HMO)
- Preferred Provider Organizations (PPO)
- Private Fee-for-Service Plans (PFFS)
- Medicare Special Needs Plans (SNP)

Some MA plans include extra benefits not covered under Original Medicare (i.e., hearing, vision, dental and wellness). Though some have lower copayments than Original Medicare, you could pay more or less for the same covered services. However, you may have to see network doctors who belong to the plan or go to certain network hospitals to get services. Everyone who is eligible for Medicare may enroll in a Medicare Advantage Plan (except for individuals with End-Stage Renal Disease) without having to answer medical questions. Many of these plans do not charge an additional premium beyond your Part B premium, and some will even refund all or part of your Part B premium to you.

**Consider a Medicare Supplement (Medigap) Plan.** If you are not comfortable with a Medicare Advantage Plan, or if there is not one in your area that fits your needs, a Medicare Supplement Plan may be your best option. A Medicare Supplement policy is health insurance sold by private insurance companies to fill the "gaps" in Original Medicare Plan coverage. Medicare Supplement policies help pay some of the health care costs that the Original Medicare Plan doesn't cover. If you are in the Original Medicare Plan and have a Medicare Supplement policy, then Medicare and your Medicare Supplement policy will each pay their share of covered health care costs.

If a Medicare Supplement Plan is right for you, enroll in the first six months after you turn 65 and have enrolled in Medicare Part B. During this period, you are guaranteed acceptance into any Medicare Supplement Plan offered in your geographic area by any company without your having to answer any medical questions. After the six (6) month period is over, you may have to answer medical questions, and the insurance company may deny coverage or charge you higher rates because of your medical conditions. Because Medigap plans are standardized by the government, comparative shopping is easy. Being highly portable, any doctor accepting Medicare will accept a Medigap policyholder for services.

## **4 GET COVERAGE FOR PRESCRIPTION DRUG COSTS**

Enroll in a Prescription Drug Plan when first eligible. Medicare Prescription Drug Plans (Medicare Part D) add coverage to the Original Medicare Plan, some Medicare Cost Plans, some Medicare Private-Fee-for-Service Plans, and Medicare Medical Savings Account Plans. These plans are offered by insurance companies and other private companies approved by Medicare. When you join a Medicare Prescription Drug Plan, you use the plan member card that you get from the plan when you go to the pharmacy. When you use the card, you will generally get a discount on your prescriptions. Your cost sharing will vary depending on the drug's tier rating and plan formulary. Tier 1 drugs are generic, Tier 2 are preferred brand, Tier 3 are non-preferred brand and Tier 4 are Specialty Drugs. If you have limited income and resources, you may get extra help to cover prescription drugs for little or no cost.

## **5 CONSIDER SWITCHING TO GENERICS**

Talk to your doctor about the drugs you are currently taking to find out if there are generic or less-expensive brand-name drugs that would work just as well as the ones you're taking now. Generic drugs are usually much less expensive than brand-name drugs and some Medicare Prescription Drug Plans provide them during the Coverage Gap for little or no co pays.

## **6 LOOK FOR GOVERNMENT ASSISTANCE PROGRAMS**

Explore National and Community-Based Charitable Programs and other Assistance Programs. National and Community-Based charitable programs (such as the National Patient Advocate Foundation or the National Organization for Rare Disorders) may have programs that can help with your drug costs. In addition, many of the major drug manufacturers are offering assistance programs for people enrolled in Medicare Part D. According to the Medicare website, there are also 21 states and one territory offering help with paying drug plan premiums and/or other drug costs.

## **7 INVESTIGATE ELIGIBILITY FOR A LOW-INCOME SUBSIDY**

There may be government help available to assist with your prescription drugs under Part D. If you have Medicare and have limited income and resources, you may qualify for extra help with paying for your prescription drugs. If you qualify, you could pay between \$1 and \$5 for each drug. Contact Social Security by visiting [www.socialsecurity.gov](http://www.socialsecurity.gov) or by calling 1-800-772-1213. Another resource would be your local SHIP agency. (Go to [http://www.shipusa.org/Find\\_a\\_State\\_SHIP.html](http://www.shipusa.org/Find_a_State_SHIP.html))

# 8

## SHOP AND COMPARE

With so many new plans on the market, this is not a “make it and forget it” decision. It is in your best interest to periodically review your coverage to see if it is still the best choice to cover your current healthcare needs.

With the many choices in Medicare Plans, it is important to first decide to be covered under Original Medicare or alternatively decide if a Medicare Advantage Plan is right for you. Many of the Advantage plans will require that you use in-network providers and facilities. Some will have extra benefits like vision, dental or hearing, but be sure to compare premiums, copayments, accessibility and prescription coverage. Be sure your specific medications are covered. The Medicare website ([www.medicare.gov](http://www.medicare.gov)) is a valuable resource in identifying and comparing plans in your area.

### Medicare Supplement Plans: Premium Rating Methods

When comparing premiums, you'll notice that plans rate using different methods.

Community-Rated Plans	The same monthly premium applies to everyone with a policy, regardless of age
Issue-Age-Rated Plans	The premium is based on the age you are when you first buy the Medigap policy
Attained-Age-Rated Plans	The premium is based on your current age at first enrollment and increases with each new attained age

If you don't want the restrictions of a Medicare Advantage Plan, consider a Medicare Supplement Plan. Because of standardized Medigap plans, shopping is made easy. For example, any Plan C offered by any carrier within a certain geographic area will be exactly like and perform the same as any other company's Plan C. The only difference will be what each company charges in premiums. Remember that after your Initial (guaranteed acceptance) Enrollment Period has passed (usually after the first 6 months past your 65th birthday), you may have to answer medical questions and could possibly be denied coverage or charged more based on your health status.

There are many different Prescription Drug Plans in your area. Each Plan will have different benefits, different covered drugs (formularies), different premiums and copayments, and different rules pertaining to coverage during the Coverage Gap (also known as the “Donut Hole”). Don't just pick the least expensive premium. You should actually calculate your projected out-of-pocket costs for each plan that you are considering. The Medicare Prescription Drug Plan Finder ([www.medicare.gov](http://www.medicare.gov)) will allow you to do this and to compare several plans to one another.

## **9 CONSIDER DISCOUNT CARD PROGRAMS**

A discount card program provides you with a discount on certain types of services if you use the providers that the program specifies. You pay a fee — usually monthly or annually — to use the network discount. The types of services include dental, vision, hearing and home health services. Rates and services can vary greatly. You will also want to make sure that the network has practitioners in your area before you enroll and that the plan itself is legitimate (there have been a few cases of fraud) by checking to see if it's registered with your state's department of insurance.

## **10 CONSIDER A LONG-TERM CARE PLAN**

Medicare does not cover custodial care, such as assistance with activities of daily living. A long-term care policy can provide benefits for both nursing home confinements and in-home care. With the cost of long-term care skyrocketing, this coverage can help protect your hard-earned savings and your independence. Long-term care insurance is most affordable when you are younger and healthy, so if you think this coverage is of interest don't delay. Premiums are based on your age when you apply and the older you are, the higher the cost.

### **A Final Word of Advice**

Stay as healthy as you can. You hear it... you read about it... you see it on TV. Take steps to eat healthily, exercise regularly, take your medications and see your doctor regularly. Not only will you be better able to control your health care costs, but you will probably find you have more options for insurance coverage. And you'll feel better too!

### **Contact Longevity Alliance**

Still have questions? Longevity Alliance specializes in helping people find the right health care and financial solutions as they age. We can help you identify choices in your area and select the right plan. Call one of our licensed advisors at **1-800-713-6250** to discuss your health insurance needs, as well as long-term care plans, life insurance, annuities and investments.

### **Government Resources**

Medicare Website:	<a href="http://www.medicare.gov">www.medicare.gov</a>
Medicare Helpline:	<b>1-800-MEDICARE</b>
Social Security Administration:	<b>1-800-772-1213</b>

# LONGEVITY ALLIANCE

## What kind of a retirement planner are you?

Take the new, fun LongevityReady? Quiz at [www.longevityready.com](http://www.longevityready.com). When you call for information on any of the plans we make available, tell us about your planning style so we can help you make the right choice for you!

## Information and News

Sign up for Momentum, our free online monthly newsletter. Each month we cover topics that help you safeguard your health and your wealth. Visit [www.longevityalliance.com/newsletter](http://www.longevityalliance.com/newsletter) to sign up today.

## ABOUT LONGEVITY ALLIANCE

Based in Washington, DC, and with call-center operations in the Phoenix, Arizona area, Longevity Alliance helps older Americans find the right products to meet their family's financial planning needs by surveying the marketplace and contracting with high quality financial and insurance companies to provide consumers with a range of choices in each product category. Longevity Alliance is staffed with experienced senior executives in aging, insurance and financial services who have spent decades working for the biggest names in products and services for older Americans. The Longevity product specialists are available by phone and email, to review your financial and health insurance needs and find the right products and services for you.

[www.longevityalliance.com](http://www.longevityalliance.com)

## CUSTOMER CONTACT CENTER

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### LONG-TERM CARE

## QUOTE

Long-Term Care Quote, an online shopping service for long-term care insurance, is a subsidiary of Longevity LTC, Inc.

## iQUOTE

iQuote, an online consumer shopping service for term life insurance, is a division of Longevity Alliance, Inc.

## Momentum

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Momentum, a newsletter for older Americans. Objective news on finances, health, longevity, lifestyle and more.