Educational Program

Ed Estey
June 18, 2013

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Agenda – Social Security

- What is Social Security?
- Social Security benefits
- How work affects filing
- Filing procedures

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Agenda - Medicare

- What is Medicare? (eligibility, enrollment)
- What is covered?
- 2013 deductibles and coinsurance

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Products Agenda

- Medicare Supplements
- Medicare Advantage Plans
  - HMO's
  - PPO's
- Medicare Prescription Drug Plans

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What is Social Security?

- Comprehensive social insurance program
- Retirement benefits established in 1935 by President Roosevelt to protect the elderly population
- Survivor benefits added in 1939
- Disability benefits added in 1956

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Social Security…A base to build on

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What will I receive?

- Social Security retirement benefits are based on earnings and:
  - Adjusted for inflation
  - Figured on the 35 highest earning years
  - Result is the “average” indexed monthly earnings

(If worker has 40 credits but not 35 years, zeros are used in calculation.)

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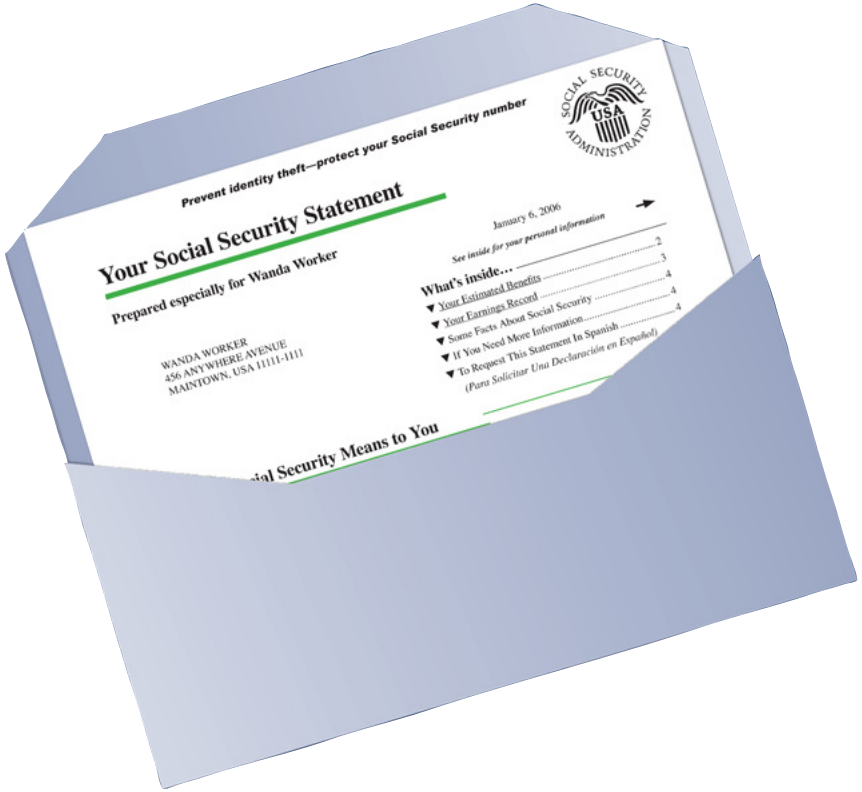
The Social Security Statement



- The Statement provides you with estimates of monthly Social Security retirement, disability and survivors benefits
- The Statement allows you to check your earnings history for accuracy
- my Social Security on line account

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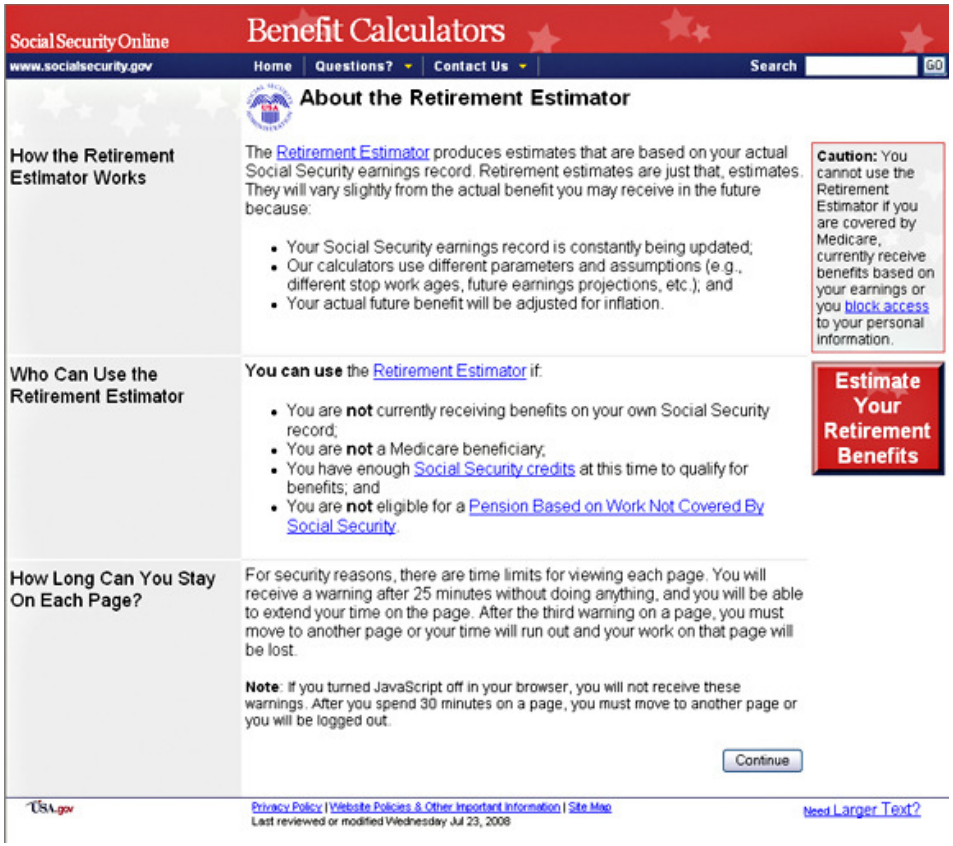
Use the New Retirement Estimator



You can get estimates of your future Social Security retirement benefits using the new online Retirement Estimator.

It's convenient, secure and quick

www.socialsecurity.gov/estimator

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What is considered full retirement age?

Year of Birth	Full Retirement Age	% Reduction at Age 62
1937	65	20%
1938	65 and 2 months	20.8%
1939	65 and 4 months	21.7%
1940	65 and 6 months	22.5%
1941	65 and 8 months	23.3%
1942	65 and 10 months	24.2%
1943-1954	66	25%
1955	66 and 2 months	25.8%
1956	66 and 4 months	26.7%
1957	66 and 6 months	27.5%
1958	66 and 8 months	28.3%
1959	66 and 10 months	29.2%
1960 and later	67	30%

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How work currently affects 2013 Social Security checks

Age	Allowable	Excess deducted
Under full retirement age	$15,120	$1 for every $2

In April 2000 a law was passed that changes benefits when you work while receiving retirement or survivors benefits. When you're working your benefit will be reduced only until you reach your full retirement age, not up to age 70 as previously required by law. **In the year you reach full retirement age**, $1 in benefits will be deducted for each $3 above $40,080 in earnings before the month you reach full retirement age.

* This is a work limit that applies only to working wages and self-employment. It does not apply to pensions, stocks, dividends, etc.

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Applying for Social Security
1-800-772-1213

Documents needed:

- Social Security number for each applicant
- Proof of age (birth certificate)
- Latest W-2 or self-employment tax return (Schedule C/Schedule SE)
- Earnings estimate
- Bank information for direct deposit
- Information about
  - Marriage(s)
  - Military or railroad service
  - Other benefits

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Inquire…Before you Retire

www.socialsecurity.gov

-or-

1-800-772-1213

TTY 1-800-325-0778

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What is Medicare?

- Medicare is a federal government health insurance program
- Created in 1965 by the Social Security Administration
- Social Security Administration estimates that each month 150,000 – 240,000 more Americans qualify for Medicare

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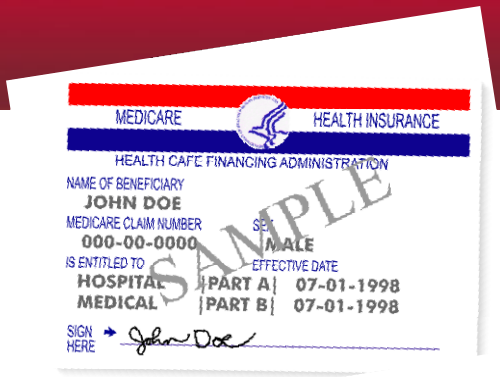
Who is eligible for Medicare



Age 65 & older

OR

Receiving Social Security disability benefits for 24 consecutive months

OR

Permanent Kidney Failure

OR

Lou Gehrig's

Disease (ALS)

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How is Medicare financed?

- Part A is primarily financed by Social Security tax
  - You earn your right to it

- Part B is paid by monthly premiums from beneficiaries and from federal general revenues

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Enrollment into Medicare

Enrollment in Medicare is handled in two ways:

- You are enrolled automatically

or

- You must apply

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Automatic enrollment in Medicare

- You are automatically enrolled in Part A and Part B if:
  - You are already receiving SS benefits
  - Disabled and receiving SS or RR disability benefits for 24 months

- Your card will be mailed to you about 3 months before you are entitled to Medicare

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Applying for Medicare and when

- If you are not receiving benefits three months before you turn 65, you must contact a Social Security office, or if you worked for the railroad, the Railroad Retirement Board

- You have an initial seven month period beginning three months before the month you turn 65

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When does my enrollment in Part B become effective?

If you enroll in this month of your initial enrollment period	Then your Part B Medicare coverage starts:
1	The month you become eligible for Medicare
2	The month you become eligible for Medicare
3	The month you become eligible for Medicare
4	One month after enrollment
5	Two months after enrollment
6	Three months after enrollment
7	Three months after enrollment

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What if I miss the seven-month window?

- Next general open enrollment is January 1 through March 31

- Effective date will be July 1

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Can I postpone enrolling in Part B?

Yes. If you or your spouse currently have group insurance or if you are disabled and currently have group insurance, you may:

- Enroll at any time while you are covered by the group health plan
- Enroll during a special eight month enrollment period that begins the month employment ends or the month you are no longer covered under the employer plan, <u>whichever comes first</u>

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What if I miss the eight month enrollment period?

- Next general open enrollment is January 1 through March 31
- Effective date will be July 1

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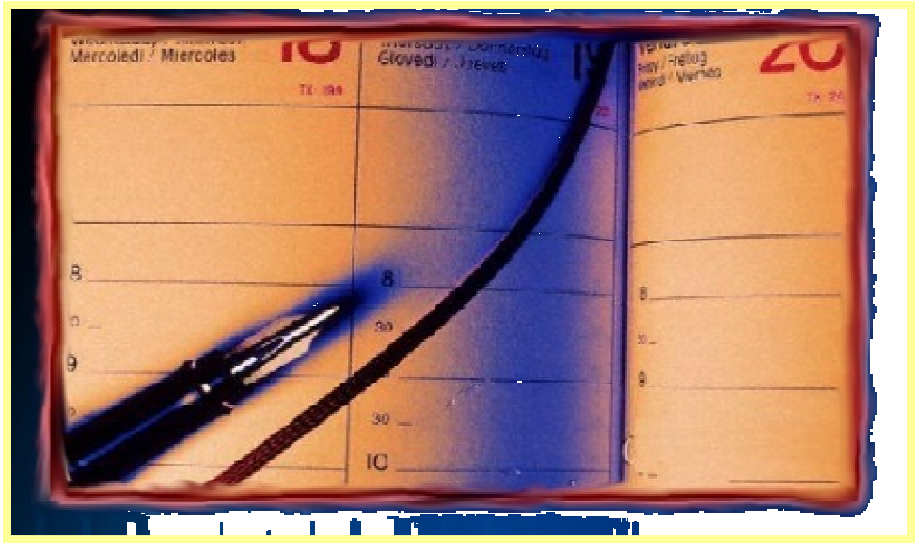
Review



Medicare Enrollment Periods:

- Initial - at age 65
- Special - if still working
- General - January-March

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What is covered?

Part A - Hospital insurance helps pay for:

- Hospitalization
- Skilled nursing facility care
- Home health care
- Hospice care
- Blood

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What is covered?

Part B - Medical Insurance helps pay for:

- Medical expenses
- Clinical laboratory services
- Home health care
- Outpatient hospital treatment
- Blood
- Ambulatory surgical services
- New preventive benefits
- Durable medical equipment
- Ambulance

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What Medicare does not cover!

- Eyeglasses
- Most dental care
- Most immunizations
- Care received outside the U.S. (except Canada/Mexico)
- Private nurses
- Custodial care
- Hearing exams and hearing aids

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Adjusted Medicare Part B premiums in 2011

Medicare beneficiaries with income
greater than $85,000 ($170,000/couple)

Part B Premiums in 2013 will be calculated on a
sliding scale based on the modified adjusted gross income
reported on IRS tax returns

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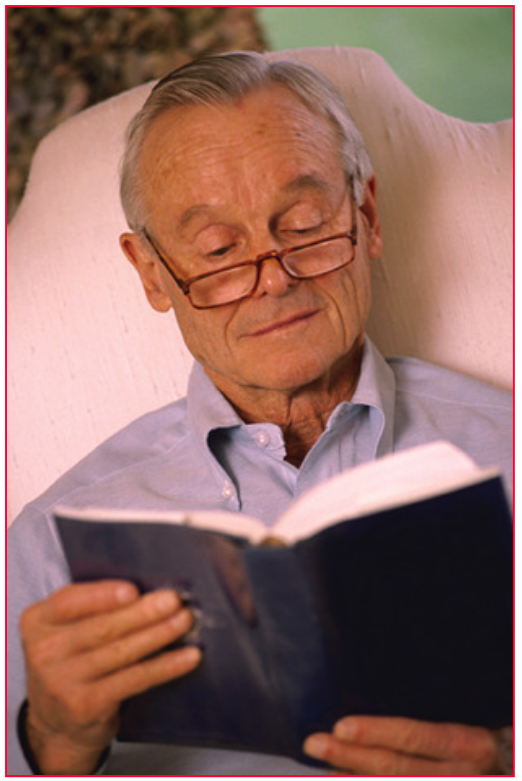
What is a Medicare Supplement?

- Federal & state regulated
- Designed to supplement Medicare
- Present two cards at point of service
- Provider receives payment from two entities
  - Medicare
  - Supplement plan



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Eligibility and enrollment

Eligibility

- Must have Medicare Part A and Part B and continue to pay Part B premium
- You are under age 65 and disabled (some states exclude ESRD or permanent kidney failure as being the sole reason for disability).
- Must be a legal resident of the state of which you apply
- Applicant cannot be enrolled in another Medicare Supplement plan that will be effective at the same time as this policy.

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Eligibility and enrollment

Initial Enrollment Period

- A one time only, 6 month period where Federal Law allows a Medicare Beneficiary to buy any Medigap policy that is sold in their state*.
- Period starts in the first month that the Beneficiary is 65 years or older and covered under Medicare Part B.
- During this period Beneficiaries can not be denied a Medigap policy or charged more due to past or present health problems.
- Open Enrollment Period

*Each State has different time frames when a Beneficiary can enroll into a plan.

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Different kinds of Supplement plans

- 10 standardized Medigap plans labeled A through N In all states (except Massachusetts, Wisconsin and Minnesota).

  In Massachusetts there are standard plan offerings

  – Core and Supplement 1

  In NH and Maine

  – Plans A, B, C, D, F, G, K, L, M N

- Standard benefits for all supplement plans:
  - Part A hospital coinsurance
  - 365 lifetime hospital days
  - First three pints of blood each year
  - Part B medical coinsurance (20%)

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What is covered?

Some supplements may include coverage for:

- Medicare deductibles
- Office visit copayments
- Skilled nursing facility coinsurance
  - (Days 21-100)
- Foreign travel

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What is a Medicare Advantage plan?

Medicare Advantage Plan

- A MA plan has a contract with the federal government (CMS) to provide Medicare beneficiaries with health care coverage
- Medicare pays a monthly premium to the MA plan for each beneficiary's care
- Member presents one card at point of service
- Provider bills one entity Medicare Advantage plan

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Medicare Advantage eligibility and enrollment

Enrollment:

- There are certain times of the year you can make changes
- Initial Election Period
- Special Election Period (SEP)
- Open Enrollment period occurs October 15th- December 7th and all changes are effective January 1st of the following year

Medicare Advantage Disenrollment Period:

- You can switch to Original Medicare and you will have until February 14th to also join a Medicare Prescription Drug Plan

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What is covered?

- Medicare Advantage plans may have extra benefits that Medicare does not cover
- Fixed co-payments for certain services (e.g. office visits)
- Additional benefits may be covered that are not offered by Medicare supplements such as:
  - Routine Eye exam
  - Hearing aids
- Worldwide Emergency coverage (offered by some plans)

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What is a Medicare Advantage HMO?

Health Maintenance Organization

- Prepaid managed care system
- Uses network of physicians to coordinate care
- Prescription Drug coverage available to you only through your HMO

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What is a Medicare Advantage PPO?

Preferred Provider Organization

- Prepaid managed care system
- In-Network and Out-of-Network component
- Can see any doctor, including specialists anywhere in the country
- Costs may be higher if you see a doctor not in the PPO's network
- Prescription Drug coverage available to you only through your PPO

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Supplemental plans

Advantages:

- Complete coverage options
  - (May cover Medicare deductibles and/or coinsurance amounts)
- More benefits than Original Medicare
- See any provider that accepts Medicare
- Portable
- Choice of Prescription Drug Plan - Part D

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Medicare Advantage plans

Advantages:

- Comprehensive coverage
- Coordination of care (HMO, PPO)
- Preventive Care

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Medicare prescription drug plan (Part D)

- Available to individuals eligible for Medicare Part A and/or Part B
- As of June 1, 2006:
  - **Penalty for late enrollment except for involuntary loss of prescription drug coverage or other "special circumstances"**
  - **1% of premium per each month individual not enrolled within 63 days after loss of creditable coverage**

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Medicare prescription drug plan (Part D)

- Rx benefit to be offered only through private plans
  - Stand alone prescription drug plans (PDPs)
  - As a benefit included in Medicare Advantage plans (MA-PD)
    - (available for Medicare Advantage members only)

- Part D premium and drug formulary will vary by plan
- Subsidies for low income beneficiaries
- State Pharmaceutical Assistance Programs available

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2013 standard Part D benefit design

Deductible →	Initial Coverage Limit (ICL) →	Coverage Gap →	Catastrophic Coverage
Beneficiary pays first **$325** worth of prescription costs before the plan starts to pay its share.	Beneficiary pays a copayment/coinsurance and their plan pays its share for each covered drug until their **combined** amount (including the deductible) reaches $2,970.	Once the beneficiary and their plan have spent $2,970 for covered drugs, the beneficiary is in the coverage gap. In 2013, the beneficiary gets a 52.5% discount on covered brand-name prescription drugs and pays 79% of the plan's cost for covered generic prescription drugs that counts as out-of-pocket spending, and helps them get out of the coverage gap.	Once the beneficiary has spent $4,750 out-of-pocket for the year, their coverage gap ends. Now they only pay a small copayment or coinsurance for each drug until the end of the year. $2.65 for generic $6.60 for brand or a 5% coinsurance, which ever is greater.

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Medicare and HSAs

- Individuals enrolled in Medicare can't open an HSA or continue to contribute to an established HSA
  - Individuals age 65+ not enrolled in Medicare can maintain HSA eligibility
  - A spouse enrolled in Medicare doesn't impact an individual
- Individuals who are HSA eligible can contribute:
  - Individuals who remain HSA-eligible can make additional contributions to their HSAs
  - Self-only contract: $3,350 in 2013 and $3,300 in 2014
  - Family contract: $6,450 in 2013 and $6,550 in 2014
  - Age 55+ Additional $1,000
  - Spouse age 55+ Additional $1,000 in spouse's HSA

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Medicare and HSAs

- Whether HSA-eligible or not, individuals can distribute HSA funds as follows:
  - No taxes and no penalties: Eligible medical, dental, vision, OTC equipment/supplies, and Medicare premiums
  - Taxes, no penalties: Ineligible expenses at age 65 (or earlier, if disabled)
  - Taxes and penalties: Ineligible expenses if younger than age 65 and not disabled
- No minimum distributions
- HSAs are trusts that pass to beneficiaries
  - Spouse – account remains an HSA with no tax consequences
  - Non-spouse – account liquidated and beneficiary owes taxes

Questions?

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Resource Directory

Massachusetts	Maine	New Hampshire
Serving Health Information Needs of the Elderly (SHINE) **1-800-882-2003** **TTY 1-800-872-0166**	**State Health Insurance Assistance Program (SHIP)** **1-877-353-3771**	**Service Link Resource Center** **1-866-634-9412** **www.servicelink.org**
Prescription Advantage **1-800-243-4636** **www.800ageinfo.com or** **www.mass.gov**		
Mass Med Line **866-633-1617** *www.**massmedline**.com*		
Harvard Pilgrim Health Care **1-877-909-4742** **TTY 1-888-259-8276** **www.harvardpilgrim.org** Monday-Friday 8:30 a.m. 5:00 p.m.	**Medicare** **1-800-Medicare (1-800-633-4227)** **TTY 1-877-486-2048** **www.medicare.gov** 24 hours a day, 7 days per week	**The Social Security Administration** **1-800-772-1213** **TTY 1-800-325-0778** **www.ssa.gov**

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