

Buying a Medicare Supplement for the First Time

Timely Tips

This year the baby boomer population began crossing into the age 65 plus category, making them eligible for Medicare benefits, and marking the beginning of a great change for this generation. For the next 19 years, thousands of boomers will continue to turn 65 each day and many of them will be looking at their Medicare coverage options for the first time.

The fact is that Medicare can be complex and confusing and most individuals look toward some professional advice or source for information and assistance. So whether you are helping a friend, family member, or even if you are approaching age 65 yourself, it is good to learn more about how the program works. Here are some tips that may be helpful.

7 Medicare Tips (What Others May Not Tell You)

1. Your first and biggest decision is whether you want Original Medicare “fee-for-service” (Part A and Part B) or the “fixed-fee” Medicare Advantage plan (Part C).
2. **Medicare Advantage (Part C)** is managed care. Medicare pays a “fixed fee” to the plan (provided by private companies approved by Medicare) in exchange for the plans doctors and hospitals providing all of your care.
3. The best time to make your decision is just before you turn age 65 or when you become eligible for Medicare. If you wait, you may have to pay more and you may not have as many choices for coverage.
4. **You’ll pay a share of the cost.** Whether you enroll in the Medicare “fee-for-service” (Part A and Part B) or the “fixed-fee” (Part C), you will be responsible for a portion of the costs.
 - You may purchase a Medigap (a.k.a. Medicare Supplement) to help pay your share (coinsurance, copayments, or deductibles) of the costs and also cover certain benefits Original Medicare doesn’t cover.
 - Insurance companies can’t sell Medicare Supplement policies to individuals covered through Medicaid or Medicare Advantage Plans.

5. The costs you will pay can vary and may be larger than you expect, for example:
- Your costs include premiums, deductibles, copays, coinsurance and coverage gaps (costs not covered).
 - \$1,132—the amount you pay (before Medicare pays) under the Original Medicare when you are hospitalized. This amount can go up each year and is referred to as the Medicare Part A deductible. This amount is payable per “benefit period” (a year can contain up to six benefits periods for Medicare Part A Hospitalization), so you could be responsible for paying this amount more than once a year.
 - The price you pay for Medicare Parts C and D and Medicare Supplement can vary by company and by county, state or region.
 - **Medicare Prescription Drug (Part D)** coverage terms vary widely by plan and offer various levels of cost sharing, until you spend a set amount in a year (out-of-pocket-limit). For 2011, it’s \$4,727.63.
 - Each **Medicare Supplement** insurance company decides how it will set the plan price. They are generally priced in three ways (your age can affect your premiums so it’s important to look at how much it will cost now and in the future):
 1. **Attained-age-rated** bases the monthly premium on your age. These plans are generally priced low for younger buyers but go up as you get older.
 2. **Community-rated** premiums are not based on your age. Generally the same premium is charged to everyone who has the policy.
 3. **Issue-age-rated** premiums are lower for people who buy at a younger age and won’t change as you get older.
6. **High earners will pay more**—while \$115.40 is the amount automatically deducted from Social Security benefits each month for new Medicare Part B enrollees—high earners will pay anywhere from \$161.50 to \$369.10 per month—up to \$4,429.20 per year for 2011 for their Medicare Part B premium. Part D premiums vary depending on coverage, so while the national average premium is \$30 for 2011, high earners pay between \$44 and \$101 per month for Part D premiums for 2011.
7. While Medicare Supplement insurance is **guaranteed renewable** (cannot be terminated by the insurance company), Medicare Advantage (Part C) and Medicare Prescription Drug coverage (Part D) are **annually renewable** (the companies can change plans, coverage, pricing or exit the market and terminate the coverage each year).

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