

Medicare Enrollment Process for Persons Approaching Age 65

by Robert H. Spicknall

FOR MANY YEARS, it has been my pleasure to assist law firms, lawyers, and their families as their health insurance agent.

Unquestionably, the most difficult age bracket to be in for health insurance is 60–64. Typically, those who have individual coverage or are part of a group with fewer than fifteen employees have health insurance premiums based on age. If you agree that health insurance is generally very expensive, then you'll find that health insurance premiums for those ages 60–64 to be outrageous.

As I assist many in the 60–64 age bracket, I invariably point to the light at the end of the tunnel: age 65, when people become eligible for Medicare. The reason one usually pays much less for health insurance at age 65 is because Medicare is heavily subsidized by the federal government.

Medicare Components

The Medicare program provides health care to more than forty-three million Americans. The federal agency that runs Medicare is the Centers for Medicare and Medicaid Services (CMS). CMS is part of the U.S. Department of Health and Human Services.

Medicare assists people age 65 or older, and persons younger than 65 who have disabilities such as permanent kidney failure. There are four components to the Medicare program:

Medicare Part A helps cover inpatient care in the hospital. Most people receive Medicare Part A without paying a premium. This is because they or a spouse paid Medicare withholding taxes while working.

Medicare Part B covers physician services and outpatient services. It is optional, yet is selected by most. The majority of the cost of Part B is borne by the federal government. Most individuals pay the standard Part B monthly premium

Premiums for Medicare Part B Coverage (2009)		
Medicare Part B	If Your Yearly Income Is	
Monthly Premium	Single	Married Couple
\$96.40	\$85,000 or less	\$170,000 or less
\$134.90	\$85,001–\$107,000	\$170,000–\$214,000
\$192.70	\$107,001–\$160,000	\$214,001–\$320,000
\$250.50	\$160,001–\$213,000	\$320,001–\$426,000
\$308.30	Above \$213,001	Above \$426,000

Source: <http://www.cms.hhs.gov/apps/media/press/factsheet.asp?Counter=3272>

(\$96.40 in 2009). However, wealthier seniors, or about 5 percent of Medicare enrollees, pay more. The chart above shows the Part B monthly premium amounts in 2009 based on income. These amounts change each year.

Medicare Supplement, or Medigap, Insurance is a private insurance policy designed to supplement Medicare Parts A and B. Insurance agents and insurance companies can only sell standardized Medicare Supplement policies, which are identified by letters (“Plan F” for example). These plans will have different required deductibles, copayments, and coinsurance. One should purchase a Medicare Supplement policy that coincides with the Part B effective date. When your Medicare Part B is activated, you have a six-month window in which to purchase a Medigap policy and be guaranteed that it will be issued. If you miss this window, you can apply later, but you may be declined or charged a higher premium due to health history.

Medicare Part D helps pay for prescription drugs. The program is administered by numerous insurance companies on the federal government’s behalf. The federal government has established guidelines for the types of drug plans and has set minimum standards of benefits.

However, not all Part D plans are the same. They vary by benefits, costs, and their lists of specific drugs covered (“formulary”). You likely will want to enroll in a Part D plan initially at your Medicare eligibility date. If you enroll beyond three months past your eligibility date, premiums will be higher, and you will be penalized the longer you wait unless you maintain comparable prescription drug coverage elsewhere. Delay can be costly: The penalty is 1 percent of average monthly premium for each month delayed, and the penalty continues through the remainder of one’s life. Many Part D insureds are unaware there is an open enrollment period November 15 through December 31 each year that allows enrollees to change Part D coverage to better suit their needs. If you already have Part D coverage and you switch plans during open enrollment, you will not incur the penalty.

When to Start the Medicare Enrollment Process

To prevent confusion and unnecessary expense in the future, pick one common effective date for all of your Medicare coverage.

You should begin the process three months before the month of your sixty-

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fifth birthday. First, contact your Social Security office to enroll in Medicare Part A. Also, it is typically wise to enroll in Part B at this time. Do not enroll in Part B unless you are planning to cancel your current coverage and purchase a Medicare Supplement (Medigap) policy with the same effective date. This is because when you enroll in Medicare Part B, you have a guaranteed right to buy a Medicare Supplement for six months. You cannot be declined for Medicare Supplement coverage if you sign up during this open enrollment period. However, if you apply for a Medicare Supplement beyond the six-month window, you may be charged a higher rate or declined coverage due to health history. Finally, Part D coverage, or prescriptions for seniors should have the same effective date as Part B and the Medicare Supplement.

Confusion often arises when people fail to pick a common effective date for:

- Medicare Part A
- Medicare Part B
- Medicare Supplement
- Medicare Part D
- Cancellation date of existing coverage