Brief

Your Guide to Medicare Insurance

Presented by:

HEALTH INSURANCE SHOP, INC.

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Your Brief Guide to Medicare Insurance

Medicare is health insurance for individuals age 65 or older; certain individuals under age 65 who are disabled; as well as any age individual with End-Stage Renal Disease (ESRD). In 1965, Original Medicare was designed to protect the health and well-being of American families, and has evolved into the comprehensive health insurance program we know today.

In this guide, we will provide ***generalized*** information related to Medicare; its various parts and options; as well as enrollment periods (when you can enroll in a Medicare insurance option). For a complete guide to Medicare related matters, please refer to the latest ***Medicare & You*** or ***Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*** publication issued by the Department of Health & Human Services. A digital copy may be accessed at:

https://www.medicare.gov/Pubs/pdf/10050.pdf

or

https://www.medicare.gov/Pubs/pdf/02110-Medicare-Medigap.guide.pdf

This brief guide is for informational purposes only. It is not meant to be all-inclusive, and does not replace any printed materials published and/or distributed by Medicare, Social Security, or other regulatory office.

Should you have any questions on any of the material covered in this guide, please call our office.

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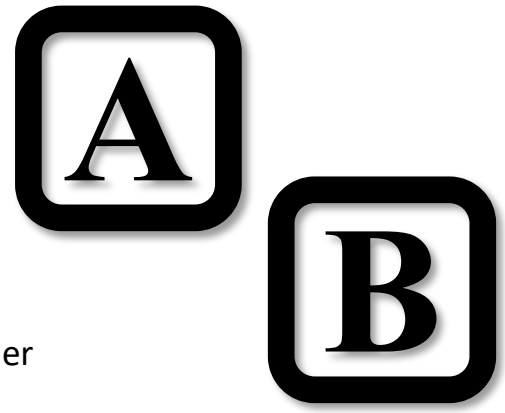
HEALTH INSURANCE SHOP

Your Brief Guide to Medicare Insurance

~ Original Medicare ~

Original Medicare has two (2) basic components. Part A and Part B. Each part covers different types of health care expenses.



Part A – Hospitalization

- Inpatient hospital stays
- Skilled nursing facilities
- Hospice
- Home health care

Part B – Providers

- Your primary doctor or other healthcare provider
- Outpatient facilities
- Home health care
- Durable medical equipment (DME)
- Some preventive services

What does it cost?

- Most individuals who have worked and paid Medicare taxes will qualify for "premium-free" Part A. If you are not eligible for premium-free Part A, you may still be able to buy it. We can guide you on how to contact Medicare for further information.

- Most individuals will pay the standard premium for Part B. Part B premiums do change almost every year, so it is important to budget for premium increases each year. The standard premium for Part B in 2017 is $134.

  Some individuals may also pay a higher premium for Part B if their income exceeds certain limits. Please refer to the ***Medicare & You*** guide, or ask one of our agents if your income would require you to pay a higher Part B premium.

What other expenses could you have?

Part A & Part B together generally cover about eighty percent (80%) of your healthcare expenses. However, both parts have limits on what they will pay for certain types of healthcare. A few examples would be:

- Blood –
  - If not obtained from a blood bank, you will have to pay for the first three (3) units.
- In-Patient Hospital care –
  - You pay a deductible for days 1-60 (for each benefit period)
  - You pay coinsurance for days 61-90 (for each benefit period)
  - You pay coinsurance for each "lifetime reserve day" after 90 days and up to a maximum of 60 days over your lifetime.
- Hospice care –
  - You pay nothing for hospice care once certified
  - You may pay up to $5 copay for outpatient prescription drugs for pain management.
  - You pay 5% of the Medicare approved amount for inpatient respite care.
- Skilled Nursing Facility (SNF) –
  - You **MUST** be hospital confined for a minimum of three (3) days before Medicare will pay for SNF charges.
  - Once you qualify, you pay nothing for the first twenty (20) days (for each benefit period)
  - You pay coinsurance for days 21-100 (for each benefit period)
  - You pay ALL costs for each day after day 100 (for each benefit period).
- Ambulance service –
  - You pay the Part B deductible **PLUS** 20% of the Medicare approved amount.

Please refer to the ***Medicare & You*** guide for a complete list of services covered by Medicare Part A & Part B, and your associated out-of-pocket expenses.

When can you sign up for Original Medicare?

Most individuals are automatically signed up for at least Part A, and often Part B, when they start drawing Social Security benefits and are at least age 65. Benefits usually begin the first of the month during which you turn 65 (some exceptions apply). If your birthday falls on the first day of the calendar month, your Medicare Entitlement date will be the first day of the month prior to your birthday month.

If you are under age 65 and receiving Social Security Disability, you will normally become eligible for Original Medicare (Part A & Part B) 24-months after you begin receiving your disability benefits. Some exceptions to apply, so be sure to talk with one of our agents or a representative from the Social Security office about your particular situation.

Group Health Coverage

Individuals who are covered under a Group Health Plan (**GHP**) when they turn age 65 do **NOT** have to enroll in Medicare Part A or Part B if they plan to continue coverage under the group health plan. It is important to study the options that you have available to you and that you choose the option(s) that best meets your medical and financial needs. A few things to consider:

- GHPs for employers who have less than 20 employees will be secondary to Medicare.
  - Meaning, Medicare will pay first and the GHP will "supplement" Medicare.
- GHPs for employers who have more than 20 employees will be primary to Medicare.
  - Meaning, the GHP will pay first and Medicare will "supplement" the GHP.
- If your GHP is not considered Creditable Coverage for Part D (Prescription Drugs), you may be subject to a premium penalty. (See Part D coverage section on Page 8.)

- Some employer plans will not allow you to re-enroll if you drop the GHP to enroll in a Medicare insurance plan. Please check with your Plan Administrator for their specific rules and requirements.

What are the enrollment periods and deadlines for Original Medicare?

Initial Enrollment Period (IEP) –

Individuals can enroll in Original Medicare (Parts A&B) during the seven (7) month period that starts:

three (3) months **BEFORE** your 65th birthday month;	3
plus,	+
the month of your 65th birthday;	1
plus,	+
three (3) months **AFTER** your 65th birthday month.	3
	= 7

General Enrollment Period (GEP) –

If you do not enroll in Original Medicare during your Initial Enrollment Period (**IEP**), you can enroll any subsequent year between January 1st and March 31st. Please note that if you enroll during GEP, your coverage will not begin until **July 1st** of that year.

Special Enrollment Period (SEP) –

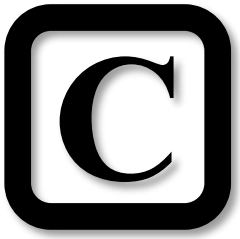
If you or your spouse are still working, and you continue coverage under a GHP after you have reached age 65, you may enroll in Original Medicare, even when you are no longer eligible to participate in the GHP (e.g. you reduce your hours below the required minimum) and subsequently lose coverage. If you postponed enrollment in any part of Original Medicare because you were covered under a GHP, you can enroll in Part A and/or Part B:

- Anytime you remain covered by the GHP;
- During an eight (8) month period that begins after either employment ends or the GHP coverage ends. Whichever happens first.

It is important to note that coverage based upon current employment does **NOT** include: COBRA, Retiree coverage, VA coverage, or Individual health insurance policies.

~ Medicare Part C ~

Part C – Medicare Advantage (MA)



- Medicare Part A Services
- Medicare Part B Services
- Offered by private companies approved by Medicare

Medicare Part C – sometimes referred to as Medicare Advantage or "MA" plans - is an alternative way to secure Medicare insurance coverage. MA plans are offered by private insurance companies that have been approved my Medicare to insure your healthcare needs. Individuals who choose to enroll in a Medicare Part C plan will still have Medicare – but you will get your Part A and Part B coverage from an insurance carrier and not **Original Medicare**.

Some MA plans have a restricted network of providers and facilities that you can go to (e.g. HMO plans), so it is important to review all of the benefits and limitations for the plans that are available in your area before enrolling. Your agent should assist you in determining if your doctor participates in the network for the plan you are interested in.

In addition to covering all Medicare Part A and Part B services, MA plans will often include extra things like: vision, hearing, dental and even health and wellness programs (e.g. memberships to participating gyms). Not all MA plan extras are the same, so it is important to review all of the options available to you when you are meeting with your agent.

Some MA plans also include prescription drug coverage (Part D discussed in the next section) and are referred to as "MAPD's". You **cannot** be enrolled in a MA and MAPD plan at the same time. If you enroll in one after you have already been in enrolled in another, the first plan that you enrolled in will be automatically

cancelled. It is important to speak with a qualified agent before making changes to your current coverage!

Individuals who enroll in MA or MAPD plans must continue paying their Medicare Part B premium, plus any premium associated with the MA or MAPD plan you enroll in.

What types of Medicare Part C plans are there?

- Health Maintenance Organization (HMO)*
- Preferred Provider Organization (PPO)*
- Private Fee-for-Service (PFFS)*
- Special Needs Plans (SNP)*
- Point-of-Service (POS)*
- Medical Savings Account (MSA)*

*A description of each may be found in the ***Medicare & You*** guide

Each of these plan types has different benefits and limitations, and should be reviewed thoroughly before enrolling. It is important that you understand how a plan works and how it will work for you. Some of these plan types will not be available in your area, so be sure to speak with a qualified agent for further details.

When can you sign up for Medicare Part C coverage?

- Initial Enrollment Period (IEP)
  - Same seven (7) month enrollment period as Part B
- Annual Enrollment Period (AEP)
  - October 15th – December 7th
  - Coverage effective January 1st
- MA Disenrollment Period (MADP)
  - January 1st – February 14th
  - Disenrollment effective 1st of the month following the date you request disenrollment
- Special Enrollment Period (SEP)
  - SEPs can happen throughout the year
  - Enrollment dates will vary depending upon the event

~ Medicare Part D ~

Part D – Prescription Drug Plan (PDP)

- Prescription Drug coverage
- Offered by private companies approved by Medicare

Medicare Part D (PDP) is a way to secure Medicare insurance coverage for your prescription drug needs. **PDP** plans are offered by private insurance companies that have been approved my Medicare to help cover the expense of your prescription drugs. In order to get Medicare prescription drug coverage, you will be required to enroll in a **PDP** plan, or a Medicare Advantage plan that includes prescription drug coverage (MAPD). In order to be eligible to enroll in a **PDP** plan, you MUST be entitled to Medicare and be enrolled in either Medicare Part A OR Part B.

Like Medicare Part C plans, Medicare Part D plans will often have limited service areas, and you must live in the service area for the **PDP** plan that you want to enroll in. It is important to work with a qualified agent who will help you locate the **PDP** plans that are offered in the area where you reside, and will meet your prescription drug coverage needs.

When can you sign up for Medicare Part D coverage?

- Initial Enrollment Period (IEP)
  - Same seven (7) month enrollment period as Part B
- Annual Enrollment Period (AEP)
  - October 15th – December 7th
  - Coverage effective January 1st
- At any time you qualify for Extra Help
  - Refer to the ***Medicare & You*** guide
- Special Enrollment Period (SEP)
  - SEPs can happen throughout the year
  - Enrollment dates will vary depending upon the event

What happens if you do not have Medicare Part D coverage?

Individuals who choose not to enroll in a Medicare Part D plan when first eligible may be subject to a late enrollment penalty if they enroll later. The late enrollment penalty is equal to 1% of the "national base beneficiary premium", times the number of full, uncovered months that you were eligible but did not enroll. The late enrollment penalty will apply for as long as you have a PDP plan.

EXAMPLE:

> Michelle turned 65 in May 2015. At that time, Michelle did not take any prescription medication and did not feel the need to enroll in a PDP plan. Michelle did not have prescription drug coverage from any other source (creditable coverage).
>
> During the 2016 Annual Enrollment Period (AEP), Michelle decided to enroll in a PDP plan because her doctor had prescribed medications to help lower Michelle's cholesterol, and she did not want to continue paying full price for her prescription. Michelle's coverage would begin January 1st of 2017.
>
> Since Michelle was without coverage May 2015 – December 2016, her penalty in 2017 would be 20% (1% times (X) 20 months) of the national base beneficiary premium in 2015 ($33.13). The monthly premium penalty that Michelle would be charged each month (in addition to the PDP premium she enrolls in), would be $33.13 X .20 = $6.63 (rounded to the nearest $.10) = $6.60.

There are a few ways to avoid being exposed to the late enrollment penalty, and the easiest way is to enroll in a PDP when you are first eligible. Other things you can do to avoid the penalty are:

- Avoid having a gap in coverage that is sixty-three (63) days or longer.
- If you are coming off of a group health plan after you've turned 65, be sure to enroll prior to your group coverage ending.

- If you are intend to remain covered under a group health plan after you turn age 65, be sure to ask your Plan Administrator for confirmation that your group health plan is "creditable coverage" for Medicare Part D. They should provide you with proper notice. Keep these notices until you enroll in a PDP plan. You may need them to prove that you did not have a gap in creditable coverage.
- If your group health plan is NOT creditable for Part D, enroll in a PDP in conjunction with or in lieu of your group health plan when you first become entitled to Medicare. For details on how a Medicare Part D plan will work with other coverage, refer to the ***Medicare & You*** guide.
- Seek the help of a qualified agent, or refer to the ***Medicare & You*** guide.

How much premium will you have to pay?

Most Medicare Part D plans are available at little or no monthly premium. Plans vary by state and by carrier, and should be reviewed thoroughly before enrolling. Additionally, plans do change each year, so you should not assume that your plan will be the same from one year to the next.

Some individuals with limited income may qualify for Extra Help. If you think you may qualify for Extra Help, you should contact the Social Security office or Medicaid for additional information and assistance.

Some individuals who have higher income levels may pay extra premium for their Part D coverage. This amount is often deducted from your Social Security check. If you have postponed drawing Social Security benefits, you will be billed by Medicare for the extra amount.

How much will you have to pay for your prescriptions?

Medicare Part D (**PDP**) plans will vary from carrier to carrier, and some individuals may qualify for Extra Help. It is best to work with a qualified agent to find a plan in your service area that meets your financial goals.

While covered under a **PDP** plan, most individuals will have some cost sharing with the plan (exceptions will apply for individuals who qualify for Extra Help). Cost sharing may include:

- Calendar Year Deductible
  - This is the amount you would pay for your prescriptions BEFORE the plan pays anything.
  - Some carriers have $0 deductible options.
- Copays or Coinsurance
  - Copays are flat dollar amounts you would pay for your prescriptions after the deductible.
  - Coinsurance is generally a percentage (%) that you pay for your prescriptions after the deductible.
- Coverage Gap
  - The Coverage Gap is the period of time that you will generally pay a larger amount for your prescription drugs, and after any deductible, copay or coinsurance has been satisfied.
  - The amount you pay is a percentage (%) of the plan's cost for brand-name and generic drugs.
  - Often referred to as the "donut hole".
  - The Coverage Gap has a maximum that does change each year until 2020.
  - The deductibles, copays, and coinsurance that you pay out of your pocket for covered prescription drugs ALL apply toward your coverage gap for the calendar year.
- Catastrophic Coverage
  - You only pay a coinsurance percentage (%) or copay for your covered prescription drugs for the rest of the calendar year.

How much you pay for your prescription drug when you get it filled will vary depending upon the following:

- Whether or not the prescription drug is included on your plan's drug list or formulary.
- The specific plan that you choose.
  - Some plans will have a deductible while others will not.

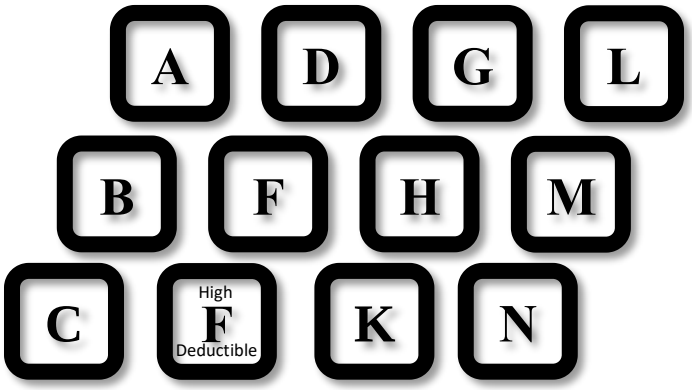
  - Most plans will have different copays for the different drug tiers.
  - Most plans will have different coinsurance percentage (%) during the Catastrophic Coverage phase.
  - Some plans will contract with specific pharmacies, and consider those not contracted as "out-of-network".
- Whether you qualify for Extra Help in paying for your Part D costs.

It is important to work with a qualified agent that can walk you through the various differences between the plans that are available in your service area.

~ Medicare Supplements ~

Plans: A, B C, D, F*, G, H, K, L, M & N

- Sold by private companies approved by Medicare
- "Gap" Plans
- Availability of plans will vary with each insurance company



Medicare Supplement insurance (often referred to as "Medigap" policies) are insurance policies sold by private insurance companies that help pay some of the covered expenses that Medicare Part A & Part B (Original Medicare) does not cover. Depending upon the Medicare Supplement that you purchase, this could include: deductibles, copays, and coinsurance. Unlike a Medicare Part C policy, Medicare Supplement insurance works in conjunction with Original Medicare to pay for your healthcare expenses. Because of this, you **MUST** have Part A and Part B to be eligible to purchase a Medicare Supplement.

In an effort to standardize the Medicare Supplement options available to the consumer, Federal and State laws were designed so that each Medicare Supplement policy may be clearly identified. This includes lettering each policy, and requiring that each insurance company selling the policies offer the same

basic benefits. This allows you to pick the plan that best suits your healthcare and financial needs. In 2017, the most common policies available for purchase were Plans F, High Deductible F, G, M, and N (plans may vary by state).

When can you buy a Medicare Supplement insurance policy?

- Medigap Open Enrollment
  - 6-month period that begins on the first day of the month during which you are at least 65 years old **AND** are enrolled in Part B.
  - If you postpone enrollment in Part B because you are covered under a group health plan (GHP), your 6-month enrollment period will begin when you sign up for Part B.
  - As long as you enroll during the Open Enrollment period, you will be guaranteed issue for any Medicare Supplement offered in your area.
- Special Enrollment
  - If you are covered by a Medicare Supplement or Medicare Advantage policy that can no longer be offered by the insurance company, or if the insurance company leaves your service area, you will be given an opportunity to select a new Medicare Supplement policy with a guaranteed issue provision.
  - Different time frames apply to each situation, so please refer to the ***Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*** publication, or contact a qualified agent to discuss your personal situation.

How can you compare the different Medicare Supplement policies?

Both the ***Medicare & You*** guide and ***the Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare*** publications provide detailed information about the different options available. It should be noted that even though all lettered plans must cover the same basic benefits, carriers can charge big differences in the premiums for the same policy. Consumers are welcome to visit www.medicare.gov to see what policies are available in your area. If you prefer a face-to-face consultation, contact a qualified agent to review the policy that will best suit your healthcare needs.

Your Brief Guide to Medicare Insurance

Important things you should know about Medicare Supplement policies.

- You must be enrolled in BOTH Medicare Part A and Part B (**Original Medicare**) to purchase a Medicare Supplement policy.
- Medicare Supplement policies work in conjunction with Original Medicare to cover your healthcare expenses.
- You **WILL** continue to pay your Medicare Part B premium in addition to your Medicare Supplement premium.
    - Part B premiums will generally be deducted from Social Security
    - Medicare Supplement premiums will be billed directly from the insurance company.
- Medicare Supplement policies cover only **YOU**. Your spouse will need to apply for a separate policy.
- It is illegal for an agent to sell you a Medicare Supplement policy if you are currently covered by a Medicare Advantage plan and do not intend to leave your Medicare Advantage plan.
- You **MAY** purchase a stand-alone Medicare Part D (PDP) plan to cover your prescription drugs along with a Medicare Supplement policy – provided your Medicare Supplement does not include drug coverage.

HEALTH INSURANCE SHOP, INC.

Dear Medicare Beneficiary:

Sorting out the differences between the Medicare Insurance options available to you is overwhelming at best. This guide was designed to provide you with enough information to educate you on the **basics** of Original Medicare (Parts A & B), Medicare Advantage (MA, MAPD, or Part C), Medicare Prescription Drug Plans (PDP or Part D), and Medicare Supplement (Medigap) plans, so that you may feel comfortable discussing your coverage needs with a qualified agent. We believe the more knowledgeable we can help you become, the more equipped you will be to feel confident when selecting your health insurance option.

Insuring your healthcare needs for today and into the future is not a quick and easy decision to make. Our qualified agents understand that no two situations are alike, and that there is no "one size fits all" insurance product for our customers. We will take the time needed to help you find the right plan for your healthcare and financial needs.

If you find the contents of this Guide useful and are interested in learning more information about your insurance options as a Medicare Beneficiary - please give us a call*! If you would prefer that we contact you, please complete and return the attached "Request for Contact" form.

We look forward to speaking with you soon!

Health Insurance Shop, Inc.

* CMS rules prohibit outbound solicitations from agent to a Medicare Beneficiary, so please note that unless you provide us with express permission to contact you, we are unable to reach out to you.

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