



# MEDICARE

## OPEN ENROLLMENT

### An Overlooked Opportunity To Reduce Healthcare & Prescription Drug Costs

**Medicare Open Enrollment: An Overlooked Opportunity to Reduce Healthcare & Prescription Drug Coverage Costs.** The frustration and confusion over health care, especially costs, is here to stay. Every year seniors gain a window of opportunity, between October 15 and December 7, to assess their current Medicare, Medicare Advantage Plans and Part D prescription coverage and make a change. People don't like change. More so during open enrollment. **Who can blame recipients? The complexity of Medicare is intimidating.** Per the Kaiser Family Foundation, ([www.kff.org](http://www.kff.org)), a majority of seniors do not review their coverage during open enrollment. In a release dated [October 17, 2016](#), current employees in Medicare Part D plans are estimated to face an average increase of 9 percent in premiums if they remain in their current plan for 2017. Medicare recipients will have a choice of roughly 22 drug plans available to them. It's a shorter list of choices this year however still [substantial](#). Medicare open enrollment is not an exciting topic. Granted. But it's a necessary one as health care costs are not going to do anything but move higher. In retirement, health care expenditures can range between \$265,000 (Fidelity's computation) to \$441,200 (Society of Actuaries). Opinions are all over the board but one point stands out. Health care costs in retirement are ostensibly, substantial. For those already on Medicare or future recipients, the annual open enrollment window can save you hundreds of

dollars, if you pay attention. I'll attempt to make this information as painless as I can *because it'll take you weeks to see your doctor, right?* **First, the facts.** Plain and simple. After all, before embarking on a healthcare adventure, it's best to understand the terrain that must be navigated.

## **Information You Need To Know:**

Medicare open enrollment began October 15 and ends December 7. Any changes made within that time frame will take effect January 1, 2017. This period is a recipient's window of opportunity to review and/or fine-tune coverage. I'll focus on two main opportunities open to you. **First, you can switch from original Medicare to a Medicare Advantage Plan** or from Medicare Advantage back to original Medicare. **Second, you have the chance to change Medicare Prescription Drug Plans** or join a plan for the first time. As a reminder, Medicare Advantage Plans function similar to employer-based healthcare plans in several ways. Services are delivered within an approved network of providers along with drug coverage, similar to an HMO format. Medicare Prescription Drug Plans (Part D), are independent programs that accompany original Medicare plans. Part D should never be considered optional even if you aren't currently taking medications. Chances are you will be in the future. If you decide to sign up later, there are late enrollment penalties incurred. For further detail on these plans, [www.kff.org](http://www.kff.org) does an excellent job outlining how they work in a very conversational, easy-to-understand manner. Fact sheets are available for PDF download.

## **More About Medicare Advantage Plans And Why Switch?**

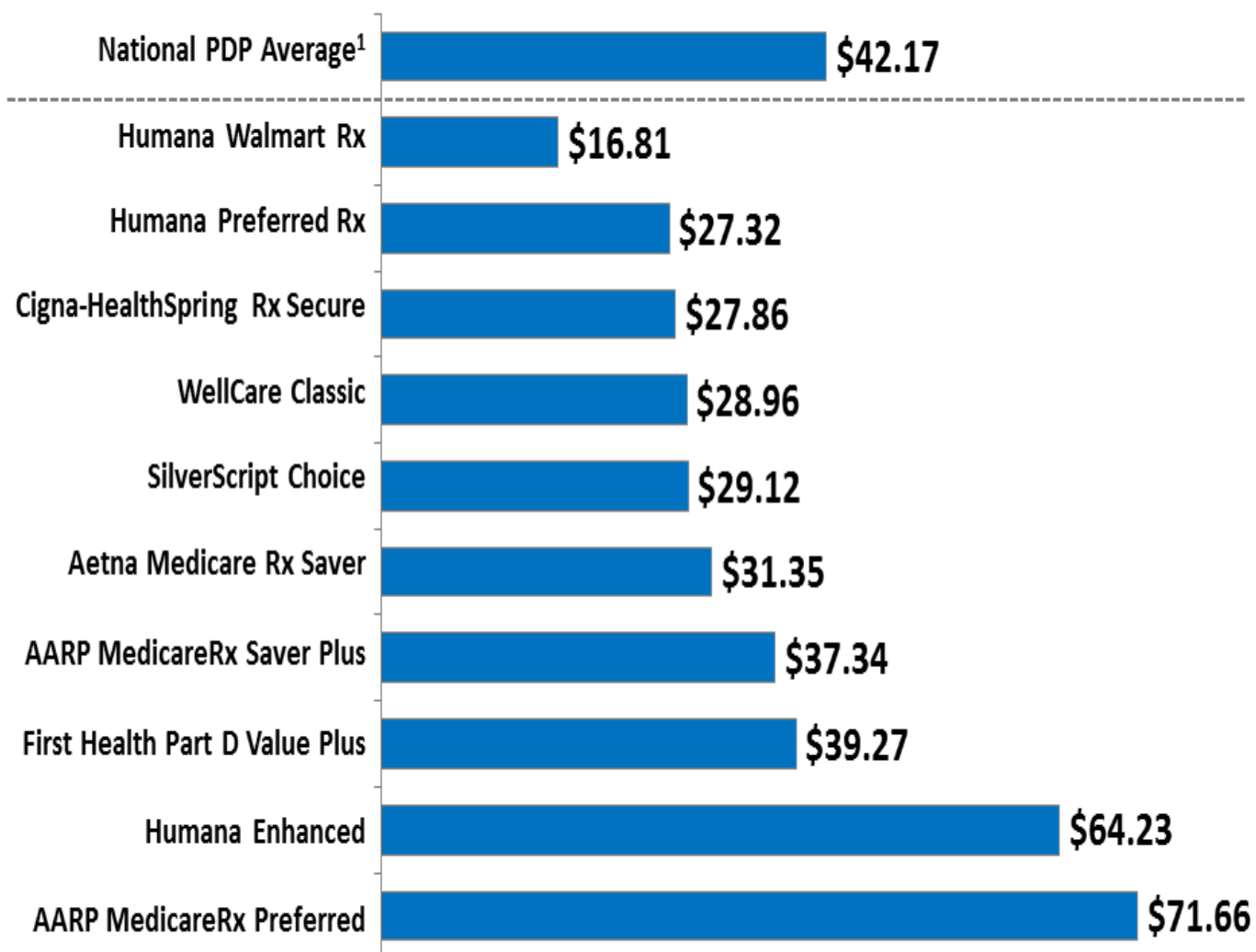
Most Advantage Plans operate in a HMO format (64%) and are offered by private insurers like Aetna, UnitedHealth and Humana, to name a few. These plans will range in maximum out-of-pocket limits and monthly premium costs. **Points to remember: 1). Has your primary doctor left the network?** We are finding physicians are seeking to no longer be part of Medicare Advantage Plan networks which is a main reason recipients switch. It's usually the only reason but shouldn't be. **2). Are you comfortable with the maximum out-of-pocket deductibles and monthly premiums?** Even if you are, that's no excuse to allow open enrollment to conclude without doing comparison homework. The [Medicare Rights Center](http://www.medicare.org), a national non-profit 'think-tank' has put together a multi-question checklist for people to review before Advantage enrollment. Counselors are available at 800-333-4114 to help consumers narrow down selections. Their specialists are qualified to assist with the selection of prescription drug plans, too. Free newsletters are available for sign up under the 'Resources' tab. Especially helpful is the Dear Marci bi-weekly e-newsletter that addresses relevant Medicare-related topics and timely questions the Center receives. **3). Be aware of 'for profit' web resources.** There are several Medicare Advantage insurance websites that are commissioned agents behind the scenes. They'll come up first through an internet search and can be easily confused for a government or not-for-profit resource. To be clear, there's nothing wrong with using a service like [www.medicare.com](http://www.medicare.com) to compare plans. Several websites claim that commissions are paid by the insurance carriers and there is no additional costs to consumers. However, before going with a recommended plan, make sure to contact the Medicare Rights Center or speak directly to a representative with the insurance carrier you're considering.

## **More About Prescription Drug Plans And Reasons To Switch:**

The standard Medicare Part D benefit in 2016 has a deductible of \$360 and 25% coinsurance up to a coverage limit of \$3,310. Then there's a gap in coverage called the 'donut hole' until Part D spending reaches \$4,850. At that point, catastrophic limits are initiated and consumers pay 5% of total drug costs after \$7,062.50. Medicare Advantage drug plans average \$37 a month. For 2017, deductibles will increase to \$400, then a 25% coinsurance up to a \$3,700 coverage limit. The total out of pocket costs including the donut hole, increases to \$4,950. Total covered Part D drug

spending before catastrophic coverage, jumps to \$7,425.

## Average Monthly Premiums in 2017 for Ten Medicare Part D Stand-alone PDPs with Highest 2016 Enrollment



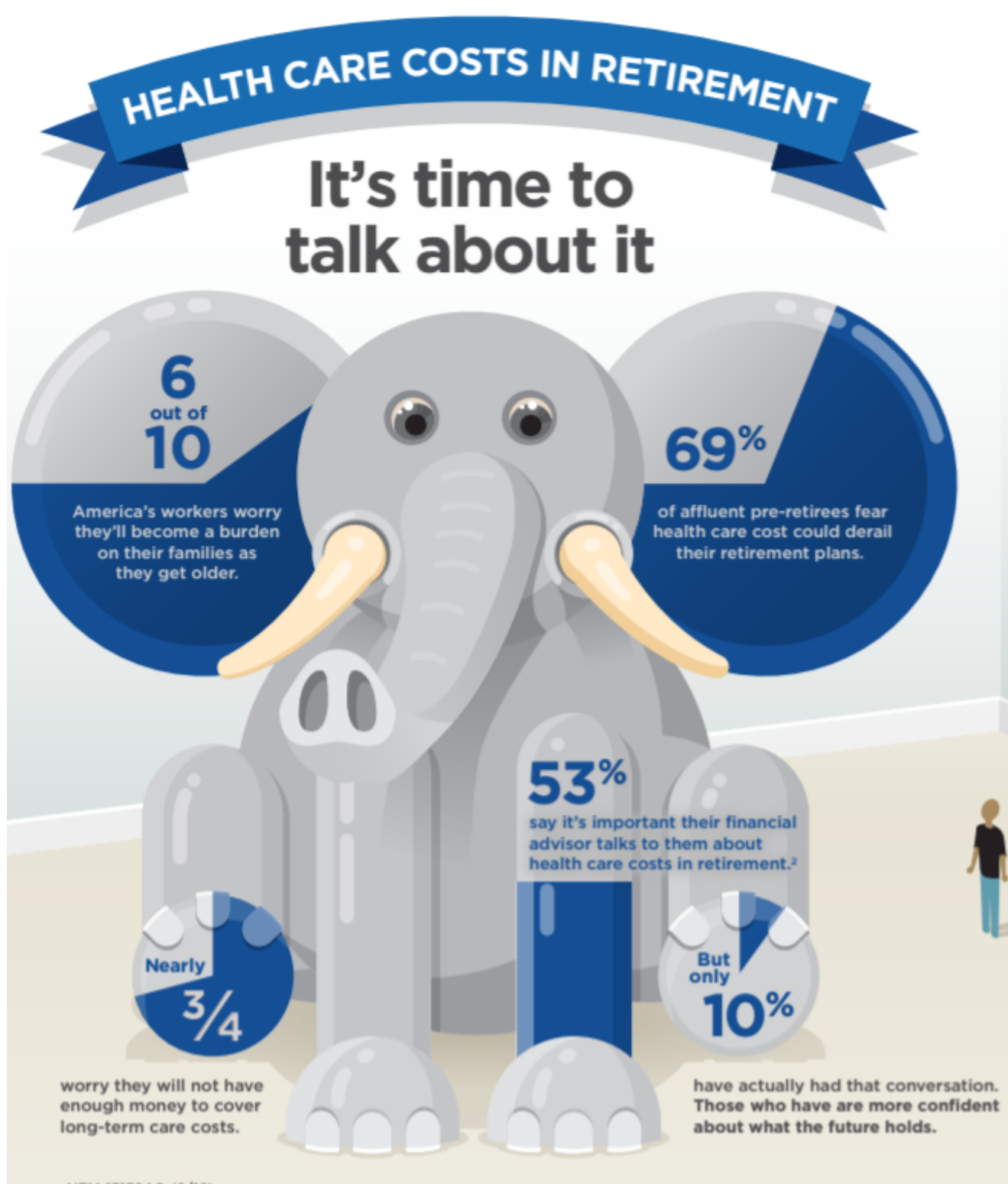
NOTE: PDP is prescription drug plan. Estimates weighted by enrollment. <sup>1</sup>Estimate includes premiums for basic and enhanced PDPs; assumes current PDP enrollees remain in their same plan; makes no assumptions about plan choices by new enrollees for 2017.

SOURCE: Georgetown/Kaiser Family Foundation analysis of Centers for Medicare & Medicaid Services 2016-2017 Part D plan files.



**Points to remember:** 1). It will require time and patience, especially if you're taking several medications, but it's worth it. For example, I'd suggest you complete a *personalized search* (not general) if you have a Medicare number on [www.medicare.gov](http://www.medicare.gov). Both searches require that you enter every prescription you're on, along with dosage. This can be especially frustrating as it's easy to get medication names confused - so go slow. From there, you'll be provided a list of providers to compare coverage. 2). **Don't always go for the plans with the lowest monthly premiums.** You should investigate from a total cost perspective. In other words, what you gain on premiums you may lose more on when deductibles and co-payments are taken into account. Total costs must be considered. 3). **Think generic and mail order.** Cost-effective plans utilize generic drugs and a low-cost mail order pharmacy. Several affordable plans utilize preferred brick-and-mortar pharmacies including their own, like Walmart. 4). **Pick up the phone.** Representatives at 800-MEDICARE can assist with plan selection and enroll you over the phone. Wait times are long (at least 15 minutes when I tried), however, if you're taking more than two medications, it's worth the effort to minimize mistakes or frustration. According to The Kaiser Foundation, a small share of

all Medicare Part D enrollees voluntarily switch plans. The relatively small segment who switched plans between 2006 and 2010 did it to lower their premiums and nearly half saw their premiums fall by at least 5% the following year. **Many Part D enrollees incur higher out-of-pocket costs than would be the case with different plan selections.** Money-savvy retirees evaluate their plans every Medicare open enrollment period. It's best to consult with a knowledgeable partner, preferably a Certified Financial Planner, to understand how to project future household healthcare costs and update them annually in a goal-based, customized financial plan. **There's no doubt, regardless of who becomes the next President, that health care expenditures, including the viability of Medicare, will be a heated topic of debate and anxiety (for you).** Medicare open enrollment is a perfect time to re-engage with changes that may alter your retirement road map. Per the fourth annual health care study by The Nationwide Retirement Institute<sup>•</sup> conducted in November 2015 in conjunction with Harris Poll, **57% of American workers say they're terrified of what healthcare costs may do to their retirement plans, 53% say it's important that their advisor discusses healthcare costs in retirement with them.** Yet, despite their concerns, only 10% have discussed health care costs in retirement with a financial professional.



*Photo: The Nationwide Retirement Institute* • **Don't be silent.** If your financial partner doesn't bring up healthcare costs in retirement, including Medicare, you must. *The overall well-being of your retirement depends on it.*