

MEDICARE OPEN ENROLLMENT *Is Coming*

What You
need to
know
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Rising health care costs are a formidable challenge which requires ongoing vigilance. Preventative measures which include a regimen of regular exercise and smart eating habits can go a long way to improve the physical, mental and fiscal quality of decades in retirement. There's little bandwidth in retirement budgets to handle the growing burden of health care costs, so it's surprising when Medicare's open enrollment period rolls around and it's not considered an annual opportunity to review coverage and costs for Medicare Advantage and Medicare Part D prescription drug plans. **The window is from October 15 through December 7 for a change (or no change) in benefits beginning January 2018.** Before I delve into why it's financially advantageous to undertake a yearly time-consuming exercise, a quick overview of health care inflation and costs is an important

precursor. Comprehensive financial planning must include an estimate of annual health-related retirement expenses and an assessment of how much you or you and a spouse or partner will spend on health care throughout retirement. **According to the Kaiser Family Foundation through the Peterson-Kaiser Health System Tracker, U.S. health care spending per capita had risen at historically low rate, but began to accelerate in 2014 with the inception of ACA, also known as ?Obamacare.?** Health-care spending growth is projected to average 5% per year on a per capita basis. When planning for retirement, make certain your financial partner is incorporating a realistic rate of health care inflation, no less than 4.5% and the program employed may be adjusted to reflect recent cost increases in Medicare premiums. **For example, Medicare Trustees, in their 2016 annual report, have determined that Medicare Part B and Part D costs have increased respectively by 5.6% and 7.7% over the past five years.** Unfortunately, the Trustees have determined these costs will grow by 6.9% and 10.6% respectively, over the next five years. During the retirement planning data-gathering phase, it's also important to incorporate a realistic life expectancy target. Many planners default to age 100 *?just to be safe,?* without considering current health status, family history and habits like alcohol consumption and smoking. Planning to 100 can be a frustrating, impractical, discouraging exercise for the majority of Americans who aren't saving enough to reach retirement goals in the first place. Advising someone to save and invest sufficiently to make it age 100 may do nothing but create anxiety and feelings of hopelessness. **Practical retirement planning should employ a life expectancy calculator like www.livingto100.com.** Astute advisors also utilize the healthcare Planning's Proactive Aging Plan module developed by financial advisor and physician Carolyn McClanahan. Either way, if your plan is designed to age 100, at least some form of analysis is backing it up. With all that being outlined, the annual Medicare enrollment period is a time to assess current Medicare Advantage and Part D policies and make changes if warranted. Here are several points to consider.

Medicare Advantage: What Is It? Should I Change?

Medicare Advantage is growing in popularity despite reductions in payments enacted by the Affordable Care Act. **Per KFF.org, since 2010, Medicare Advantage enrollment has grown 71%.** The majority of Medicare Advantage Plans are inclusive which means they cover all services of Original Medicare, including prescription drugs. Most offer extra coverage like vision, hearing, dental and/or wellness plans. Two-thirds of the plans offered are through closed-physician network HMOs. **Advantage Plans usually have lower premiums than Medigap (also known as Medicare Supplemental Insurance), and are offered without evidence of insurability.** However, out-of-pocket costs can be costly. Ostensibly, Medicare Advantage is most suitable for participants who are healthy and don't visit the doctor often. As a Medicare participant, you'll soon be overwhelmed (*if not already*), by advertisements. Place them aside for now to focus on the Annual Notice of Change (ANOC) and Evidence of Coverage (EOC) documents that will outline the new terms of conditions of your Medicare Advantage plan. Naturally, you'll want to see if premiums have increased. Also important is to determine whether co-payments (the coverage costs you're responsible for in addition to premiums,) are going higher. **Equally important is to see whether your pharmacy option has changed and your current prescription drugs are still covered.** Remember, Advantage providers have the option to change their plan benefits every year; it's best you don't take the annual enrollment window, lightly and check that this is the same plan you signed up for. Even if your plan is going to remain status quo, it's now worth going through the advertisements. Perhaps attend a seminar or two (*you'll receive multiple invitations*). During the annual enrollment period, a participant may switch from one Medicare Advantage Plan to another, change from Original Medicare (A&B), to a Medicare Advantage Plan, or switch from a Medicare Advantage Plan that doesn't offer drug coverage to one that does. Last, find plans for comparison through www.medicare.gov's impressive search engine.

What About Medicare Prescription Drug Plans?

If covered by standalone Part D or a drug plan through Medicare Advantage, now is the time to make sure it will still cover your prescriptions in 2018 (*it may not*), determine whether co-pays will change or additional restrictions will be initiated. For example, various plans are switching to an exclusive mail order refill process for cost efficiencies which may mean higher out-of-pocket costs for brick & mortar pharmacy prescription drug orders. Through [Medicare's find a plan](#) you may input your current prescription drugs and compare your plan to other choices. **Once you receive the Annual Notice of Change (*you may have already*), review it carefully. It will outline changes in cost, coverage or services if any.** What if your plan remains the same? It's still worth doing some investigation to determine whether you can find a similar plan at lower out-of-pocket costs. According to a report by [EHealth](#), only 10% of those in Medicare prescription drug coverage plans were enrolled in the plans that covered their prescriptions at the lowest possible prices. **Medicare annual open enrollment should be perceived as an opportunity to fine-tune or at least, take close inventory of current coverage.** Consider the objective assistance of a financial professional qualified to provide guidance.

If you would like a copy of Medicare's ?Yearly Medicare Plan Review,? checklist, feel free to [email me](#) and we will e-mail this helpful guide to you.