



It's that time of year again.


Medicare Open Enrollment season began October 15 and runs through December 7th.

If you're Medicare-eligible or in Original Medicare or Medicare Advantage, I'm confident you're getting bombarded with advertisements and collateral materials. Remember, this is the annual opportunity to review your Medicare Advantage and Prescription Drug D plans to make certain costs and benefits still meet your personal needs.

By now, recipients should have received Evidence of Coverage or an Annual Notice of Change to determine if their plans will change for 2020. I find that many retirees either inadvertently ignore these notices or regardless, do not spend 30 minutes to an hour every year comparing their current plans to others that are available.

According to The Senior Citizens League's Policy Analyst Mary Johnson:

“Free one-on-one counseling is available in every area of the country to check coverage options and to switch to other health or drug plans when a better choice is available,” Johnson says. “Checking coverage is especially important since the Social Security cost-of-living adjustment for 2020 is just 1.6 percent and will only raise an average benefit of \$1,460 by about \$23 per month.”

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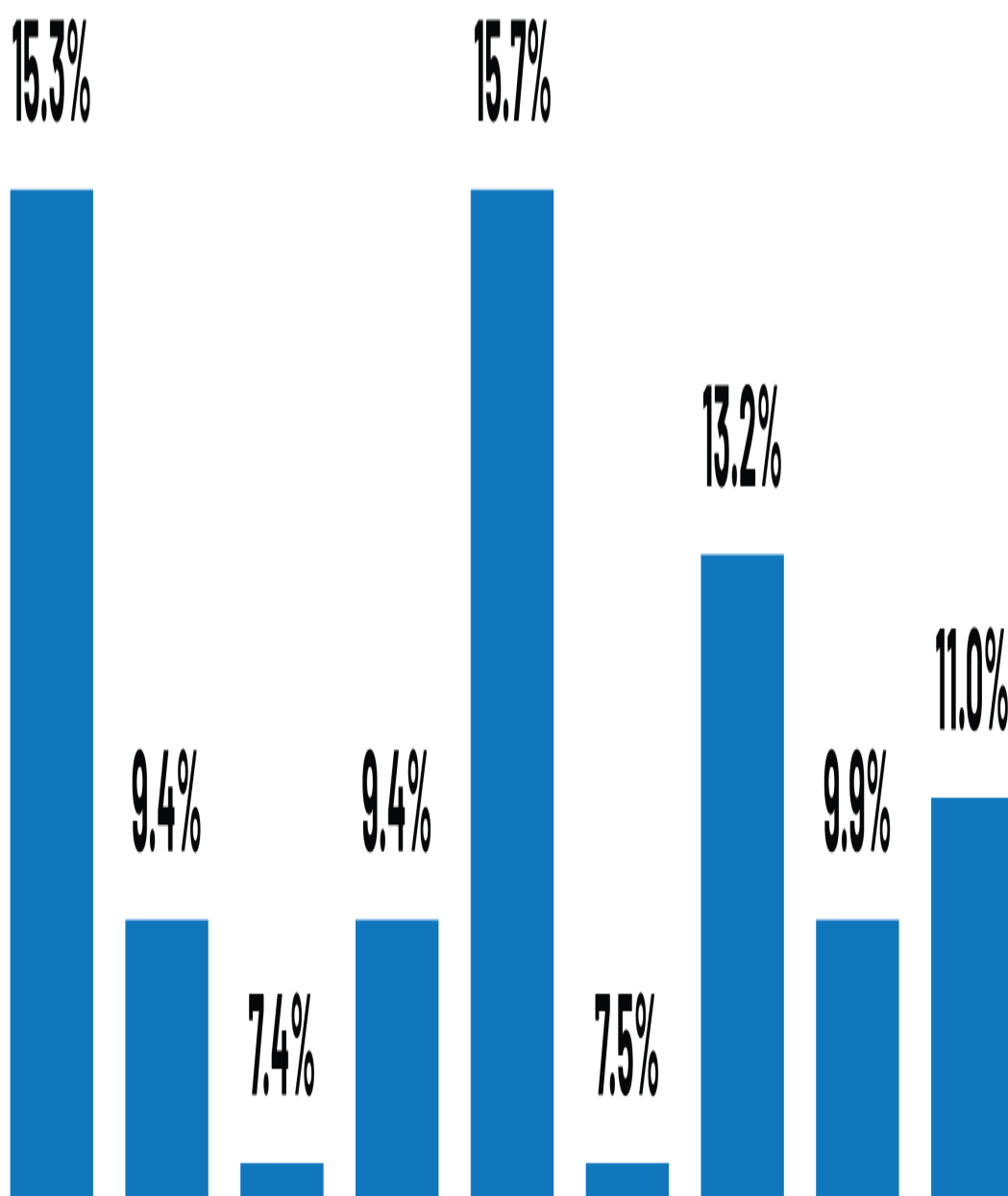
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Keep in mind, Medicare does not negotiate drug prices on behalf of beneficiaries. The plan with the lowest-priced drug can be hundreds or even thousands of dollars less than the highest cost plan for the very same drug. Yet most Medicare beneficiaries rarely shop for their best drug plan during Medicare's annual Open Enrollment Period. Consequently, Medicare beneficiaries in Part D and Medicare Advantage plans overpay for their prescription medications even though less expensive, high quality plan choices are available.

Top 10 Brand Drugs By Total Medicare Part D Spending

With List Price Increases For 2017 Above Inflation



For those who haven't spent the time to review their D Plan or have no idea where to begin, The Senior Citizen's League has a checklist available [here](#).

Per the finest healthcare think tank out there, the Kaiser Family Foundation, list prices have increased up to 9 times faster than inflation for 20 of the top 25 Part D drugs. There are several proposals on the table to lower prescription drug costs which would require drug manufacturers to cough up a rebate to the federal government if their drug prices covered under Medicare Part B and D increase by more than the rate of inflation. These initiatives would be welcomed relief for older Americans. •

Next year at RIA, we plan to initiate a **?Health = Wealth?** series of podcasts, live events, to help those saving for retirement understand how important proactive preventative health initiatives are crucial to financial, mental, and physical health in retirement. It's crucial to review your Plan D coverage every year.

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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%. As of 2017, one in three people with Medicare (19 million beneficiaries), is enrolled in a Medicare Advantage Plan.**

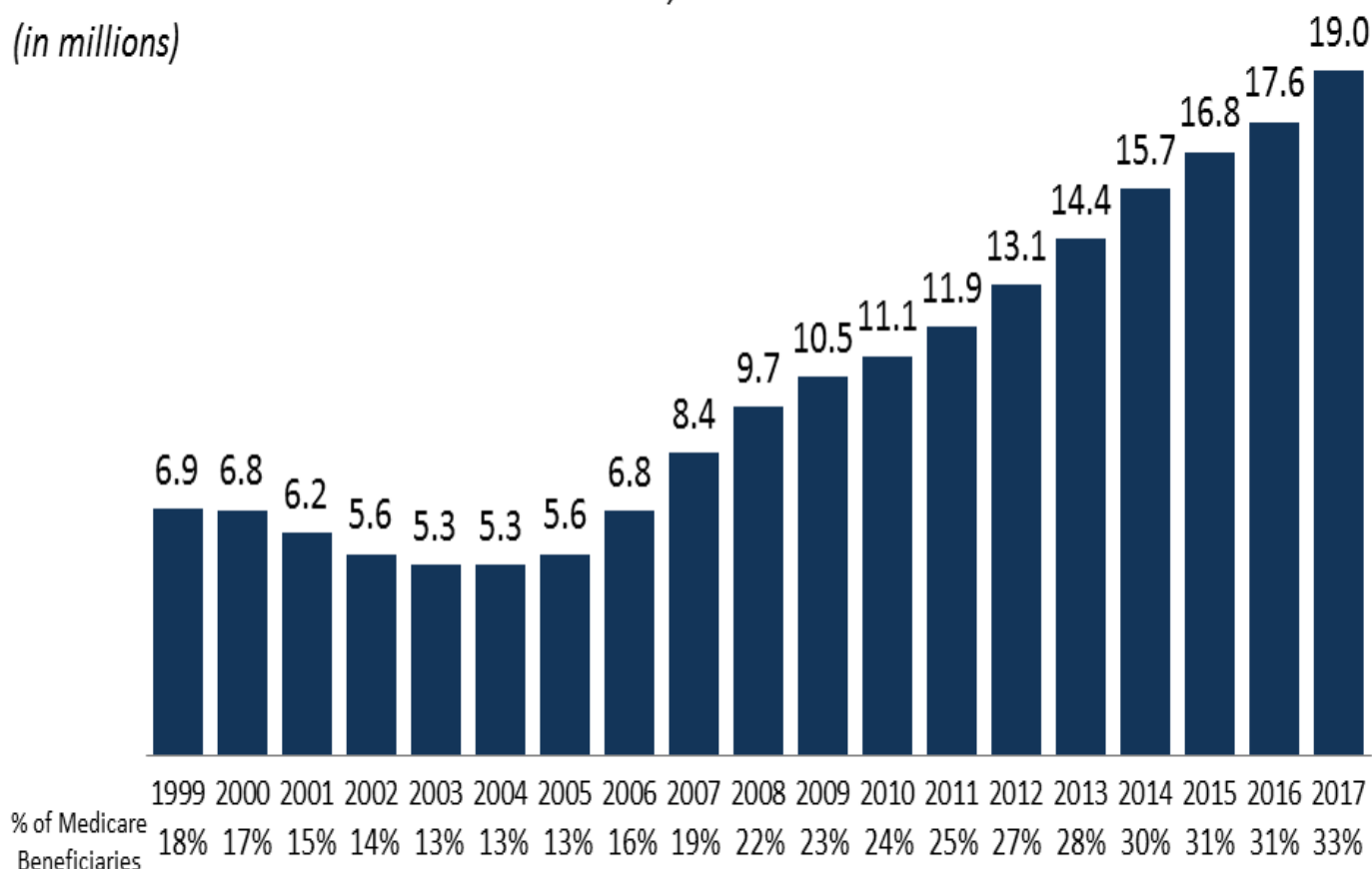
There is no denying the growing popularity of these plans. •

Figure 1

Enrollment in Medicare Advantage plans has steadily increased since 2004

Total Medicare Private Health Plan Enrollment, 1999-2017

(in millions)



NOTE: Includes MSAs, cost plans, demonstration plans, and Special Needs Plans as well as other Medicare Advantage plans. Excludes beneficiaries with unknown county addresses and beneficiaries in territories other than Puerto Rico.

SOURCE: Authors' analysis of CMS Medicare Advantage enrollment files, 2008-2017, and MPR, "Tracking Medicare Health and Prescription Drug Plans Monthly Report," 1999-2007; enrollment numbers from March of the respective year, with the exception of 2006, which is from April.



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 and in the future, hold unwelcomed surprises (which I'll outline later).
 •Per KFF.org: While average Medicare Advantage premiums paid by MA-PD enrollees have been relatively stable for the past several years (\$36 per month in 2017), enrollees may be liable for more of Medicare's costs, with average out-of-pocket limits increasing 21 percent and average Part D drug deductibles increasing more than 9-fold since 2011; however, there was little change in out-of-pocket limits and Part D drug deductibles from 2016 to 2017.



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Ostensibly, Medicare Advantage is most suitable for participants who are healthy, don't visit the doctor often, find preventative care important, oversee a frugal retirement budget and find the lower premiums not only favorable, but necessary based on household retirement cash flow.

If you're thinking Medicare Advantage is a good choice, ponder these important considerations:

Are you willing to accept future change, possibly dramatic, in your Medicare Advantage Plan?

Medicare Advantage is a lucrative endeavor for private insurance companies. Annual gross margins in the market average \$1,608 per covered person which is about double the margins in the individual and group markets per research provided by www.kff.org.

You may see greater involvement by insurers and higher future costs for consumers as President Trump's recent executive order allows insurers to determine rates rather than have Medicare set prices. Currently, Medicare Advantage plans receive their payments from Medicare and assume full responsibility for providing care under Medicare Parts A, B & D. Keep in mind, Medicare's reputation is one of a tough price negotiator.

With insurers provided the freedom to establish prices, there's a greater chance that recipients become responsible for additional costs that Medicare Advantage won't cover or perhaps experience a reduction in current benefits. The risk here in my opinion, is an interruption to or dramatic price increase for life-saving treatments that a retiree may require. At that time, it would be too late to obtain coverage through Medigap due to a pre-existing condition exclusion.

At RIA, we strongly recommend older Americans select a [Medigap](#) policy over Medicare Advantage. Monthly premiums for Medigap policies will absolutely be higher. However, the Medigap insured can benefit from more choice among providers and ultimately lower total out-of-pocket costs. Medicare-eligible individuals must be aware of Medigap enrollment periods otherwise, they may not be able to obtain coverage in the future.

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Medigap policies are available to eligible recipients during open enrollment periods regardless of pre-existing health conditions. Medicare Advantage plans are not subject to similar exclusions. Medigap's supplemental coverage open enrollment is a six-month open enrollment period that starts the month you are 65 or older and enrolled in Part B.

What other services are important to you?

I admit - Medicare Advantage plans can include attractive "bells & whistles." Gym memberships, rebates on Apple watches, online brain games, cooking classes, meal delivery and [more](#). I expect to see an increase in tempting sign-up incentives as insurance companies continue to compete for enrollees.

Recently, a client spent an hour or so on the phone with a United Healthcare representative during annual Open Enrollment because his current Medicare Advantage Plan dropped the gym

membership benefit. He was able to switch to another plan with lower premiums and a greater allowance for a gym of his choice (within certain monetary limits).

I don't suggest Medicare Advantage plans based on incentives or special offers. There are important financial and physical health variables to consider ? most which are identified during the holistic financial planning process.

Remember - A Medicare Advantage plan comes with ongoing due diligence. As outlined previously: Every year during Open Enrollment which begins October 15th and lasts through December 7th, it's best to make sure your current plan still meets your needs and compare it to other available plans whether you're satisfied with your current option or not.

Medicare Advantage is not RIA's favorite choice for retirees; however, it is indeed a popular option. The Kaiser Family Foundation in a recent analysis, outlines that a record 3,148 Medicare Advantage Plans are now available across the country with an average of 28 plans available locally per beneficiary! It's best to understand the pros & cons before they're considered.

At RIA, we can guide you accordingly.

For further information, check out the following government online hub:

- www.medicare.gov.

NOT government sites but informative just the same:

- www.medicareresources.org.
- www.medicarerights.org.
- www.kff.org.