

Transitioning to Medicare - Part 2

By Ken Piwowar

Part 1 of this article appeared in the Fall 2014 newsletter and talked about applying for Medicare when you turn 65, along with some basic points about Medicare. This part will talk about supplemental plans.

Applying for Medicare and receiving your Medicare card are the first steps, but you're not done. Medicare is fine as far as it goes, but it doesn't cover everything. Although you are not required to do so, you should immediately think about getting a supplement to Medicare. There are a number of ways to do this, and it can get to be a complicated and confusing subject.

First, what does Medicare *not* cover? Here are some examples:

Medicare Part B (doctors and services) has a \$147 annual deductible.

Part A (hospitalization) has a \$1216 deductible per hospital stay.

Co-insurance, frequently 20% with no out-of-pocket maximum.

Prescriptions drugs are not covered by basic Medicare unless you pay extra for Part D.

Medicare does not cover dental care, eye care, or hearing care.

So what do you do to fill these gaps? For SURS retirees, one definite option to consider is the State of Illinois Medicare Advantage Plan called TRAIL (Total Retirees Advantage ILlinois). This is a Part C plan which covers everything that Medicare covers plus many extras. There is both a PPO option and an HMO option, and each has a different monthly premium.

The PPO option is offered through United Health Care and has a monthly premium of \$57.59, a \$250 deductible, and a \$1000 max out-of-pocket. There are no network requirements for either doctors or hospitals in the PPO option.

The HMO option is offered through Humana in the 5-county area, but can be a different provider for folks who live farther away from Chicago. The HMO monthly premium is \$47.26 and has no deductible, but does have a \$3000 annual OOP. There are in-network requirements with the HMO option (but not the PPO option).

Besides paying the Medicare deductibles, also included in the State's Medicare Advantage Plan are dental care, vision care, hearing care, and a Silver Sneakers program (health club membership), among other benefits. The plan also includes Part D prescription drug coverage. Prescriptions can be received through local pharmacies or mail order. Most common Tier 1 maintenance drugs are \$20 for a 90-day mail-order supply. The plan includes coverage through the Coverage Gap (sometimes called the Donut Hole).

The enrollment period for the State of Illinois Medicare Advantage Plan is in the Fall of each year (starting in October), with coverage effective Jan 1.

The state's Medicare Advantage Plan is definitely something that SURS retirees should consider since it is supplemented by the state of Illinois, but it is not the only option. There are other Medicare Advantage Plans offered through private insurance companies, such as CIGNA, Blue Cross, and numerous others. Note that you still have to be enrolled in Medicare and pay the Medicare Part B premium (currently \$104.90 per month) with Medicare Advantage Plans.

Another completely different option is to sign up for a Medicare Supplemental Insurance Policy. These are offered through private insurance companies and are often called Medigap plans, since they fill in the gaps that Medicare doesn't cover. There are numerous types of plans available, with different rates for males and females, smokers and non-smokers. These plans often have letters associated with them, such as Plan F, Plan G, or Plan N. For example, plan G pays everything except the \$147 Medicare deductible, whereas Plan F is a "Cadillac" plan which pays everything including the Medicare deductible (but of course you pay more for this plan).

Getting into all the rates and details of these various plans is beyond the scope of this article. If you are interested in a Medigap policy, it is highly recommended that you talk to an insurance broker who can explain the details of the various plans. These agents can also shop numerous insurance companies to get the best rate for a plan that meets your needs.

Note that the College Insurance Plan is no longer an option as a supplement for SURS retirees starting Jan 1 of the year after they turn 65. If you want a supplemental Medicare plan, you must choose either a Medicare Advantage Plan or a Medigap policy, but not both. If you are in a Medicare Advantage Part C plan (such as the TRAIL plan discussed above), you may *not* also be in a Medigap plan.

As I said in the beginning of this article, the world of Medicare supplemental insurance gets to be a complicated and confusing subject, but I hope this brief article gives an overview of the main possibilities.