

Costly Mistakes to Avoid With Medicare Enrollment

People often approach their Medicare choices in the same way they handle other difficult decisions. You have some who spend hours sifting through all the Medicare literature—and yet still get surprised by costs or coverage shortfalls they didn't anticipate. Then you have those who procrastinate and find themselves facing stiff penalties or unable to secure needed coverage. Below, Allsup outlines answers to five common questions from new Medicare enrollees.

1. **When can I enroll in Medicare?**

Most people become eligible for Medicare when they turn 65, however, regardless of your age, 24 months after your date of entitlement to SSDI benefits, you also are eligible for Medicare. At that time, you will receive information on how to enroll in Medicare Part A, which is free for people who have paid federal taxes for at least 10 years. You also receive information on how to enroll in Medicare Part B.

For those turning 65, you have three months before your 65th birthday, the month of your birthday and three months after your birthday to make additional enrollment. For those who are eligible because of their entitlement to SSDI benefits, you have three months before your date of entitlement, the month of your date of entitlement and the three months after your date of entitlement to make your choices.

2. **What are my Medicare options and the costs?**

Medicare has four components – Parts A-D.

- Part A, which covers hospital care, is **free** to most people who paid FICA taxes while working.
- Part B, which covers outpatient services and doctor visits, charges an income-based premium. Most new Medicare enrollees can expect to pay a monthly benefit of **\$104.90 in 2013**, but it's more for individuals with annual income above \$85,000 (or more than \$170,000 for couples).
- Part C, Medicare Advantage plans, combines Medicare Parts A and B, making it easier to manage plans. The plan also may include Part D prescription drug coverage as well as dental or vision care. Depending on where you live, there are dozens of different plans with varying levels of services and costs.
- Part D covers prescription drug costs. This coverage can be purchased separately and is provided by private health insurers, which offer various plans and prices.

Medigap: Because out-of-pocket costs can be high with traditional Medicare (Parts A and B), many people also enroll in Medigap supplemental coverage to help minimize these costs.

3. **Do I have to enroll in Medicare even if I already have private coverage?**

If you are working and have health insurance through your employer, or your spouse is working and has employer-provided health insurance under which you also are covered, you can defer Medicare Part B.

However, you have to notify the Social Security Administration that you are seeking a deferral. If you do not do this, there are steep penalties. As part of the *Allsup Medicare Advisor*[®] program, Allsup often works with people making the transition from employer plans to Medicare.

4. **What are the penalties for not enrolling in Medicare?**

If you do not have an approved deferral, Medicare Part B imposes a late-enrollment penalty that applies for as long as you have Medicare.

- Your premium may go up 10 percent for each full 12-month period that you could have been enrolled in Part B. For example, delaying enrollment five years would result in a 50 percent penalty (10 percent x 5 years), meaning your monthly premium would be 50 percent higher than had you enrolled in Medicare Part B when first eligible.

Likewise, Medicare Part D imposes a fine if you go for more than 63 days without coverage that is as good as or better than the standard set by Medicare, after enrolling in Part B. An example of this would be retiree coverage provided by your former employer. As premiums increase, the penalty will increase for as long as you have Medicare Part D coverage.

- The penalty is determined by adding up the number of months you did not have coverage after becoming eligible and multiplying this number by 1 percent of the national average monthly benchmark premium. For example, the average benchmark for 2013 is \$31.17. Therefore, if you were eligible for five months of coverage during 2013 but had not enrolled, a \$1.60 monthly penalty would be added to your premium (\$31.17 monthly benchmark premium x 1 percent x 5 months).

Because Medigap coverage is optional, there is no penalty if you do not enroll. However, Medigap providers are only required to guarantee people the right to coverage, regardless of pre-existing conditions, during the first six months after they enroll in Medicare Part B. After that, they can charge higher rates or deny coverage.

5. **Can I change my mind?**

There are several enrollment periods for Medicare, allowing people to change their plans at least annually.

- The initial enrollment period is the time when someone turns 65, or 24 months from your date of entitlement to SSDI benefits.
- The annual enrollment period runs from Oct. 15 to Dec. 7 each year for coverage for the following year.
- There also are other enrollment periods throughout the year for other circumstances.

For questions about Medicare, please call and speak to an *Allsup Medicare Advisor* specialist at (866) 521-7655.