

Navigating Medicare and Medigap

A standardized Medigap policy typically is guaranteed renewable, which means that, as long as you continue paying premiums, an insurer cannot use your health status as a rationale for cancelling the policy.

Most adults become eligible for Medicare on the first day of the month they turn age 65.

Whether you need to sign up, and how to go about doing so, depends on the type of coverage you select and whether you collect Social Security benefits prior to becoming eligible for Medicare.

Medicare Eligibility

If you have already started receiving Social Security benefits before your 65th birthday, you don't have to sign up for Medicare Part A or Part B. Part A is basic hospital insurance; Part B helps to pay for medically necessary services such as doctor visits or outpatient care. You automatically become eligible on the first day of the month you turn age 65. Premiums for Part B (there is no premium for Part A) will be deducted automatically from your Social Security check.

If you are not receiving Social Security benefits, you will be required to sign up for Part A and Part B. Contact your local Social Security office three months in advance of your 65th birthday to start the process.

If you still receive medical insurance from another provider (such as your employer or your spouse's employer), you can wait to sign up for Medicare. To avoid paying a higher premium, you will be required to enroll during the eight-month period that begins during the month your employment ends or the group health coverage ends, whichever is first. Note also that you may be assessed with higher premiums if your modified gross adjusted income is over \$85,000 for single filers and \$170,000 for married couples filing jointly.

Medicare Part C and Part D

Both Medicare Part C (Medicare Advantage) and Part D, which is prescription drug coverage, are provided by private insurers whose plans are approved by Medicare. You can get information on these providers on the Medicare Web site (www.medicare.gov).

You can sign up for both Part C and Part D when you first become eligible for Medicare. You can also sign up between January 1 and March 31 or between November 15 and December 31 each year. Even if you don't currently have many prescriptions, you may want to consider signing up for Part D as soon as you become eligible. If you wait and try to sign up during a subsequent enrollment period, you may be charged a late enrollment penalty and be forced to pay higher premiums.

Supplementing With Medigap

Many retirees supplement their Medicare coverage with Medigap plans, which are sold by private insurers. The state where you live may determine the type of plan available to you. It's important to note that these policies do not cover long-term care, vision care, dental care, hearing aids, eyeglasses, prescription drugs, and private-duty nursing. If you anticipate ongoing use of these services, you may need to obtain another form of insurance or pay out of pocket.

When you sign a contract for Medigap insurance, you usually permit the insurer to access your Medicare Part B claim information directly from Medicare and to bill your health care providers directly. In certain instances, Medigap providers will manage claims for Medicare Part A as well.

Your Rights as a Medigap Beneficiary

Medigap policies cover only one individual, which means that for couples, each partner needs to purchase a separate policy. The best time to purchase a Medigap policy is during the Medigap open enrollment period, which lasts for six months after you are both age 65 or older and enrolled in Medicare Part B. During this period, an insurer cannot refuse to sell you a Medigap policy or impose a surcharge because of your health status.

A standardized Medigap policy typically is guaranteed renewable, which means that, as long as

you continue paying premiums, an insurer cannot use your health status as a rationale for cancelling the policy. If you were diagnosed or treated for a pre-existing medical condition within six months prior to a Medigap policy taking effect, an insurer can make you wait up to six months before providing coverage for the condition. In certain instances, if you had health insurance coverage during the six-month period before the Medigap policy takes effect, the waiting period may be eliminated or shortened.

###

© 2011 McGraw-Hill Financial Communications. All rights reserved.

April 2011 — This column is provided through the Financial Planning Association, the membership organization for the financial planning community, and is brought to you by Douglas Wm. Elliott, a local member of FPA.