INSURANCE
WHO'S GONNA PAY?

Because it's so freakishly complicated, it's amazing how many seniors manage to navigate through the policies and pitfalls of the insurance industry on their own. Let's start with some simple definitions and brief explanations.

Medicare is the national health care program for people over the age of 65 and some younger disabled persons (e.g., any individual with kidney disease at any age). There are certain requirements a recipient must meet in order to be eligible for benefits, including United States citizenship or status as a permanent resident of the United States with eligibility to receive Social Security benefits. In order to explain the coverage it is helpful to break the program into its four components:

- **Medicare Part A** (Hospital Insurance) helps to cover *inpatient care in hospitals*, the costs of a *skilled nursing facility, hospice, and home healthcare* if the applicant meets certain conditions, and *respite care* under some circumstances. www.medicare.gov provides a detailed explanation of Medicare coverage and any updates.

  Individuals who have worked for some time during their lifetimes have contributed to Medicare through their payroll deductions. Most seniors receive a notice three months before their 65th birthday alerting them to their automatic enrollment in Medicare which begins the month of that birthday. Individuals who have not worked and are not eligible may enroll in the program. The above website provides enrollment detail. Persons who are eligible for the program are also required to purchase Medicare Plan B coverage (below); the premium cost varies by marital status and income.

  Medicare Part B (Medical Insurance) helps to cover such medically-necessary services as doctors' services and outpatient care, as well as some preventive services to help maintain participants' health and to keep certain illnesses from getting worse. There is a monthly premium for services, the cost of which varies according to marital status and income. This coverage is available through local Social Security offices

or the Railroad Retirement Board (if the applicant is a recipient of a railroad pension).

There are very specific enrollment procedures, and they are date-sensitive. Late enrollments may be subject to penalties. Be aware of the co-insurance stipulations, the deductible amounts and check the website for restrictions governing a specific procedure (e.g., the conditions under which an ambulance may be used for transportation, or whether a medical procedure or test is allowed under the plan). Moreover, only the "Welcome to Medicare" physical is covered; regular annual doctors' visits are not covered. In addition, some procedures are not covered, others require a co-payment of 20 to 50 percent, and the first $135 of charges for Part B-covered services or items are paid by the individual.

Pay particular attention to the specific requirements for and general lack of coverage for *custodial care.* Medicare doesn't cover it unless it is part of a skilled nursing care which is physician-prescribed.

- **Medicare Part C** (Medicare Advantage Plans) is another way to secure Medicare benefits. It combines Part A, Part B, and, sometimes, Part D (prescription drug) coverage. Medicare Advantage Plans are managed by private insurance companies approved by Medicare. These plans must cover medically-necessary services, which requires some investigation. There are various Medicare Advantage Plans, most of which, like HMOs, have networks of doctors that are available to participants who belong to the plan. Others, such as Private Fee-for-Service (PFFS) Plans, allow the participant to go to any doctor if the doctor agrees to accept the plan's terms of payment *before* treatment. There are also Medicare Advantage Plans—"Medicare Special Needs Plans (SNPs)"--that serve certain people with Medicare who are chronically ill, who live in institutions (e.g., nursing homes), or who have other special needs. You will need to determine if a provider is Medicare-approved and you should compare their coverage, co-payments and deductibles.

- It is also possible to subscribe to a **Medigap** plan, which is a private supplemental insurance plan that, as the name suggests, fills the gap between Medicare Plans A and B. The Advantage and Medigap Plans are usually mutually exclusive.

Select a plan or group of plans that you can afford that offers the greatest amount of coverage and flexibility. Customize your plan according to your needs. Check the Medicare website for coverage or exclusions regarding your particular health concerns, and consult with your family doctor or specialist to see if you can remain a patient and continue to get coverage under your plan.

- **Medicare Part D** (Medicare Prescription Drug Coverage or PDPs) helps to cover prescription drugs. This coverage may lower your prescription drug costs and help protect against higher future costs. Part D has involved a difficult adjustment for seniors, many of whom have sought advice regarding prescription coverage from their doctors and pharmacists. Medication costs become an ever increasing drain on the fixed income of seniors.

  Enrollment in a Medicare Advantage Program or a Medigap Plan (such as an HMO or PPO) probably provides drug benefits; Medicare drug plans are also available for an additional monthly premium. Check with Medicare and/or your insurance carrier to compare monthly premiums, co-pay amounts and deductibles so that you can make an informed decision about enrolling in any of these plans. If your prescription costs are in excess of $1,200 per year, this may be a good investment, since benefits will likely pay 15 to 55 percent of the cost of prescriptions.

Medicare does not cover costs associated with long-term health care, day-to-day care, or supervision for those afflicted with Alzheimer's or dementia or most skilled nursing home care (whatever the ailment). Medical science has extended our lives, and care options have increased dramatically in recent years, but the cost of health care continues to skyrocket. Few of us can afford the costs of nursing home or in-home health care that may extend over many years.

Medicaid qualification requires that a parent appear to be "paper poor," which means that while the parent is allowed to keep their home and pension, all other investments must be dedicated to the expense of their ongoing care. Many seniors choose to transfer these assets to their heirs while they are living. At present, Medicaid requires that this transfer take place at least three years in advance of application.

Medicaid is health insurance providing coverage for some low-income individuals, including people who are eligible because they are over the age of 65, blind, or disabled, or certain people in families with dependent children. Medicaid is a state-administered Federal program. Consequently, individual states determine eligibility and services covered. Although age may qualify an individual for the program, states may also impose additional eligibility requirements (e.g., proof of income and other financial resources).

To apply for Medicaid, contact your local social services department to show proof of your financial need for this assistance. Medicaid overage may apply retroactively to any or all of the three months prior to application, if the individual would have been eligible during the retroactive period.

If your parent falls under the low or very low income level for your area, check to see if they qualify for a *Limited Income Subsidy*. This program began in 2006 and requires almost no out-of-pocket expenditures by participants.

The Federal government is also offering tax-free subsidies to employers who continue to provide prescription drug coverage for their retired employees. This program is scheduled to continue through 2016. Check with the employer for participation.

Long-term health care. Most plans take effect when two of six ADLs (activities for daily living)--bathing, dressing, toileting, eating, grooming and moving around--are impaired. There may also be a waiting period for benefits. For example, once a physician has written an order for skilled health care, the policy may require a period of time (perhaps six months) during which financial responsibility remains with the individual or family before benefits begin to be paid. If purchased in a person's fifties, the premiums are usually affordable. Long-term health has historically been purchased to cover nursing home care. However, some policies offer coverage for assisted living facilities depending on the amount of service provided. There is stiff competition in the marketplace, so shop for the best policy for you or your parent. **www.ltcq.net** provides quotes on long term care policies and www.insure.com compares the rates of more than 200 insurance companies. If you or a family member has been a Federal government employee or has served in the military, visit www.ltcfeds.com for information on long-term care insurance.

Lessons. Plan now for the extended life that medical science has made possible, but also consider the possibility of crippling care costs. When beginning your new role as caregiver/advisor, find out what plans and policies are in place and what premiums are being paid. Become knowledgeable. Insurance must be part of a solid aging plan. It is also the area where mistakes can be most costly.