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# Medicare 101 the Basics - Costs

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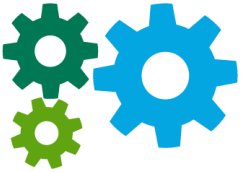
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# Understanding Medicare – Agenda



The Cost of Healthcare and Medicare Eligibility

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Four Parts of Medicare: A, B, C & D

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When Can I Enroll

# Retirees underestimate what they may need to cover health care

## THE MISCALCULATION

**33%** of respondents admitted to **not having any idea** of what their expenses could be in retirement



**46%** of respondents estimated they would need **less than \$100,000** for health care costs in retirement

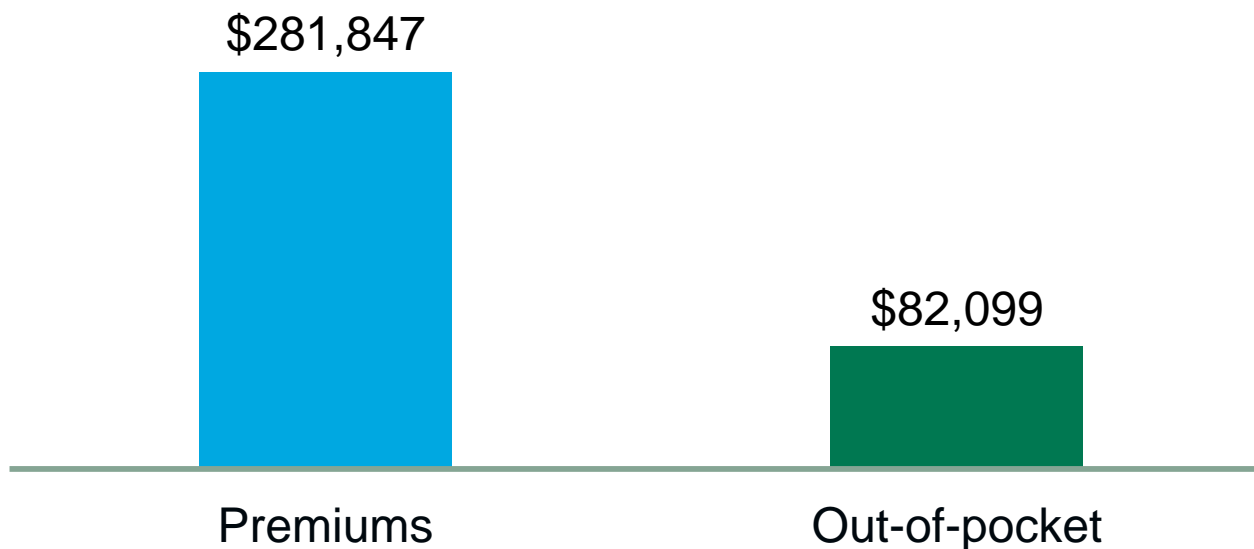
15%	16%	15%
Less than \$10,000	\$10,000 to <\$50,000	\$50,000 to <\$100,000

Source: Fidelity's "Bridging the Gap to Medicare" results based on an online survey that was conducted among a random sample of 1,003 adults between the ages of 50 and 64 who had retired in the past three years. The survey was fielded in November 2017 by Greenwald and Associates Inc., an independent third-party research firm. The results of this survey may not be representative of all adults meeting the same criteria as those surveyed for this study.



# How much will a couple need today to pay for health care in retirement?

HealthView Services cost projections for a 65-year-old couple (present dollars)

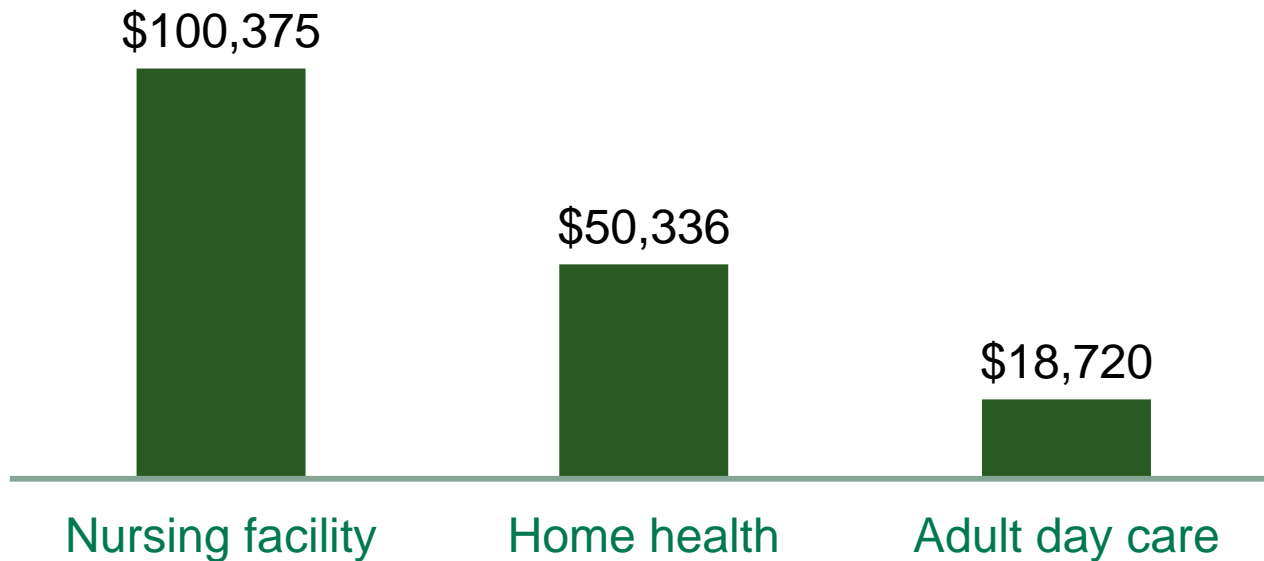


\* Dollar figures reflect the present value of total lifetime healthcare costs in retirement. If you calculate those costs based on future value to reflect the total actual amount spent in retirement, couples are expected to spend over \$560k.

Source: HealthView Services, 2018 Retirement Healthcare Costs Data Report. Assumes premiums for Medicare Parts B, D, and supplemental coverage. Assumes life expectancy of 87 for the male, 89 for the female, and an MAGI income level below \$170,000.

# Cost of Long-term Care

Genworth 2018 Cost of Care Survey median annual care costs by type of service, 2018



Source: Genworth, Genworth 2018 Cost of Care Survey (Richmond, VA: Genworth Financial, Inc.), October 2018. Nursing facility assumes private room.



# Healthcare Challenges

- ▶ Increases in longevity means more retirees living longer are relying on health-care services
- ▶ The demand for health care will continue increasing as baby boomers retire
- ▶ Long-term care is an uncertain and expensive risk



# Planning considerations for health care in retirement

- ▶ Consider tax-smart strategies
  - Factor in health-care expenses when planning for income in retirement
    - Maintain emergency health savings fund for non-recurring health expenses
  - Utilize Roth strategies to create tax-free income in retirement
    - May help avoid larger Medicare premiums
  - Consider a Health Savings Account (HSA) while still working

# What Agencies are Responsible for Medicare?

They Handle Enrollment, Premiums, and Replacement Medicare Cards



**Social Security Administration**  
(SSA) enrolls most people in Medicare



**Railroad Retirement Board**  
(RRB) enrolls railroad retirees in Medicare

**CMS Handles the Rest**



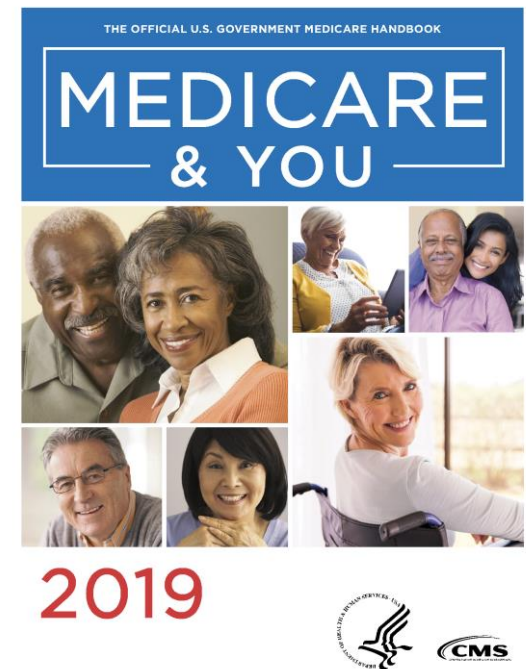
**Centers for Medicare & Medicaid Services (CMS)**  
administers the Medicare Program

Source: CMS.gov



# Medicare - Who is Eligible?

- ▶ Anyone age 65 or older who has participated in Social Security, Railroad Retirement System or employees of Federal, State or Local Governments or who spouse has participated.
- ▶ Individuals under age 65 that have been awarded Social Security or Railroad Retirement Disability after 24 months.
- ▶ Health insurance for people
  - Under 65 with certain disabilities
    - ALS (Amyotrophic Lateral Sclerosis, also called Lou Gehrig's disease) without waiting period
  - Any age with End-Stage Renal Disease



CMS Product No. 10050

Source: CMS.gov

# The 4 Parts of Medicare



**Part A  
Hospital  
Insurance**



**Part B  
Medical  
Insurance**



**Part C  
Medicare  
Advantage  
Plans (like  
HMOs/PPOs)  
Includes Part A,  
Part B and  
sometimes Part  
D coverage**



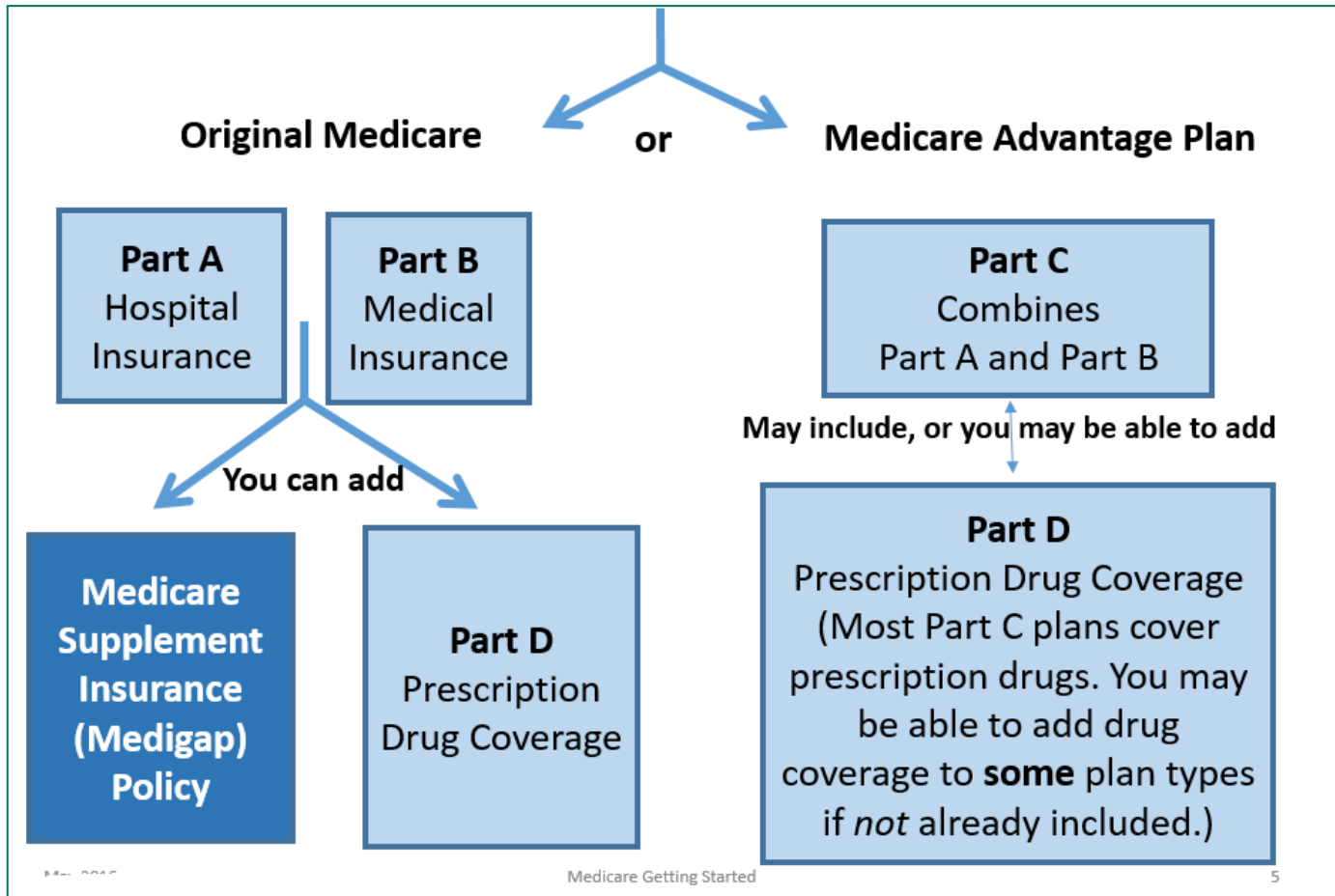
**Part D  
Medicare  
Prescription  
Drug  
Coverage**

Source: CMS.gov



Four Parts of Medicare: A, B, C & D

# Your Medicare Coverage Choices



Source: Medicare.gov

# What Does Original Medicare Cover?

## Medicare Part A

- Inpatient Hospital Coverage
- Skilled Nursing Care in a facility (requires a minimum 3 day prior hospitalization)
- Home Health Care
- Hospice
- Blood

## Medicare Part B

- Following services are generally covered at 80%
- ✓ Physician Services
- ✓ Outpatient Surgery and Services
- ✓ Home Health Care
- ✓ Durable Medical Equipment
- ✓ Blood

Medicare benefits are administered by the Centers for Medicare and Medicaid Services (CMS) 1-800-633-4227

Source:



Four Parts of Medicare: A, B, C & D



# What is NOT Covered by Original Medicare?

- ▶ Outpatient Prescription Medications
- ▶ Routine Dental Care
- ▶ Routine Vision Care and Eyeglasses
- ▶ Hearing Aids
- ▶ Foreign Travel
- ▶ Cosmetic Procedures and Treatments
- ▶ Long Term Care

# Medicare Part A premiums

Most people do not have to pay a premium for Part A because they (or their spouse) paid for it while they worked.

## Your Monthly Part A Premium Costs\*

Time Worked**	Premium Cost
For 10 or more years	\$0
Between 7.5 and 10 years	\$232 per month
For fewer than 7.5 years	\$422 per month

*\*Based on 2018 costs*

*\*\*If you or your spouse worked and paid into Social Security*

Individuals who had at least 30 quarters premiums will be \$240 in 2019.

Individuals who have less than 30 quarters of coverage and certain individuals with disabilities who have exhausted other entitlement will pay \$437 a month.



# Medicare Part A Copayments

Copays for Part A apply once you stay in a hospital for more than 60 days in a single benefit period.

In a skilled nursing facility, copays begin after the first 20 days.

For a hospital stay, you will pay a deductible of \$1,340 for each benefit period. Your payment changes as you stay in the hospital.

## What You Will Pay for a Hospital Stay\*

Length of Stay	What You Pay
Days 1-60	\$1,340 deductible, then nothing
Days 61-90	\$335 per day
Days 91-150**	\$670 per day
After 150 days	The full cost of your hospital stay

*\*Based on 2018 costs*

*\*\*These are called "lifetime reserve days" because Medicare will only pay for these extra days once in your lifetime*



# Medicare Part A Skilled Nursing Facility

For a skilled nursing facility stay, there is no deductible. Medicare will only cover up to 100 days if you meet some very specific criteria:

3-Day Hospital Stay: You must have been at a hospital

For 3 days AND

Had come to a skilled nursing facility within 30 days of the hospitalization and had been admitted to the hospital as an inpatient.

Time in the emergency room or in what the hospital calls “observation status” does not count, even if you stayed overnight or longer.

Level of Care: You must also need skilled nursing care 7 days a week, or skilled therapy services 5 days a week.

## What You Will Pay for a Stay in a Skilled Nursing Facility\*

Length of Stay	What You Pay
Days 1-20	\$0
Days 21-100	\$167.50 per day
After 100 days	All costs

*\*Based on 2018 costs*





# Medicare Part B and Part D premiums and increases at higher incomes

Singles	Couples	Part B Premium	Part D Premium
\$85,000 or less	\$170,000 or less	\$135.50	\$0.00
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	\$189.60	\$12.40
above \$107,000 up to \$133,500	above \$214,000 up to \$267,000	\$270.90	\$31.90
above \$133,500 up to \$160,000	above \$267,000 up to \$320,000	\$352.20	\$51.40
above \$160,000 and less than \$500,000	above \$320,000 and less than \$750,000	\$433.40	\$70.90
\$500,000 or above	\$750,000 and above	\$460.50	\$77.40

Source: Centers for Medicare & Medicaid Services. Income based on Modified Adjusted Gross Income (MAGI), which includes tax-exempt interest income. MAGI is based on income reported on the tax return from two years prior (e.g., for 2019 the 2017 tax return would apply).



# Part D – Medicare Prescription Drug Coverage

- ▶ Anyone covered by Medicare (Part A and/or Part B) is eligible to join a Part D plan.
- ▶ Plans are sold by private insurance companies and require payment of monthly premiums.
- ▶ Each plan covers a group of prescription medications (formulary list) and typically have copayments for prescriptions and possibly an annual deductible.
- ▶ Plans and formulary lists may change annually.

Source: Medicare.gov



## Part D – Deductible and Copayments

- ▶ **Medicare Part D Deductible** - The highest deductible a plan can charge in 2019 is \$415. Some plans offer \$0 deductible and will pay for your prescriptions right away.
- ▶ **Copayments and coinsurance**
- ▶ A copayment, or copay, is a fixed dollar amount for your prescriptions. For example, you might have to pay \$5 for a generic drug, \$25 for a “preferred” brand name drug and \$40 for a non-preferred brand name drug.
- ▶ A coinsurance is a percentage of the price of your prescription. Typically plans require coinsurance for drugs listed in higher tiers like tier 4 and tier 5 drugs. For example, if your prescription costs \$350, and your coinsurance is 25%, you will pay \$87.50.

Source: [mymedicarematters.org](http://mymedicarematters.org)



# Part D – Deductible and Copayments

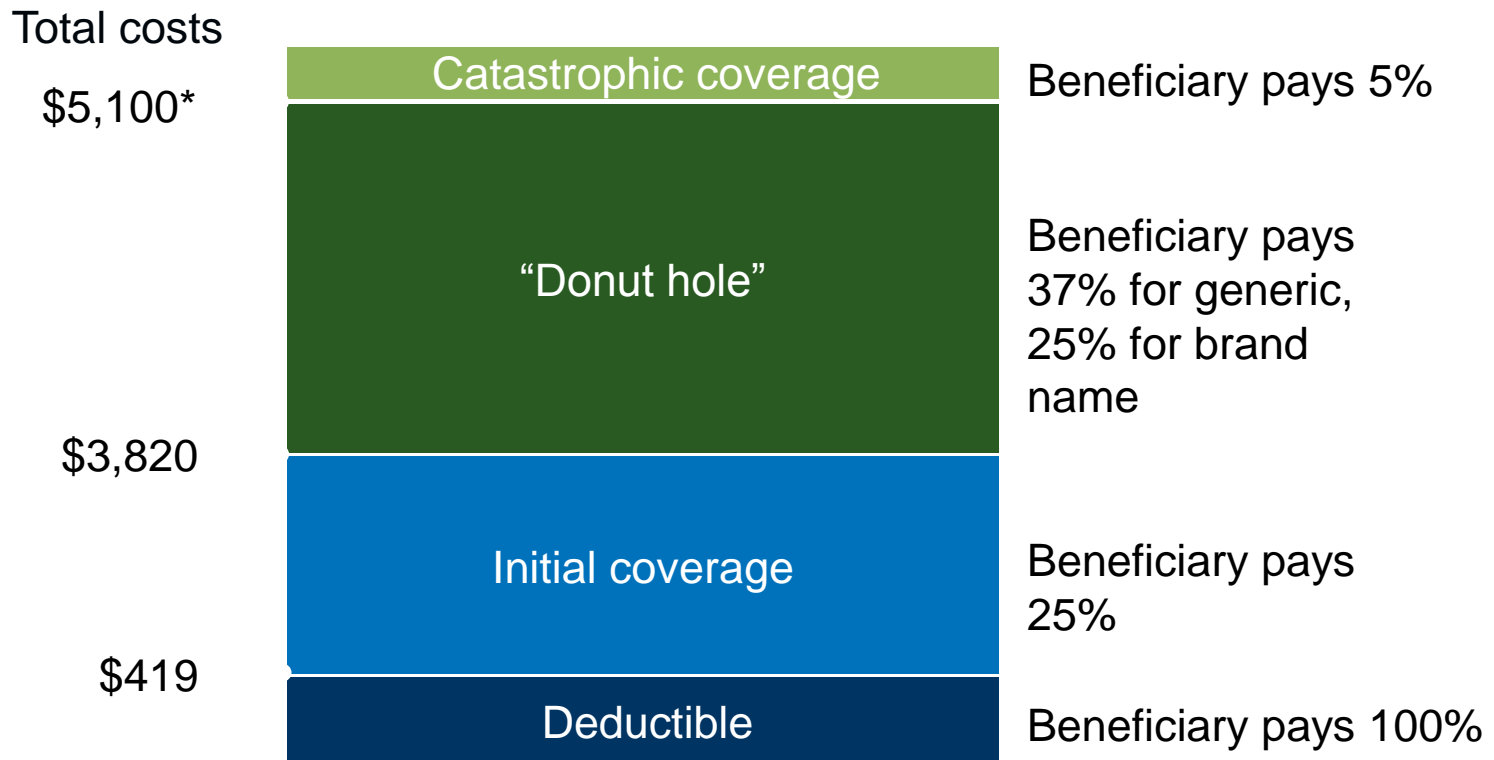
Each plan places the drugs it will pay for in different levels, called tiers. Each tier has its own copay or coinsurance amount. Your drugs may be included in all the plans in your area, but they could be listed on different tiers with different copay amounts.

## Part D Copay Tiers

Tier 1: Generic	Tier 2: Preferred	Tier 3: Non-preferred	Tier 4: Specialty
\$	\$ \$	\$ \$ \$	\$ \$ \$ \$
The least expensive drugs your plan covers, including all generic drugs and select brand names	Brand name drugs that have proven to be the most effective in their class	Drugs considered non-preferred (brand names that are not the "most effective") as well as preferred specialty drugs	The most expensive drugs because they are classified as brand name, specialty <i>and</i> not preferred

Source: [my medicare matters.org](http://my medicare matters.org)

# Medicare Part D “donut hole” means more out-of-pocket costs for some



\* Based on 2018 CMS figures. The Affordable Care Act (ACA) closes the “donut hole” gradually over several years until it is fully closed by 2020. Beginning in 2020, beneficiaries will be responsible for 25% of costs instead of the higher percentages reflected in the current donut hole (37% for generic drugs, 25% for brand name drugs).



# Medicare Supplement (Medigap Plans)

- ▶ Standardized insurance plans designed to fill in the “gaps” in Medicare Part A and Part B coverage (deductibles, copayments, coinsurance, etc.).
- ▶ Plans are designated by letter codes (A, B, C, D, F, G, K, L, M, N).
- ▶ All plans cover a basic group of benefits, with plans each covering a different group of “gaps”.
- ▶ Coverage is the same from company to company, but premiums do vary.

Source: Medicare.gov



## Part C – Medicare Advantage

- ▶ Health plan options approved by Medicare
  - Another way to get your Medicare coverage
  - Still part of the Medicare Program
  - Run by private companies
- ▶ Medicare pays the plan an amount for each member's care
- ▶ May have to use network doctors or hospitals - ALWAYS check with your healthcare providers
- ▶ Types of plans available vary from county to county

Source: Medicare.gov



# Part C – Medicare Advantage Premiums

- ▶ **Part C Medicare Advantage (MA) Premiums**
- ▶ In 2018, the estimated average monthly MA plan premium will be \$30, but this premium may vary significantly between plans, anywhere from \$0 to over \$200. Remember that you must have Medicare Parts A & B to join a Medicare Advantage plan.
- ▶ You pay your usual Part B premium plus any additional premium that the plan may charge. Some MA plans may pay a portion of your Part B premium; check with the plan to see if this is the case.

Source: [mymedicarematters.org](http://mymedicarematters.org)



Four Parts of Medicare: A, B, C & D



# Differences between Medigap Plans and Medicare Advantage Plans

	Medicare Supplement (Medigap) Insurance	Medicare Advantage Plans (Part C)
<b>Offered by</b>	Private companies	Private companies
<b>Government Oversight</b>	State, but must also follow federal laws	Federal (plans must be approved by Medicare)
<b>Works with</b>	Original Medicare	N/A
<b>Covers</b>	Gaps in Original Medicare coverage, like deductibles, coinsurance, and copayments for Medicare-covered services.	All Part A and Part B covered services and supplies. May also cover extras like vision and dental coverage. Most plans include Medicare prescription drug coverage.
<b>You must have</b>	Part A and Part B	Part A and Part B
<b>Do you pay a premium?</b>	Yes. You pay a premium for the policy and you pay the Part B premium.	Yes. In most cases, you pay a premium for the plan and you pay the Part B premium.

Source: Medicare.gov



# How Do I Enroll?

- ▶ Medicare enrollment is handled by the Social Security Administration.
  - Can be completed online at [www.ssa.gov](http://www.ssa.gov)
  - Call 1-800-772-1213
  - Appointments can be made for local offices through the above toll-free number
- ▶ The Railroad Retirement Board (RRB) is responsible for enrolling railroad retirees in Medicare.
- ▶ If you retired from federal service, contact the Office of Personnel Management regarding your premiums.

Source: Medicare.gov



When to Enroll



# Automatic Enrollment

- ▶ If collecting Social Security Retirement Benefits prior to age 65.
- ▶ People under 65 entitled to Social Security Disability Benefits.
- ▶ Beneficiary will receive Medicare card in the mail indicating automatic enrollment in Part A and Part B.
  - Beneficiary has the option to decline Part B coverage by returning the card to Social Security.

Source: Medicare.gov



When to Enroll



# Enrollment Periods

- ▶ Initial Enrollment Period:
  - 3 months before, the month of, and 3 months after your 65th birth month
- ▶ Annual Open Enrollment Period to change plan:
  - October 15 – December 7
- ▶ General Enrollment Period to start a plan:
  - January 1 – February 14
- ▶ Special Enrollment Period:
  - Loss of employer coverage or moving to new service area





# Late enrollment penalties may apply

- ▶ Applies for as long as you are enrolled in Part B
- ▶ Your monthly premium for Part B may go up 10% for each full 12-month period that you could have had Part B, but didn't sign up for it
- ▶ Medicare Part D penalty is 1% of the Medicare Part D base premium (\$33.19 for 2019) for each full month you were eligible but went without coverage and did not have other, creditable coverage.

Source: CMS.gov



When to Enroll



# Where Can You Get Help?

▶ **Social Security Administration**

- **1-800-772-1213 (toll free)**
- **[www.ssa.gov](http://www.ssa.gov)**

▶ **Medicare**

- **1-800-633-4227 (toll free)**
- **[www.medicare.gov](http://www.medicare.gov)**

▶ **State Health Insurance Assistance Program (SHIP)**

- **[www.shiptacenter.org](http://www.shiptacenter.org)**

Source: Medicare.gov



When to Enroll

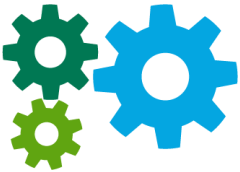


# Summary



## The Cost of Healthcare and Medicare Eligibility

- ▶ Medicare benefits can be an integral part an overall retirement planning strategy
- 



## Four Parts of Medicare: A, B, C & D

- ▶ Understand the Four Parts and What They Cover
- 



## When Can I Enroll

- ▶ Initial Enrollment Period, Open Enrollment Period and Special Enrollment Period

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