

GROUP MEDICAL PLAN vs. MEDICARE/SUPPLEMENTAL COVERAGE

An individual automatically qualifies for Medicare upon turning age 65 provided he/she has 40 quarters of qualifying work credited toward paying into the Medicare system. If that individual is collecting Social Security, he/she will automatically receive enrollment information for Parts A, B and D three months prior to their 65th birthday. If not collecting Social Security, an individual can apply:

1. Through their local Social Security office; or
2. On line at www.socialsecurity.gov; or
3. By calling **(800) 772-1213**.

A qualifying individual gets **Part A** (pays for inpatient hospital, skilled nursing facility, and some home health care).

- Most people do not pay a monthly Part A premium because they or a spouse has 40 or more quarters of Medicare-covered employment.
- The Part A premium is **\$248.00** per month for people having 30-39 quarters of Medicare-covered employment.
- The Part A premium is **\$450.00** per month for people who are not otherwise eligible for premium-free hospital insurance and have less than 30 quarters of Medicare-covered employment.

In addition, qualifying individuals can also choose to elect **Part B** (covers Medicare eligible physician services, outpatient hospital services, certain home health services, durable medical equipment), however there is a cost associated. The chart below shows the Part B monthly premium amounts for **2011** based on income. These amounts change each year and do not include late-enrollment penalties.

Table 1: Part B Monthly Premium		
	Beneficiaries who file an individual tax return with income	Beneficiaries who file a joint tax return with income
Your 2011 Part B Monthly Premium Is	If Your Yearly Income Is	
\$96.40 if beneficiary has SSA withhold in 2009 \$110.50 if beneficiary was new in 2010 and had SSA withhold \$110.50 for all others	\$85,000 or less	\$170,000 or less
\$161.50 (increased by \$46.10 due to IRMAA)	\$85,001-\$107,000	\$170,001-\$214,000
\$230.70 (increased by \$115.30 due to IRMAA)	\$107,001-\$160,000	\$214,001-\$320,000
\$299.90 (increased by \$184.50 due to IRMAA)	\$160,001-\$214,000	\$320,001-\$428,000
\$369.10 (increased by \$253.70 due to IRMAA)	Above \$214,000	Above \$428,000

Table 2: Part B Monthly Premium Beneficiaries who are married, but file a separate tax return from their spouse and lived with his or her spouse at some time during the taxable year	
Your 2011 Monthly Premium is	Beneficiaries who are married but file a separate tax return from his or her spouse
\$96.40 if beneficiary had SSA withhold in 2009	\$85,000 or less
\$110.50 if beneficiary was new in 2010 and had SSA withhold	
\$115.40 for all others	
\$299.90 (increased by \$184.50 due to IRMAA)	\$85,001-\$129,000
\$369.10 (increased by \$253.70 due to IRMAA)	Above \$129,000

There are three Part B enrollment periods:

1. **Initial** within 3 months prior to turning age 65 to 3 months after, not counting the month of birth.
2. **Special** within 8 months of losing employment or group medical coverage, whichever comes first.
3. **General** between January 1 and March 31 each year and effective on July 1st of that year. That person will pay a penalty of 10% of the cost of Part B for all the months they could have had it and didn't. Also monthly premiums are increased 10% for life.

Beginning January 1, 2006, Medicare's new prescription plan, **Part D** will be available to those with Medicare and when a person turns 65. Part D premiums could range from \$25 to \$150 or more per month. There are many prescription plan options that vary widely in coverage and cost and may also vary by zip code. Your coverage will begin on the first day of the month after the month you join. If you don't have a drug plan currently that covers as much or more than the Standard Medicare prescription drug plan, you will have to pay a permanent surcharge (penalty) each month to join later. The surcharge is set up to increase for every month you delay.

In general, you can join or change plans once each year between November 15 and December 31.

Whether someone stays on their Employer sponsored group plan or changes to Medicare plus some supplemental coverage is an important decision. It is necessary to compare current group benefits to the benefits of the many other options available in order to make a sound decision.

There are several coverage options outside group coverage:

- Original Medicare (Parts A, B & D)
- A Medigap plan supplementing Medicare A, B & D
- Medicare Advantage; plans sponsored by commercial insurance companies which supplement Medicare A, B & D.

As plan choices and rates depend on where a person lives, you must visit Medicare's website for complete details on those options at www.medicare.gov. It is a terrific website with an enormous amount of information.

Medicare has limitations and purchasing a supplement is wise. While many commercial carriers offer supplemental plans, AARP is popular and sponsors many plan designs. An individual can apply for AARP's Medicare Supplement by calling **(800) 523-5800**. He/she must have Parts A & B of Medicare to purchase a supplement (Part D is optional). In general, a Medicare supplement only supplements charges covered by Medicare. Expenses medically necessary but not covered by Medicare would not be covered by a supplement. Most AARP plans cover the non reimbursed expenses up to Medicare's approved charges. These are likely to be lower than typical UCR (usual, customary, reasonable) amounts used by a commercial carrier.

Unless a doctor/provider accepts Medicare's charges in full, that individual would be balance billed the excess. Some AARP plans do pay up to UCR or 80% of UCR. All other plans are based on the lower Medicare approved charges amounts. Please contact AARP for specific benefit details.

AARP provides guaranteed issue for any plan with no pre-existing conditions provided:

1. Enrollment is made within 6 months of getting Medicare Part B or
2. Enrollment is made within 6 months of turning 65

AARP provides guaranteed issue for most plans with no pre-existing conditions provided:

1. Enrollment is made within 63 days of losing prior coverage

Some notable limitations of AARP supplements are foreign travel (emergency only up to \$50,000 max/lifetime provided travel is within a 60 day limit, \$250 deductible, 80% reimbursed), preventive care at \$120 max/year. Details on limits are available from AARP.

Benefits, rates and rules vary by state. Please contact AARP for details.

IMPORTANT:

**This memo is for reference purposes only.
You are advised to research your options thoroughly before taking
action based upon information in this document or from any other
source.**

**PREPARED BY:
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