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Change is the Only Constant When it Comes to Medicare

By: Brian Tinker, Managing Director

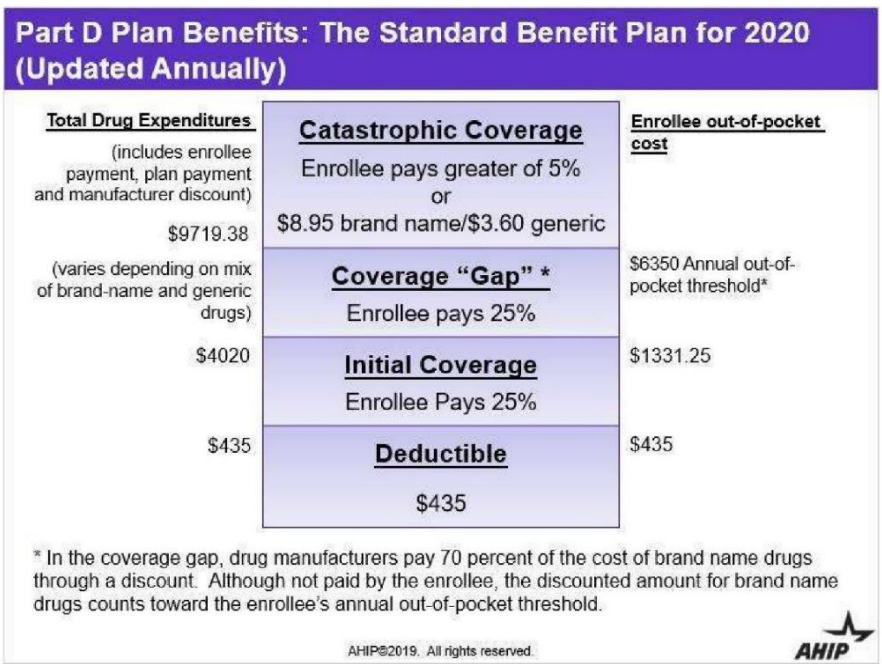
"Change is the only constant in life." Greek Philosopher, Heraclitus

Set it and forget it when it comes to Medicare? Not so fast. Waning government funding and "expert" debate over the long-term viability of this Federal Program have contributed to legislative support demanding change. Congress plans to do what it takes to continue supporting reasonably priced, comprehensive health care for the benefit of those involved – enrollees, medical service providers (mostly doctors) that accept Medicare and the US Government – and has recently passed a number of Acts to support this effort. This does not mean that every decision will always result in the immediate improvement of individual benefits and /or containment of short-term costs but to maintain Medicare and increase its longevity, Parts and Plans of the program must change. You may not have the option to avoid these changes, but you can prepare for them as you connect the present with your financial future.

Congress implemented a schedule of changes for Medicare years ago to not only improve benefits and reduce costs but also to shift a portion of program management and financial responsibility to the enrollee. Those receiving benefits should regularly review their coverages and make their own changes when necessary to always have the most appropriate health care possible. In 2020, there are two major changes scheduled - 1) the design of Drug Plans will include a reduction of an enrollee's out-of-pock cost in the Coverage Gap ("Donut Hole" closes); 2) companies offering Supplement Plans will no longer have the option to offer Plan C and the widely popular Plan F.

Medicare Part D (Drug Plan) Benefit Changes

As indicated in the Part D Plan Benefits illustration on the next page, Medicare Part D (Drug) has a 4-phase structure – Deductible, Initial Coverage, Coverage "Gap" ("Donut Hole") and Catastrophic Coverage. Prior to 2006, enrollees paid 100% of their drug costs after satisfying the deductible and reaching the Initial Coverage spending limit but before qualifying for Catastrophic Coverage (in the "Donut Hole). Those with prescription expenditures that expanded beyond average but did not reach the Catastrophic Coverage phase paid a disproportionate amount of their total drug cost while those with average and below average drug lists as well as those with extensive drug lists paid much less. The gap in coverage between the Initial Coverage phase and the Catastrophic Coverage phase became known as the “Donut Hole,” perhaps because that’s what the government originally paid – 0 (zero), zip, zilch, nada! As you can imagine, it wasn’t long before many couldn’t afford their medications in the “Donut Hole,” which necessitated change.



The Affordable Care Act passed in 2010 contains provisions to close the “Donut Hole” completely in 2020 making covered medications more affordable in the Coverage Gap (“Donut Hole”). Since 2017, enrollees have paid a shrinking portion for their covered medications in the “Donut Hole” based on varying mixtures of brand name and generic drugs. Starting next year an enrollee pays a flat 25% for both, which matches costs in the Initial Coverage Phase. This clarity and consistency will increase understanding and awareness by those enrolled in the program, which should encourage them to review their plan more regularly and make changes when necessary.

Despite Medicare’s reduction of the portion an enrollee will pay for their medications in the Coverage Gap, individual insurance companies will continue to price the medications they offer based on their own formularies to stay competitive and bolster profits. Why shouldn’t you consider your own financial future and counter with your own planning to reduce as much total cost as possible? Just because an enrollee’s portion of total “Donut Hole” medication expenditures may decline further in 2020 doesn’t necessarily translate into a total cost savings for you. It depends on the actual cost of the drugs. If the cost of your drugs increase, you will likely pay more. A smaller portion of a lot can amount to more than a larger portion of a little.

Medicare's Open Enrollment Period (OEP) started October 15 and will end December 7 as it does every year. Please take an active role in managing your healthcare coverage, especially if you have an extensive medication list or other medical needs that require consideration of a health care coverage change. It is during this period you can change prescription drug coverage and health plans for the following year.

Change options:

- Prescription drug coverage
- Anyone with Original Medicare (Parts A & B) can switch to a Medicare Advantage Plan (Part C)
- Anyone with Medicare Part C can switch back to Parts A & B.
- Anyone who has or is signing up for Medicare Parts A or B can join, drop or switch a Part D prescription drug plan.
- Anyone with Medicare Part C can switch to a new Part C plan.

Your coverage will start January 1 of the following year.

Supplement Plan C and Plan F Discontinued in 2020

While Congress designed changes to reduce costs in the Coverage Gap ("Donut Hole"), they also shifted the Medicare Part B deductible to all enrollees by discontinuing the Supplement Plans that currently cover it. Starting in 2020, insurance companies can no longer issue Supplement Plans C and F (the 2 Supplement Plans that pay the Medicare Part B deductible) unless enrollees qualify for coverage before the end of 2019, i.e. they own Medicare Pare A in December but don't apply for Part B and a Supplement Plan until 2020. Supplement Plans fill the gaps of Medicare by paying the expenses not covered (deductibles, co-pays, etc.). Phasing out these plans, especially Plan F, the most popular and comprehensive Medicare Supplement coverage providing the best protection against rising costs, should encourage more beneficiaries of the program to better manage their own health care costs, which could have long-term benefits for everyone.

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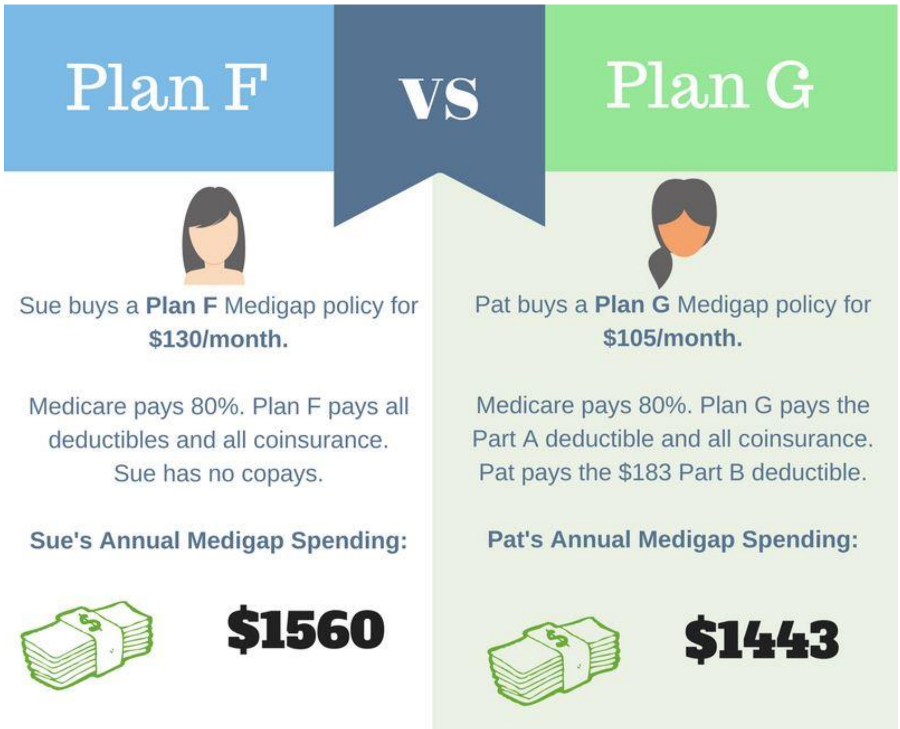
Medicare Supplement Insurance Plans 2019										
Medicare Supplement Benefits	**A**	**B**	**C**	**D**	**F**[1]	**G**	**K**[2]	**L**[3]	**M**	**N**[4]
Part A co-insurance and hospital costs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Part B co-insurance or co-payment	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
First 3 pints of blood	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Part A hospice care co-insurance or co-payment	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Co-insurance for skilled nursing facility			✓	✓	✓	✓	50%	75%	✓	✓
Medicare Part A deductible		✓	✓	✓	✓	✓	50%	75%	50%	✓
Medicare Part B deductible			✓		✓					
Medicare Part B excess charges					✓	✓				
Foreign travel emergency			80%	80%	80%	80%			80%	80%

1. Plan F offers a high-deductible plan. This plan requires you to pay a $2,300 deductible in 2019 before it covers anything.
2. Plan K has an out-of-pocket yearly limit of $5,560 in 2019. After you pay the out-of-pocket yearly limit and yearly Part B deductible, it pays 100% of covered services for the rest of the calendar year.
3. Plan L has an out-of-pocket yearly limit of $2,780 in 2019. After you pay the out-of-pocket yearly limit and yearly Part B deductible, it pays 100% of covered services for the rest of the calendar year.
4. Plan N pays 100% of the Part B coinsurance, except for a copayment of up to $20 for some office visits and up to a $50 copayment for emergency room visits that don't result in an inpatient admission.

https://www.medicareadvantage.com/medicare-supplement/comparison-chart

Those currently enrolled in Supplement Plans C or F won't lose their coverage that some argue has interfered with the earning potential for doctors and escalated costs for the government, especially Plan F. Protected by this coverage, enrollees have avoided cost-sharing arrangements for medical services making it more attractive to schedule doctor visits for even minor issues not really requiring medical attention; Better to be safe than sorry, right? Hypothetically, without a deductible, patients schedule more unnecessary doctor visits, the government spends more and the doctors receive less, at least those willing to endure the "red-tape" processing necessary to receive Medicare's discounted payment. With a deductible, enrollees become more accountable for health care decisions, which should allow doctors to earn more and Congress to reduce Medicare spending.

Plan G offers a reasonable alternative to Plan F. In fact, it actually reduces what an insured pays annually, at least in the short-term (see comparison of plan costs below). As long as Plan G premiums are lower than those of Plan F and the deductible for Medicare Part B does not increase beyond the current difference between the two Plan premiums, enrollee's will realize savings. If medical costs continue to soar, however, Part B's deductible could increase drastically and offset current savings.



https://boomerbenefits.com/medicare-supplemental-insurance/medicare-supplement-plans/medicare-plan-f/

Prepare yourself for both scheduled and expected Medicare changes. Congress realizes it must continue modifying our nation's federal health care program to maximize benefits and contain costs, for everyone. Only time will tell what long-term impact 2020 changes will have, but a positive attitude and proactive planning approach in the present will improve success probabilities for our financial future.