

SAVVY SHOPPER GUIDE

Getting more from Medicare for less.



COVENANT
HealthCare

SHOP AND SAVE

It's true that when shopping for anything, we all want to get the most value for our money, whether it's groceries or health benefits. As your Medicare enrollment window nears, doing a little shopping could help you save money and, better yet, get more for the money you do spend.

Yet it's easy to understand why many people avoid shopping. With all the information out there on Medicare plans, deciding which one to buy is like working a puzzle. And understanding how to compare plans can seem nearly impossible. It's easier to just take a friend's word for it and avoid the hassle.

However, it is so important to make sure you're getting the best benefits possible for your money and your specific healthcare needs. In fact, by doing a little shopping on your own and truly comparing your options, you may find a plan that could save you thousands a year on medical costs, get you access to better healthcare, and even protect your savings and retirement.

That's why we've created this savvy shopping guide. We want you to get really great coverage without feeling overwhelmed by the process. Armed with just this booklet, followed up by some basic research, you will have all the information you need to make a decision about your coverage that will be just right for you.

Before you pick a plan, read our guide to learn how to shop a little in order to save a lot.

YOUR FIVE HEALTHCARE COSTS

To become a super savvy Medicare shopper, it's important to start off with some simple money-saving principles. As any financial planner would tell you, in order to save money, you have to first figure out where your money is going. Generally, healthcare costs fall into one of five categories: medical (doctor visits), hospital stays, and prescription drugs, as well as costs for dental- and vision-related care.



YOUR 3 COMMON MEDICARE OPTIONS

Now let's look more closely at your three common Medicare options and see what they offer, and what they don't, when we compare them to the five major healthcare costs.

1 Original Medicare + Part D Drug Plan

The first Medicare coverage option takes Original Medicare, or Part A and Part B, and adds a Part D plan.

To better understand this option, let's break down the individual parts and take a closer look.

Together, Parts A and B cover around 80 % of your medical costs. While that sounds like a fair amount of coverage, this leaves you completely responsible for that remaining 20%. There's also no limit on what you have to pay out of your own pocket should a serious illness or injury occur.

Original Medicare Part A is hospital coverage. It helps pay for care that requires a stay in the hospital or a skilled nursing facility. Part A is free, if you or your spouse have paid into Social Security for 10 or more years. However, and this is definitely worth noting, you will pay a deductible per hospital stay for each benefit period. A benefit period starts when you are admitted to the hospital and

ends when you have been out of the hospital for 60 days. If you are readmitted to the hospital after 60 days, it's a new benefit period, and you will have to pay that deductible again.

Also, if you are in the hospital longer than 60 days, you will pay a copay for each day. After 150 days, you will have to pay all your hospital-related costs, with no limit to that amount.

Part B of Original Medicare helps pay for medical care including doctors' office visits, lab tests and screenings, some skilled nursing care at home, as well as the doctor services you receive in the hospital. Part B comes with a monthly premium of \$135.50. That premium can vary based on income, and you are still on the hook for that remaining 20% that Original Medicare doesn't cover.

Because Original Medicare offers no prescription drug coverage, you will need to sign up for Part D drug coverage through a private company. This means another premium of, on average, around \$42 in Michigan. Those premiums can change based on income, and you have to pay a deductible. It's important to note that you may have to pay a late enrollment penalty if at any time after you first become eligible for Medicare you have a period of 63 or more days in a row when you don't have Part D or other drug coverage that meets Medicare standards.

Now that you have a good understanding of option one, let's take a closer look at what's included and what isn't if you "buy" this option. This chart shows your monthly and yearly costs. This includes Parts A and B with Part D drug coverage. Some pretty important healthcare coverages are not included in this option. You're not getting any coverage for dental or vision care, and you still have to pay for 20% of your medical expenses out of pocket with no limit to that amount.

PROS & CONS OF OPTION 1

Pros

With just Original Medicare and a Part D plan, you can see any doctor who accepts Medicare.

There are no referrals required with this option.

OPTION 1†

Part A	\$0.00
Part B Premium	\$135.50
Part D Premium	\$51.28
MONTHLY TOTAL	\$186.78
YEARLY TOTAL	\$2,241.36

Cons

You are still at financial risk for the 20% of your medical costs that Original Medicare does not cover.

Because there's no limit to what you have to pay out of your own pocket, this can put you at greater financial risk should you become seriously sick or injured.

You will have to pay an additional premium for your Part D drug plan on top of your Part B premium.

There are no extra benefits to help cover other important healthcare costs.

2

Original Medicare + Part D Drug Plan + Medicare Supplement

To help fill in some of the gaps in coverage and eliminate the risk that comes with having only Original Medicare, some people choose to add a Medicare supplement through a private plan.

When you add a Medicare supplement, it covers the 20% that Original Medicare does not. However, you still have to add a Part D plan since neither Original Medicare nor a supplement offers drug coverage. Because supplements come with premiums of their own, you will be paying three separate premiums to three separate companies. And the premiums vary a lot depending on the supplement plan. As a general rule of thumb, the better the coverage, the higher the premium.

PROS & CONS OF OPTION 2

Pros

You can see any doctor who accepts Medicare.

You will not need referrals.

You are covered for the 20% Original Medicare does not cover.

OPTION 2†

Part A	\$0.00
Part B Premium	\$135.50
Part D Premium	\$51.28
Supplement Premium	\$180.00
MONTHLY TOTAL	\$366.78
YEARLY TOTAL	\$4,401.36

On average, premiums for a supplement run around \$180** a month, but can be higher based on things like your age when you enroll, pre-existing health conditions, or tobacco use. Premiums can also increase about three percent each year, on average***. In addition to your supplement premium, you will pay your Part B monthly premium of \$135.50 and your Part D premium of \$45-\$55 per month. So, you can expect to pay more than \$350 a month with option two.

Cons

Premiums for supplements are expensive.

You pay a separate Part D premium.

Paying multiple premiums to multiple companies can be hard to manage.

No extra benefits - If you'd like to add those in, you will pay additional premiums to additional companies.

You will pay high monthly premiums whether or not you seek medical care.

3

Medicare Advantage Plan (Part C)

Medicare Advantage (MA) plans tend to be a popular option among Medicare beneficiaries who want comprehensive coverage with lower out-of-pocket costs. Many MA plans have a \$0 premium option, where you only pay for the care you use in small copays instead of in up-front monthly premiums.

One of the most appealing things about MA plans is that, with most plans, drug coverage is included, as well as extras like dental and vision coverage.

Another great feature of MA plans is a “safety net” provided through a maximum

PROS & CONS OF OPTION 3

Pros

All of your coverage, including dental, vision, and Part D, is provided through one plan from one company.

MA plans cover the 20% that Original Medicare does not.

Extra financial protection is offered by limiting what you pay out of your own pocket each year for covered expenses.

With \$0 premium plans, you only pay for the care you use.

With most MA plans, you will cover all of the five most costly healthcare needs, including dental and vision.

OPTION 3†

Part A	\$0.00
Part B Premium	\$135.50
Part D	\$0.00
Dental	\$0.00

MONTHLY TOTAL	\$135.50
YEARLY TOTAL	\$1,626.00

out-of-pocket (MOOP) protection guarantee. Costs will never get out of hand should you have a serious illness or injury, because you will never pay more than a set amount for your medical care each year.

The only premium you pay is your Medicare Part B premium of \$135.50.

Cons

You typically must see doctors within a plan's network for routine care, but urgent and emergency care are an exception.

Most MA plans do require referrals to specialists.

KNOW THE TRADE-OFFS

Each of the three common Medicare options comes with at least one big trade-off. But that doesn't mean you can't find an option that's right for you. In fact, that one trade-off can shed light on what's most important to you in a health plan. So if you are still on the fence, ask yourself as you read this section, "Which trade-off seems the least scary to me?" When you answer that question, your decision should become pretty clear.

Here's a closer look at the big trade-off that comes with each option.

Original Medicare + Part D Drug Plan *(Choice – but with Risk)*

If you're a person who values security, this option can get tricky. While you have the freedom to go to any doctor who accepts Medicare, you have to pay for that freedom with a 20% co-insurance, and there is absolutely no cap on what you would have to pay out of pocket should you have a serious illness or injury.

Original Medicare + Part D Drug Plan + Medicare Supplement *(Choice – but with a Higher Price Tag)*

If budget is most important to you, this option tends to come with a higher price tag. Like Original Medicare, supplements give you the option to see any doctor who accepts

Medicare. They also eliminate financial risk by covering that remaining 20% that Original Medicare doesn't cover. The cost of that choice comes in high monthly premiums that you pay whether or not you seek medical care.

Medicare Advantage Plan (Part C) *(More Benefits at a Lower Cost with More Protection – but Fewer Doctor Choices)*

With Medicare Advantage, your doctor choice is more limited. However, financial risk is eliminated by covering that 20%, and more security is offered through maximum out-of-pocket protection. Also, because many plans offer \$0 premiums, you only pay for care when you use it through small copays.

WHEN TO SIGN UP

When you first become eligible for Medicare, you have a seven-month window to enroll, starting three months before the month your 65th birthday falls in, and ending three months after. This is called your Initial Enrollment Period (IEP). If you do not enroll in Medicare during your IEP, you may be subject to a late enrollment penalty, unless you have health insurance coverage through your employer or your spouse's employer.

If you have a Medicare Advantage Plan: In September, you'll receive your Annual Notice of Change (ANOC). It's easy to overlook this, but it's important to read it and see if your benefits are changing in the next year. Compare your current plan's premium, MOOP, and copays to other plans in your area. For an easy way to do that, we recommend heading to Plan Finder at www.medicare.gov. While on Plan Finder, take a look at a plan's Star ratings. The higher the Star rating, the higher the quality of the plan.

GO FORTH...AND SHOP!

Medicare is confusing, that's for sure. But don't let it overwhelm you. Everyone is in the same boat. The good news is you've read this guide, and you now have a good understanding of the five biggest healthcare expenses and your options to cover them. All that's left is to find a plan that offers the coverage option you've chosen.

If you've read our guide and still have questions, please call us at 1.866.COVENANT (1.866.268.3626). We'll answer your questions and help you make a decision we know you'll be happy with.





†The numbers used in these graphs are based on average amounts found on Medicare.gov.

**Source: Kaiser Family Foundation's, "Medigap: Spotlight on Enrollment, Premiums, & Recent Trends," Published February 2013

***Source: U.S. Department of Health & Human Services, "Variation and Trends in Medigap Premiums," Published December 2011