

# THE NEW FINANCIAL LONGEVITY BUNDLE®



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## Health Care Unscrambled Part I: Social Security and Medicare Simplified

Daily news reports, government announcements and many advisory memos are often filled with head-spinning gobbledeygook. Here, in an attempt to clear the fog, are a helpful number of translations of health care terms into ordinary language.

### Social Security

Programs first created by Congress in 1935 and now composed of Old-Age, Survivors and Disability Insurance (OASDI), Medicare, Medicaid, and various grants-in-aid, which provide economic security to nearly all employed people.

### Medicare

A national health care insurance program which originated in 1966, primarily for Americans age 65 and older who worked and paid payroll tax matched by their employer. Some people under age 65 can qualify because of disabilities or health conditions including End-Stage Renal Disease (also known as ESRD - permanent kidney failure requiring dialysis or transplant).

### Medicare Has Four Parts:

**Part A** - Hospital, skilled nursing, home health care and hospice services. Managed by the federal government. Most people do not pay a premium for Part A.

**Part B** - Outpatient services such as doctor's visits, preventative care, surgeries, lab work, X-rays, medical supplies such as wheelchairs and walkers, LIMITED prescription drugs and many other services considered medically necessary. You pay a premium for Part B.

You pay deductibles for Medicare Part A and B before Medicare will start to cover your healthcare services. You also will be responsible for paying coinsurance – usually 20 percent – of the charges for many services of Original Medicare.

**Part C** – Also known as a “Supplemental Plan”, Medigap, or Medicare Advantage. These are insurance plans that you can purchase to help cover coinsurance, deductibles and copays.

You can purchase Part C in two ways:

1. Piece this together to coordinate uncovered charges in Medicare Part A and B by purchasing an individual insurance supplemental plan for Part C as well as an individual insurance plan to cover Part D for drug coverage.

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2. You can also purchase a Medicare Advantage Plan which includes all Parts A, B, C and D in one packaged Medicare insurance plan.
  - Supplemental Plans and/or Medicare Advantage Plans (Part C) are available through private insurance companies that have contracts with the Federal Government.
  - The Part C monthly premium varies by plan along with the copays and by healthcare companies

## **Part D – Prescription Drug Insurance Coverage**

An insurance plan to help Medicare beneficiaries pay for their prescription drugs/medications. Whether you have a stand-alone Medicare Prescription Drug Plan or you get your Part D coverage as part of Medicare Advantage Plan, it works the same way.

- Your plan has a list of covered drugs, called a formulary.
- The covered drugs are divided into Tiers. You pay the same copay or coinsurance for all the drugs in each Tier. For example, you might pay a \$3 copay for a Tier 1 drug, but you might pay 25% coinsurance for a Tier 4 drug.
- Prescription Drug Plan costs can vary based on individual insurance companies.
- Specific Drug Tiers drugs can vary based on individual plans.
- The drug cost itself along with the copays and/or coinsurance percentages can also vary with each plan.
- It is imperative that you review your medication list when picking a prescription drug plan. Variations amongst companies and plans can be costly.

## **Medicaid**

A joint federal and state program originated in 1965 that helps with medical costs for some people with limited income and resources. Medicaid can provide free or lower cost health insurance plans for low income and disabled US citizens and legal permanent residents. Medicaid programs vary from state to state, but most health care costs are covered if you qualify for both Medicare and Medicaid. The Affordable Care Act, also known as Obamacare, expanded Medicaid to include applicants with incomes 133 percent over the poverty line.

## **Assignment**

An agreement by your doctor, provider, or supplier to be paid directly by Medicare, to accept the payment amount Medicare approves for the service, and not to bill you for any more than the Medicare deductible and coinsurance.

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## **Benefit Period**

The way that Original Medicare measured your use of hospital and skilled nursing facility (SNF) services. A benefit period begins the day you're admitted as an inpatient in a hospital or SNF. The benefit period ends when you haven't received any inpatient hospital care (or skilled nursing care in a SNF) for 60 days in a row. If you go into a hospital or a SNF after one benefit period has ended, a new benefit period begins. You must pay the inpatient hospital deductible for each benefit period. There's no limit to the number of benefit periods.

## **CMS**

Medicare is managed by the Centers for Medicare & Medicaid Services (CMS). Social Security works with CMS by enrolling people in Medicare. The Centers for Medicare and Medicaid Services (CMS) is part of U.S. Department of Health and Human Services. CMS oversees many federal healthcare programs, including those that involve health information technology such as the meaningful use incentive program for electronic health records (EHR).

## **COBRA**

Consolidated Omnibus Budget Reconciliation Act of 1985, extending group health coverage to terminated employees and their families for up to 18 or 36 months.

## **Catastrophic Health Insurance- High Deductible Health Plans (HDHPs)**

An insurance policy with a lower premium based on a high deductible and possibly narrower coverage if available.

## **Coinsurance (Percentage Participation)**

An amount you may be required to pay as your share of the cost for services after you pay any deductibles. Coinsurance is usually a percentage (for example, the company may agree to pay 80% of the insured expenses, with the insured to pay the other 20%).

## **Co-Payment**

An amount you may be required to pay as your share of the cost for a medical service or supply such as a doctor's visit, hospital outpatient visit, or a prescription drug. A copayment is usually a set amount, rather than a percentage.

Example: you might pay \$10 or \$20 for a doctor's visit.

## **Conditional Payment**

A conditional payment is a payment Medicare makes for services another payer may be responsible for. Medicare makes this conditional payment so you won't have to use your own money to pay the bill. The payment is "conditional" because it must be repaid to Medicare if you get a settlement, judgement, award, or other payment later. You are responsible for making sure Medicare gets repaid from the settlement, judgement, award, or other payment.



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## **Continuing Care**

Type of health or medical care designed to provide a benefit for elderly individuals who live in a retirement community. It addresses full-time needs, both social and medical. Also known as residential care.

## **Coordination of Benefits (COB) Provision**

Designed to prevent duplication of group insurance benefits. It limits benefits from multiple group health insurance policies in a particular case to 100% of the expenses covered and designates the order in which the multiple carriers are to pay the benefits.

## **Cost of Living (COL) Rider**

A rider available with some policies that provides for an automatic increase in benefits (typically ties to the Consumer Price Index), offsetting the effects of inflation.

## **Custodial Care**

Non-skilled personal care such as an aid to help with activities of daily living (ex. bathing, dressing, eating, getting in or out of bed or chair, moving around and using the bathroom). It may also include the kind of health-related care that most people do themselves such as using eye drops or taking pills. In most cases, Medicare doesn't pay for custodial care.

## **Deductibles**

An amount that must be paid before a Medicare insurance payment is initiated.

## **Dual Eligible**

Individuals who are eligible for both Medicare & Medicaid.

## **Extra Help**

A Medicare program to help people with limited income and resources to pay Medicare prescription drug program costs such as premiums, deductibles, and coinsurance.

## **Formulary**

Medicare-approved lists of prescription drugs by a prescription drug plan or another insurance plan offering prescription drug benefits.

## **Guaranteed Issue Rights**

Rights you have in certain situations when insurance companies are required by law to sell or offer you a Medigap policy. In these situations, an insurance company can't deny you a Medigap policy, or place conditions on a Medigap policy, such as exclusions for pre-existing conditions, and can't charge you more for a Medigap policy because of a past or present health problem.

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## **In-Network**

All healthcare providers and facilities that have contracted to be covered by an insurance policy. (Some policies are not restricted).

## **In-Patient Hospitalization**

Necessary admission status of patient to qualify for Medicare Part A insurance coverage. Co-pays are based on the Medicare Plan you've selected.

## **Initial Enrollment Period**

When you're first eligible for Medicare, you have a 7 month Initial Enrollment Period to sign up for Part A and/or Part B. Example: If you are eligible for Medicare when you turn 65, you can sign up during the 7-month period that:

- Begins 3 months before the month you turn 65
- Included the month you turn 65
- Ends 3 months after the month you turn 65

## **Long-Term Care**

Services that include medical and non-medical care provided to people who are unable to perform basic activities of daily living such as dressing or bathing. Long-term support and services can be provided at home, in the community, in assisted living, or in nursing homes. Individuals may need long-term care support and services at any age. Medicare and most health insurance plans don't pay for long-term care.

## **Medical Underwriting**

The process that an insurance company uses to decide, based on your medical history, whether or not to accept your application for insurance, whether or not to add a waiting period for pre-existing conditions (if your state law allows it), and how much to charge you for that insurance.

## **Medicare-Approved Amount**

In Original Medicare, this is the amount a doctor or supplier who accepts assignment can be paid. It may be less than the actual amount a doctor or supplier charges. Medicare pays part of this amount and you're responsible for the difference.

## **Medicare Payroll Tax**

A 2.9 percent tax on an employee's salary throughout the employee's working lifetime. The tax expense is split between the employee and employer. The self-employed pay the entire 2.9 percent. Earned income exceeding \$200,000 is taxed at 3.8 percent.

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## **Out-of-Pocket Costs**

Can include deductibles, co-payment and/or coinsurance, along with payments for Medicare Part D prescriptions.

## **Open Enrollment Period (Medicare)**

Medicare Open Enrollment Period is the time during which people with Medicare can make new choices and pick plans that work best for them. Each year, Medicare plans typically change what they cost and cover. In addition, your health-care needs may have changed over the past year. The open enrollment period is your opportunity to make changes to your Medicare health and prescription drug plans to better suit your healthcare needs. Medicare Open Enrollment Period begins on October 15th and runs through December 7<sup>th</sup>. Any changes made during open enrollment become effective as of January 1<sup>st</sup>.

## **Outpatient Services**

Medical services outside hospital admission that qualify for Medicare Part B insurance coverage.

## **Premiums**

An annual amount charged for Medicare Parts B and D; also, C if utilized, and healthcare insurance for people under the age of 65.

## **Primary Care Doctor**

The doctor you see first for most health problems. Your primary care doctor makes sure you get the care you need to keep you healthy. He or she also may talk with other doctors and health care providers about your care and refer you to them. In many Medicare Advantage Plans, you must see your primary care doctor before you see any other health care provider.

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

A state program that gets money from the Federal Government to give free local health insurance counseling to people with Medicare.

## **Skilled Nursing Facility (SNF) Care**

Skilled nursing care and rehabilitation services provided on a continuous, daily basis, in a skilled nursing facility. Examples of SNF care include physical therapy or intravenous injections that can only be given by a registered nurse or doctor.

## **Tiers**

Insurance payment coverage payment levels within a formulary. How much you pay depends on what tier your medication is grouped in. This varies based on individual insurance companies and the specific drug /medication. It is imperative to check if your medication list against your plan's formulary and review how they are tiered. Variations amongst companies can be costly. Copayment /Coinsurance costs can change at any time.

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