

# health insurance choices before and after age 65



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Over the course of your life, you've spent hundreds of thousands of dollars on health insurance. That sounds disheartening, but it's not. You need insurance; it has protected you and provided relief when you needed it. In your 60s, your insurance needs will continue to evolve. As you progress through your 60s, your primary method of funding your healthcare needs will shift, and vigilantly protecting the assets you've accumulated becomes more important.

When it comes to healthcare choices in your 60s, there is health insurance before age 65 and Medicare after age 65. Each of these comes with its own set of decisions, complications and considerations.

# Health insurance

Prior to age 65, your healthcare options are fairly expansive, but the best healthcare plan to choose is one with a health savings account (HSA). HSAs are a part of *consumer-driven healthcare*, which means you are not only protected by your plan, but are rewarded for low-risk behavior. An HSA is usually packaged with a high-deductible healthcare plan. How an HSA differs from a traditional healthcare plan is that it divides your money between two pots. One pot pays for your coverage and the other goes into your health savings account. This money can then be used for any medical expenses that come up. The HSA is always yours, no matter if you switch plans or providers. The money is even good after you turn 65. It can be used for the costs associated with Medicare and even non-medical expenses, though it would be subject to income tax. Another major difference is that with a traditional health plan, you may have co-pays for doctor office visits and prescriptions, none of which typically go towards your overall deductible. But with an HSA paired with a high-deductible health insurance plan, you pay for all medical expenses until you reach your deductible. While this may cause cash flow crunches in the beginning, once your HSA is built up, you can use it to fund all medical expenses.

Additionally, an HSA offers a “triple tax advantage.” Deposits made into your HSA are done on a pre-tax basis, any growth in the account is tax deferred and any withdrawals for medical expenses are tax free. As healthcare consumers, you’ve been trained to be reactive. You pay your premiums, which are non-refundable, and then when something happens to your health, you pay more. This is backwards, and an HSA helps turn you around again. Being proactive can correct many aspects of your financial life, and an HSA is the definition of proactive.

# Medicare

Since the 1960s, when an American turns 65, their primary health insurance plan is Medicare. The most common misconception about Medicare is that it's free. It's not. But this is only just the beginning of the confusion. Another aspect, often misunderstood, is the sign-up process. Medicare isn't automatic — you must sign up. There is typically a seven-month window to sign up which starts three months before you turn 65 and ends four months after your birthday. If you don't sign up during this window, you'll face a penalty. But signing up is just the beginning. There are four parts of Medicare, and which part(s) you sign up for is what determines your expenses. The parts of Medicare are where most of the confusion lies; a look at the different parts and functions of Medicare will clear any confusion.



# Medicare Part A

When you enroll in Medicare, the only part you are enrolled in is Part A. All other parts are optional. The majority of people will not pay for Part A. Well, actually, more accurately you've already paid for it. It's been a line item on your paycheck your entire working life. Though, if you didn't work for at least 40 calendar quarters where you paid Social Security taxes, you may have to pay a Part A premium, which can cost in excess of \$400 a month.

Medicare Part A mostly covers hospital stays and skilled nursing care stays. The first 60 days of a hospital stay are covered as well as the first 20 days of skilled nursing care. Beyond that, you will share cost responsibility with Medicare.

For complete Part A coverage information go to *medicare.gov*.



# Medicare Part B

Part B is optional. However, if you don't sign up for this coverage, you'll be penalized. See now why Medicare always confuses everyone? Part B is what most would consider "regular" health insurance. It covers doctor visits and most other outpatient services. While a monthly premium is required, the amount you pay each month is based on your Adjusted Gross Income (AGI). Depending on your income level, you will pay between \$100-\$350 a month for this coverage. Part B also has a very low deductible, around \$200. But once the deductible is met, you'll be required to pay around 20 percent of all medical expenses. If you aren't able to afford these costs, there is supplemental coverage to help. It's colloquially called Medigap.



# Medicare Part C

Part C is often called Medicare Advantage. It is coverage offered by private health insurance companies to enhance the coverage typically provided by Medicare. This could include lower co-pays and lower out-of-pocket costs, plus a prescription plan and/or hearing and vision coverage. Medicare Advantage is offered as an alternative to Medigap coverage, meaning you can have one or the other, but not both at the same time. This plan is a more simplistic way to get complete coverage since the alternative is to apply for Parts A, B, D and a Medigap policy.



# Medicare Part D

Simply put, Part D is prescription drug coverage. While it would be easy to ignore this part if you don't take prescriptions, it's prudent to be future thinking. Your healthcare needs are always changing, and it's possible that at some time in the future you'll need prescription coverage.

# Medigap

As previously stated, there are often holes in coverage that necessitate the purchase of a Medigap policy. Having Parts A, B and D still leaves you at risk for major medical expenses, and a Medigap policy helps you mitigate these costs. Deciding between a Medigap policy and Medicare Advantage is a tough decision, one that requires a deeper look into your own needs. Comparison information is available at *medicare.gov*.



# Medicaid

Medicaid is not just for the elderly; Medicaid covers any American who is impoverished. This is the service that will step in if you are unable to pay for long-term care. Unfortunately, Medicaid fraud is a major issue. In order to prevent fraud, the five-year look-back policy was enacted, meaning your financials from the last five years will be required to qualify.



Healthcare coverage has always been important, but as you age, the stakes become higher and your choices become more complicated. Understanding the coverage you are eligible for is one step, and understanding your own needs is the second step. Take the time necessary to do your research and make an informed choice. Healthcare coverage intertwines two distinct, yet equally important, aspects of your life: your health and your finances.



R-26717 07/16/18 GUIDE — HEALTH INSURANCE BEFORE-AFTER 65

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