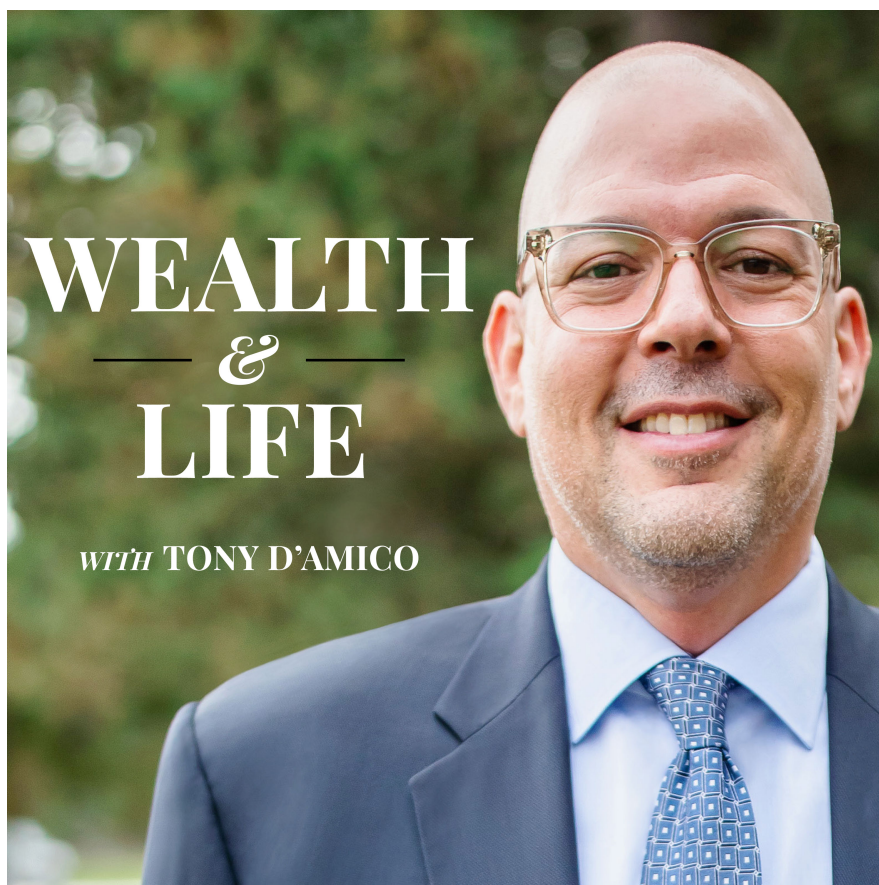


Ep #12: Everything You Need to Know About Medicare
with Kevin Lowden



Full Episode Transcript

With Your Host

Tony D'Amico

Wealth and Life with Tony D'Amico

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Welcome to *Wealth and Life*, where you'll learn with financial planner, consultant, speaker, and business owner, Tony D'Amico. You'll hear stories from successful business owners and individuals about how they navigated the inevitable challenges that arose as they achieved each new level of success, and you'll get insights and strategies from leading wealth planning professionals on how to achieve your next level of success. Now here's your host, Tony D'Amico.

Tony D'Amico: Welcome to the Wealth and Life podcast today. Today, we have Kevin Lowden, who is a senior account executive for Retirement IQ, and a friend that specializes in Medicare planning. So, we're going to be talking about something that I think is very important, which is Medicare. At a certain point in our lives we'll need Medicare. Very important decision. In addition to that, there is a lot of tax planning that also is associated with Medicare. So really, I would contend that this podcast is about Medicare planning and also about Medicare tax planning. We'll talk about the different elements of someone's comprehensive financial plan and the tax considerations as well as you kind of head into Medicare as your primary insurance source.

As I mentioned, today we have Kevin. Kevin has been in the Medicare insurance industry for over the past eight years. I started working with Kevin in 2014, so time flies.

Kevin Lowden: Has it been that long?

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Tony D'Amico: It has, yeah. Kevin has done a fantastic job for our clients in providing them education around Medicare, and they're an independent broker that has access to hundreds of different carriers and they're independent so they help our clients with the education piece and then really learning about them, their healthcare needs, their prescription needs, whether they're going to be traveling a lot in retirement, and other factors that will help them come up with the right Medicare Supplement or Advantage plan to go along with their other parts of Medicare that they have.

Kevin not only works with our clients, but he also works with a lot of other employer groups, hospital groups. Kevin works with major hospitals in the Cleveland area, Akron area, Cincinnati, Dayton and even some groups in the Columbus area. So, Retirement IQ is an advisory service based out of Dayton, Ohio. Again, they work with clients that are transitioning from their group plan to Medicare. They've provided guidance to over 500,000 individuals over the past 15 years.

Kevin Lowden: No, you gave us an extra zero. It's 50.

Tony D'Amico: Oh, I'm sorry. 50,000. My bad, yeah. No, thanks Kevin. Well Kevin, thank you for correcting me there. Welcome to the podcast.

Kevin Lowden: I'm glad to be here. If anybody can turn 50 into 500,000, it's the guys at Fidato.

Tony D'Amico: Another good joke. Another good joke. That's great. Well Kevin, how about give our listeners and viewers maybe a little background on Medicare and kind of what it is.

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Kevin Lowden: Medicare, Tony as you've mentioned, is kind of everybody's healthcare as they move from their group plan into retirement. Some people are obviously on individual plans out there. For people turning 65, Medicare is kind of where they're headed. It is a federal system that's been around since 1965. Lyndon Johnson signed original Medicare into being back then, and actually Harry Truman was the first Medicare recipient. Again, the system's been around since 1965. It has evolved over the years from just basically medical and hospitalization insurance to include prescription drug coverage.

Then there are a number of different ways that people can kind of mitigate their healthcare costs, because Medicare is not and was never really intended to be 100% coverage for people in retirement. So, it's kind of an 80/20 type of thing. As part of the plan for retirement, people need to kind of look at the Medicare plans that are available to them out there and determine which sort of plan is the best one that's going to fit their needs.

Tony D'Amico: Great. I think what you were referring is a little bit about kind of how there's these different parts of Medicare. It's kind of an alphabet soup if you will. Do you want to talk a little bit about what is Part A and Part B, and then kind of the ways to supplement those plans?

Kevin Lowden: Sure. Sure. Original Medicare, the Lyndon Johnson version, was is Medicare Part A and Part B? Medicare Part A is hospitalization. Think of A for admitted. So, when you're admitted to the hospital that's when your Part A kicks in. Most people get Medicare Part A at no cost, so there's no premium for it. The reason for that is that we've

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all paid Medicare taxes for our whole working life, so anybody that's worked for at least 10 quarters and had Medicare taxes come out of their check, they get Medicare Part A at no cost. If you just have Part A and Part B only, so you're just kind of original Medicare only, there is a deductible that you need for Part A when you go into the hospital, and that varies from year to year. Again, there's no premium for that.

Part B is kind of everything else. So, doctor's visits, emergency room visits, durable medical equipment, anything that's not done in an inpatient setting is going to be covered under Medicare Part B. Medicare Part B does have a monthly premium now. For most people, it's \$148.00 and change per month. But this kind of goes back to your earlier comment around tax planning. Depending on what your income is, your Part B premium may be higher. That Part B premium is determined by a two year lookback on your income taxes. For this year for example, they would look at your 2019 taxes. If you were an individual filer and filed maybe \$88,000.00 or under, you'll have that \$148.00 and change Part B premium.

If you made more than that, that's a good thing because you're doing well financially, but you will pay a higher per fee premium. There are kind of four graduated steps for that. For couples filing jointly, kind of the same formula. It's \$176,000.00 versus \$88,000.00. Again, if you're under 176, you pay that standard Part B premium. If you're over then you'll have that income adjustment for Part B. Those are kind of the two building blocks. Then the third piece is Part D, which is Medicare prescription drug coverage. That's kind of a whole different thing. There are individual standalone programs out there as well.

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Tony D'Amico: Great. So just to maybe kind of help our listeners, when you say Part A you have to work, I think you said it was 10 quarters?

Kevin Lowden: 40 quarters, 10 years.

Tony D'Amico: 40 quarters, okay. So, 10 years. That's what I was hoping to clarify. Basically, it's an equivalent to working for 10 years. As long as you contributed for 10 years into paying taxes, Part A is provided to you at no cost.

Kevin Lowden: That's absolutely correct, yeah.

Tony D'Amico: Yeah. I think another important point is, you mentioned if somebody's married and they file jointly, and if their income is \$176,000.00 or less they pay the \$148.50 for their Part B. There's no additional premium for Part D. I think the interesting thing there to point out to our listeners is that if your income is \$1.00 over, right-

Kevin Lowden: That's correct.

Tony D'Amico: There's no pro ration or phase out. It's you can have \$1.00 more income and-

Kevin Lowden: \$176.001 puts you right into the next bracket, and that is correct.

Tony D'Amico: Yeah. In looking here at the numbers, Part B jumps up to \$207.90, so about a \$60.00 increase.

Kevin Lowden: Correct.

Tony D'Amico: Then Part B is going up another \$12.00, so you're about a \$75.00 increase per month.

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Kevin Lowden: And that's per person. Keep that in mind, too. Medicare differs from group insurance that people are used to throughout their working life in that it is very much an individual game. Everybody pays their own Part B premium. They'll pay their own Part D premiums. If they have supplements, those are going to be individual. So, it's not just kind of a one size or one price fits all type of thing.

Tony D'Amico: Yep, yep absolutely. Great. Part B and Part B are the... We'll dig into more maybe about some kind of tax planning strategies and how your income affects other pieces, kind of wisdom that occur in ways to mitigate that. Let's maybe perhaps save that for the end. Part A and Part B, as you mentioned, kind of cover about 80% of healthcare needs. It is income-related for what your Part B and Part D premiums are. Still, relatively, wouldn't you say that Medicare is a lot more cost effective than your health insurance, just having a regular health insurance policy before you're on Medicare?

Kevin Lowden: No, and that's a great question. That comes up a lot in the educational sessions that we do, when I do presentations from quarter groups and other groups. One of the big questions comes up, because so many people are working past age 65, is "When I'm 65, am I better off on Medicare or should I stay on my group plan?" The answer is maybe. I don't know. Unfortunately, you hate to say this, but in a lot of cases it comes down to being a math problem. With group plans you're going to have deductibles. You're going to have your premium that you're paying for your group plan, and then whatever copays and so forth come along with that.

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Medicare, again depending on the type of plan that you're on and how that works, you may have a situation where you have zero premiums except for your Part B. In a Medicare Advantage plan for example, most Medicare plans are going to be very low, if not zero deductibles at least for healthcare services maybe not for prescription drugs. That's one of the things that we help our clients with is, to sit down and say, "Okay, let's look at your group plan versus what you'd be looking at from a Medicare standpoint, and just kind of run the numbers and see which option makes the most sense."

What we find in a lot of cases is, especially with higher income folks because they're paying that higher Part B premium, it may make sense to stay on the group plan because of the Part B premium. In other cases where you have people where two spouses are covered for example on the group plan, it may make sense for one spouse to leave the group plan and go on Medicare, and the working spouse to stay on the group plan because it's a better deal for them. There are just a number of different variables for that. Again, I'm going to say this throughout this, but everybody's situation is different. Everybody's mileage varies a little bit. So, it's very important to get the advice and counseling around what's going to be the best fit for your particular situation.

Tony D'Amico: Yeah. Yeah, and you guys have done a fantastic job with that piece, where we have clients that are working past 65. Some clients work past 65, and then there's that question, what should they do? Should they continue on with their group healthcare plan at work? Should they switch Medicare? Even sometimes, Kevin in cases that we've worked on together with your firm and our firm,

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sometimes it has made sense for them to start Part A because there's no cost to it, and-

Kevin Lowden: That's absolutely true.

Tony D'Amico: There's no... Especially when it doesn't cause any negative consequences to anything with their benefits at work. If that's the case and there're no negatives to it, and they can just start Part A and not pay anything for it, maybe talk about how that sometimes could be a benefit to someone.

Kevin Lowden: Yeah, you're correct Tony. That can absolutely be a benefit. If you are in a group health plan for example, that is kind of your standard HMO-type employer plan, not a high deductible plan with a health savings account, and you're turning 65, it very well may make sense to go ahead and sign up for Medicare Part A. You can defer your Part B so that you're not paying those Part B premiums, and continue to stay on your group plan. But what happens is Part A then becomes kind of the secondary hospitalization. So, it's a backup to your employer plan that will be primary insurance, but Part A would be secondary hospitalization.

A great example, I have a good friend I went to high school with. She was a school teacher at a parochial school here in Dayton. She did exactly that about a year ago, and I think signed up for Part A starting in January. Beginning in February, she had some extremely serious health problems and spent weeks in the hospital. That Part A coverage saved them thousands of dollars in deductibles and copays, and so forth that her group insurance would not have covered but Part A did for her. Again, she got that at absolutely no cost because she had

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premium-free Part A. It can be excellent backup insurance.

Tony D'Amico: Yeah. Yeah. Yeah, that's awesome to hear those stories because these are sometimes decisions that have a big impact in one way or another. You're right, like you said, it is a math problem. You have to look at what type of policy that the group healthcare plan is, and look at that person's healthcare needs and really make a careful decision. You kind of mentioned I guess being in a healthcare plan through an employer that's HSA compatible, or that's compatible with a health savings account. What are some of those ramifications there, or considerations?

Kevin Lowden: That also kind of gets into this thought and some planning around that. HSAs are wonderful things in that you are putting pre-tax dollars into a health savings account. Those dollars can be used. That's your money. You can use it after retirement to pay any copays or Part B Medicare premiums, or any of those kind of out-of-pocket things that you can use the health savings account dollars for. The only thing you can't use HSA dollars for is to pay Medicare Supplement premiums. But again, that money is yours. A lot of people will invest that money. It will grow over time as they're working.

Once you go on Medicare you have to stop your HSA contributions. You can get into a couple of different things. Let's say for example somebody is working past 65 and they want to continue to contribute to those health savings accounts. It's a little bit of a balancing act in terms of your healthcare usage. Do you want to still under that high deductible plan pay those high deductibles? Or does it make sense to go to Medicare versus funding that? If it

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makes sense to continue funding the HSA, you absolutely don't want to go on Medicare, either Part A or Part B, because as I said, once you enroll in Part A those HSA contributions have to stop.

The other thing that then gets to be a little bit confusing is let's say for example somebody's going to work until age 68, and they keep that health savings account going, and they're making those contributions. They haven't enrolled in Medicare, but now they see their retirement coming up. It's time to enroll in Medicare. So, what do you do with the HSA? You'll want to stop those HSA contributions six months prior to your retirement because what will happen is, when you enroll in Medicare, Medicare will backdate your Part A effective date by six months, which puts you at the point where you would have to have stopped those HSA contributions.

So, you don't want to get into any tax issues from that standpoint. Again, that's something that we help our clients with. It's a little bit of a gray area sometimes. You've kind of got to time it a little bit. It's just kind of important to know that in the background that six months before retirement, stop those health savings account contributions.

Tony D'Amico: Yeah, I'm glad that you brought up that point. That's really important. With HSAs, they're powerful vehicles. I think it's one of the most under-utilized provisions of the tax code. It's really the only thing that has that triple tax benefit where it's tax deductible, when you make the contribution it can grow tax-free and you can take the money out tax-free as long as you use it for the qualified healthcare cost. I guess another just important consideration. There's all

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these considerations on what is the right thing to do for that particular person or couple, and each situation is a little bit different.

There's healthcare needs, prescription needs that's really important to size up the right plan, their travel, how much are they going to be traveling, and then there's the tax pieces like do they have an HSA, if they're working past 65 as well, should they continue on their group healthcare plan, should they add Part A alone, should they consider A and B with a Supplement or an Advantage. So, a lot of different considerations there.

Kevin Lowden: Yeah, there is a lot to go into it. As I mentioned before, it's an individual type of thing. We really put a lot of thought into the initial decision as far as Medicare plans go. But then you can't just kind of think of it as a one and done. It's not like you get your Medicare plan and check that off the list. It's something that you really have to review every single year just to make sure that there have been no changes in your circumstances and no changes in the plan.

Tony D'Amico: Yeah. Yeah, and think maybe one other thing for our listeners is that if they do work for an employer that has less than 20 employees, the decision's kind of made for you. You have to sign up for-

Kevin Lowden: That is correct, yep.

Tony D'Amico: At 65, right? You have to sign up for A and B at that point in time.

Kevin Lowden: Yes, for employer groups under 20, you're exactly right. That's kind of the cutoff as far as Medicare's concern.

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Medicare is going to be primary for you. You do want to make sure that you sign up on time in that situation because if you sign up late there are penalties that you'll pay, and you don't want to get in that situation. For those people working for groups or for employers that have more than 20, I use this example all the time, everybody's got that brother-in-law or neighbor in the backyard, or whatever. You're getting old. You need to sign up for Medicare. If you don't sign up for Medicare at 65, they're going to come and get you, or you're going to pay penalties or whatever.

Please understand, if you're going to continue to work and you want to stay on that employer plan, you can defer Medicare. But as Tony said, and as we tell people, it's worth going through the exercise just to see what your best option's going to be.

Tony D'Amico: Right. I think too... You want to talk a little bit about how once you do need to sign up for Part B, do you want to talk a little bit about what the implications are if you don't sign up for it on time? Because I think that's important.

Kevin Lowden: Right, I'll be happy to. Let's talk about the initial enrollment period into Medicare. That enrollment period is three months before 65th birthday, your 65th birth month and three months after. So there's a seven month window that you have for that initial enrollment into Medicare. Trust me, you're not going to miss it. You are going to get so much mail, so much marketing material. Every insurance company in the world is going to have stuff in your mailbox, and you're going to realize that you're coming up on 65 if your kids haven't started making fun of you yet by that point.

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You're going to be well aware that that initial enrollment period is coming up. Let's say you are going to enroll at 65. Essentially what you'll do is you'll go to SocialSecurity.gov and you'll set up a My Social Security account. That's the vehicle that you use to sign up for a Part A and Part B. It's a very simple process. If you are going to begin taking Medicare at age 65, you really want to kind of start that process two or three months ahead of time just so that you've got everything in place in terms of your Medicare enrollment so that we can help you with your Medicare plan selection.

Tony, you tell me where you want to go in terms of what the options are at this point, or kind of guide me as far as how this is going to make sense for folks.

Tony D'Amico: Yeah, I'm open to what you think there. Perhaps maybe... Yeah, I think brought up a good point that there is some confusion there. You can sign up for Medicare Part A only if it makes sense to, let's say if you're working past 65, you have a great group healthcare plan and you can add Part A and there's no negative implications to any of your benefits. Then when you add it, one common mistake is that you don't have to start Social Security at the same time. You can just sign up for Part A. But there is a point in time where you do have to sign you for Part B. That's basically if your employer has less than 20 employees and you're 65. Even if you're working past 65, you have to sign up for Part B. Or within that seven month window once you retire.

If you are otherwise eligible on a group healthcare plan, correct? Then-

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Kevin Lowden: Right, so yeah if you're working... Again, two scenarios. If you're working past 65 you can sign up for A and defer B. Once you decide to retire, enroll in Part B at that point. Your employer has a form that they will fill out that you submit to Social Security that basically says, "Tony is 67 years old, but he's been covered under our group insurance plan for the past two years." You'll be good to go. At that point, you'll enroll in Part B with absolutely no penalties or anything like that. It's just the same as if you would enroll at 65.

Part B is what kind of triggers the whole decision around what Medicare plan you're going to enroll in. There are people out there that have Medicare Part A and Part D, along with a prescription drug plan. We don't recommend that. It can be a huge financial disaster because, as we mentioned, it's kind of an 80/20 thing. Part B picks up 80% of your costs. Let's say you have to go in and have a \$10,000.00 outpatient surgery. You're responsible for \$2,000.00 of that. That happens a couple of times in a year or whatever, and all of a sudden you're looking at some fairly serious cashout outlays for healthcare costs.

Tony D'Amico: Yeah, I think one thing that I'd like to maybe you share with our listeners before we talk about Supplement and Advantage plans, because I think that's kind of the important part here. You have A and B, but it's only about 80% of the coverage. What's the other piece to supplement that? I guess real quick before we talk about that, can you talk a little bit about once you're required to start Part B, we talked about those two different scenarios in which you are required to start Part B, what happens if someone doesn't start Part B on time?

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Kevin Lowden: If you don't start Part B on time, for every month that you're late there is an accumulating penalty for that delay. Once you do start Part B, whatever that percentage is, is going to be added to your Part B premium every month for the rest of your life. So, it's not kind of a one shot deal where they fine \$500.00. It's an ongoing penalty for late enrollment in Part D. Also in Part D, drug plans. Same story. You want to make sure you enroll in those on time.

Tony D'Amico: Yeah, I'm glad that you shared that, because I think this just talks about the importance of all these different moving pieces, and the importance of just planning ahead of time. You're better off having a conversation about Medicare planning, I think when someone is 63, to have that conversation. I don't think it's too early to start the education process with you guys, and with your financial planner as well, and to have those conversations so that those things don't happen because I've seen that happen before where people somehow did not sign up on time. It's a permanent penalty the rest of their life. So yeah, I'm glad that you mentioned that.

I kind of sensed that you were moving towards what I think is really valuable is, again we have Part A and Part B, the foundation of your Medicare coverage, but it needs to be supplemented. Do you want to talk about how Supplement and Advantage plans, and the difference between the two, and how Part D fits into those different scenarios?

Kevin Lowden: Sure. We kind of skipped over Part D a little bit. Part D of Medicare is prescription drug plans. If you think about it, you'd normally once you're ready to enroll in Medicare and kind of go forward, you've kind of got two paths that

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you can go down. Part A and Part B are kind of table stakes. Everybody enrolls in Part A and Part B. You have to have those to do either a Medicare Supplement or a Medicare Advantage plan. Let's talk about the left fork in the road, if you will. You've got your Part A and your Part B, and you decide that you want to have a Medicare Supplement plan.

A Medicare Supplement plan is simply a medical insurance plan that kind of picks up the slack where Medicare leaves off. I mentioned that \$10,000.00 outpatient surgery for example. Medicare is going to pay \$8,000.00 of that under Part B, because it's an outpatient procedure. Your Medicare Supplement will pick up if not all, at least a significant portion, of that balance. It gets really confusing because there are nine different versions of Medicare Supplement plans. They all cover things a little bit differently. Some are more comprehensive than others. Medicare Supplement plans in terms of costs will also have a premium associated with them. Again, it will depend on two things: either the insurance company that you're buying your supplement from, as well as the type of supplement that you get.

Let's pick on Anthem and Humana for example. Those are kind of two of the larger carriers out there. If you buy a Plan G Medicare Supplement from Anthem, it will have the exact same benefits as the Plan G that you get from Humana. The only difference is going to be in the premiums that you pick. That premium at age 65 is going to be X dollars. It will go up every year as you get older. It will also go up every year just kind of due to inflation. So, you've got to keep that in mind again, as part of financial

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planning in retirement, because it's going to be a part of your budget that you have to have going forward.

Medicare Supplement plans are nice because they will be accepted by any provider that takes Medicare.

Regardless if you are in your hometown seeing your hometown doctor, or you're in Florida seeing a doctor in Florida, as long as that provider takes Medicare he'll take your Medicare Supplement. When you're first enrolling in Part B, Medicare Supplements are what's known as "Guaranteed Issues", so there are no health questions asked. Regardless of any pre-existing conditions that you might have, you can enroll in a supplement at the time that you initially enroll in Medicare Part B no questions asked.

On path one, we're at original Medicare with a supplement, and then you also have to have a prescription drug plan because A and B don't cover prescription drugs, Part D covers your prescription drugs. Again, a separate piece and another premium that you'll pay, so now you've got your Part B premium, you've got your supplement premium, and you also have your drug plan premium. Drug plan premiums are relatively inexpensive. They'll bill from the \$20.00 or so a month range to the \$50.00-\$60.00 or so a month range. What we do is we sit down and look at the prescription medications that you take and do the research on the various drug plans that are out there to make sure that the plan you're getting is going to be the most cost effective one for the drugs that you're taking.

Those plans typically will have a deductible associated with them, and then you'll have copays for your

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prescriptions. Every plan treats their medications differently, and they're set up in tiers. So, a tier one drug might be a generic cholesterol medication for example, and have a very low, and in some cases, \$0.00 copay. Then as you go up the scale into more name branded and specialized drugs, they get a little bit more expensive. The thing to keep in mind is that not all drugs are going to be covered by your drug plan. They can kind of pick and choose which ones they're going to cover and how they're going to sit them in their copay structure. Those plans can change every year.

Again, I mentioned before you want to renew your plans each year. If you're in a situation where you're on a drug plan, make sure you're reviewing that each year so that they haven't raised a price or dropped a medication, or anything like that. If they do, you have the opportunity in the fall to change drug plans for the following year. But once they're locked in for the year, they're going to cover what they cover. They won't change midstream. That's kind of option A, is original Medicare with supplement and a drug plan.

Tony D'Amico: When you say "drug plan", is it Part D that they would have in that scenario?

Kevin Lowden: Yeah, that's a Part D prescription drug plan.

Tony D'Amico: That example that you gave, they would have Part A, Part B, Part G and Part D.

Kevin Lowden: Well Part D would be the Medicare Supplement plan. Plan G right now is kind of the most comprehensive plan that's out there, but there are eight other versions as well so again they do different things a little bit in terms of how

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they cover their Medicare costs outside of A and B. But yeah, Plan G is the one that we typically see people taking because it is essentially first dollar coverage for anything Medicare doesn't cover, with the exception of the Part B deductible, which is \$198.00 a year. So, your first doctor visit's going to cover that deductible, and then you're going to have 100% coverage going forward.

Tony D'Amico: Mm-hmm (affirmative). With a supplement plan, what are some scenarios in which you think a supplement plan might be more appropriate than an Advantage plan? One of them that jumps out to me is obviously if someone travels extensively, or maybe they have a dual residence.

Kevin Lowden: That's absolutely one of the considerations. As I mentioned, anybody that takes Medicare with take your Medicare Supplement. We have a lot of clients that are spending their summers in Ohio, they're spending their winters in Florida, for a very good reason. They may be seeing doctors in both places. In that case, that Medicare Supplement plan is a great fit. There are people that have chronic illnesses, and because you know with that Medicare Supplement exactly what your costs are going to be, "I've got my Part B premium. I've got my supplement premium. My drug plan premium." That's kind of it. But I am a very high utilization person. I just don't want to have to worry about copays and those sorts of things. So, I'd like those fixed costs around the Medicare Supplement.

There's actually, Tony, some other strategy around Medicare Supplements when you're first enrolling in Medicare too. We work with a union that covers retail employees, so Kroger's and the Meijer's of the world.

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Those folks worked at Kroger's and Meijer's for years and years, and spent a lot of time on their feet. When they get ready to go retire, in a lot of cases they've got some things that they're looking at like knee replacements, and hip issues, and those types of things. In a lot of cases, they will start with a Medicare Supplement, get that "Tune Up" over the first year or two they're retired. They know what their costs are going to be. They can kind of get those things done.

They're otherwise in great health, so after being on the supplement for a couple of years they could switch from a Supplement to an Advantage plan and kind of go forward from there. It depends a little bit on what your health situation may look like at the point that you're retiring, and what your immediate needs might be. Again, it's not a one size fits all. It's not a cookie cutter type of thing. There are multiple ways to look at it.

Tony D'Amico: Yeah, that's really interesting. Maybe they don't have chronic health issues, but if somebody does they'd want to consider that supplement plan because there's no underwriting. Maybe they have some health issues that are temporary, like you're mentioning.

Kevin Lowden: Exactly right.

Tony D'Amico: It might help to look at that from that perspective. Awesome. Any other reasons that you-

Kevin Lowden: Those are the main ones. You've got the people out there that are just risk averse, or they just "I want to know what I'm paying. I don't want to mess with it going forward. It is what it is, and I'm happy to do that." The thing that you kind of have to keep in the back of your mind though, as I

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mentioned, is that those costs will increase every year in terms of the premiums that you're paying. Part B premiums go up every year. Your supplement premiums are going to go up every year. It's just a function of your overall retirement planning to be able to bake those costs in as you're looking up what your expenses are going to be after retiring.

Tony D'Amico: Great. Very helpful. Besides the supplement plans options, which is like you mentioned Plan G. There're other plans that all have a letter from the alphabet. The other option is an Advantage plan. So, talk to... I'm curious about-

Kevin Lowden: Medicare Advantage is kind of the other fork that you can take in the road. Medicare Advantage is a completely different animal from Supplement. You've got your A and B, and your Supplement, and your drug plan all kind of individual and separate over here. Medicare Advantage, think of it as kind of an all inclusive type of thing, or an umbrella type of plan in that Medicare Advantage plans combine your Part A and Part B benefits, along with your Part D drug coverage. So, you don't have to have a separate prescription drug plan. Your Part A and Part B benefits are included. Advantage plans are a little bit more like what people are used to from their employer plan, in that they are typically HMO or PPO type plans.

So, you have a little thought to when you're selecting your plan, is my doctor in my plan's network? The hospital that I prefer is out of the plan network. The drug coverage varies from plan to plan, so again it's important to research your prescription drugs as you go in. Medicare Advantage plans can be very low, as in zero or very, very

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low premiums each month, but you'll have copays when you use services. Under a Medicare Advantage plan, and these are general ballpark numbers, when you go to see your primary care physician, it might be a \$5.00-\$10.00 copay. If you go to an emergency room, it might a \$90.00 copay. It's going to vary a little bit from plan to plan. Each plan is going to have its own copay schedule, but you'll know that going in each year.

The other backup that you have on an Advantage plan is that they also have a maximum out-of-pocket, so that if you happen to have a bad health year you're going to know going in, "I'm going to spend up to X dollars," whatever that plan's maximum out-of-pocket is, and no more. So once you reach that, the plan takes over at 100%. The vast majority of people never come anywhere near reaching that maximum out-of-pocket. They just kind of pay their copays at the time of the services that they get and go forward from there.

Medicare Advantage plans for healthcare, hospitalization or medical situations will not have deductibles. There may be a deductible as far as your prescription medications or concern, but there's no deductible to meet in terms of your medical insurance. Again, kind of a nice thing there. People ask us, "Well, if I'm in a network, I have to see doctors... Theoretically, my network is kind of in my geographic area." That's true, although networks have become much more robust and much larger in geography. Advantage plans will also provide emergency room coverage and urgent care coverage nationwide.

Let's go back to that person whose spending their summers in Ohio and their winters in Florida. If I'm going

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to Florida to have my knee done because I'd rather rehab walking on the beach than walking in the mall in February, a Medicare Supplement plan is going to be a better fit for me. If I'm going to Florida to play golf and go fishing, and not see the doctor, a Medicare Advantage plan may be a great fit because if I happen to wake up one morning and have the flu, I can go to an urgent care. I've got that benefit through my Medicare Advantage plan. I'll pay my copay. They'll give me a prescription and I'll go on and finish my winter in Florida.

If I wake up with chest pains, I can go to the ER. If I am admitted because I'm having a heart attack, I'm considered in network because I went into that hospital in Florida through the emergency room. If I had just had shrimp the night before, and that's why I'm having chest pains, they're going to take care of that. I'll pay my ER copay and go home and go on with life from that standpoint. Again, you're not stuck in a Medicare Advantage plan due to the network situation.

Tony D'Amico: Makes sense. With an Advantage plan, no pun intended, but what do you think are some of the advantages of an Advantage plan versus a Supplement plan?

Kevin Lowden: A couple of big advantages for Advantage plans. Thanks, no we're—number one is the low or zero monthly premiums. Something that Advantage plans do that Medicare Supplement plans do not do, is that they include a full laundry list of supplemental benefits outside of what Medicare covers. Medicare Advantage plans will typically include things like a fitness benefit through an organization like Silver Sneakers, for example. They will typically have some basic dental and vision coverage.

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Then depending on the plan, it just kind of snowballs from there, or expands from there. There are plans that will provide transportation to doctors' visits, meals after a hospital stay, Fitbits, home health devices like grab bars and those types of things.

There are even Advantage plans out there that will provide food for service animals. The list just goes on and on. If you happen to be in the situation where you have kind of a special situation, if I need hearing aids for example, and I buy into an Advantage plan that's going to cover my hearing aids, hearing aids are not inexpensive. There are plans out there that will provide over \$3,000.00 towards hearing aids. Keep in mind you have to stay in network, you'll have to go to a network provider, but \$3,000.00 is \$3,000.00, and if that's something that you need, it could be just a huge savings.

Y memberships are not inexpensive. If you can get a free Y membership through an Advantage plan, not a bad deal. Again, it varies from plan to plan. That's part of the conversations we have with our clients, is tell us a little bit about other things that might be going on so that if there is a plan out there that seems to make sense for that person's particular circumstances, we can kind of look at those and see if there's a good fit for them.

Tony D'Amico: Awesome. Would you say that with Advantage plans, do they have similar coverages for healthcare and doctor visits, inpatient, outpatient as a supplement plan? Or are they pretty similar would you say?

Kevin Lowden: Correct. Absolutely. Again, you're looking at Medicare-approved services. If it's a knee replacement under a supplement, it's going to be covered by the supplement.

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Medicare will pay their piece. The supplement company will pay their piece. Same thing under a Medicare Advantage plan. The only difference is you're not paying those premiums, you'll have a copay associated with that procedure. So, again it's going to be laid out depending on what you're actually having done, or the services that's being performed. You'll know up front what that copay is. That is what it is, and there are no surprises from that standpoint.

Tony D'Amico: Gotcha. Anything else that you want to share about Advantage plans?

Kevin Lowden: Again, as I mentioned with prescription drug plans on the supplement side, Medicare Advantage plans can change each year as well. They can change their copay structure. They may change their provider network. They may change the drug formulary that they use. They can add drugs. They may change the tiering and so forth. So, it may affect your drug prices. Again, in the fall there is a Medicare open enrollment. It's actually called the Annual Enrollment Period, where you can check to see if there have been... Well, not check, they'll tell you if there are any changes to your plan.

Then if there have been changes, you're able to switch plans absolutely no problem at all. There's no medical underwriting or anything along that line for Medicare Advantage plans. Once you're in you can change plans every year if you choose to, or if it makes sense to. Again, I go back to Medicare is an ongoing type thing. So, you want to renew your plan every year just to make sure you're under the plan that's going to be the best fit for you.

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Tony D'Amico: I think that's a great point there, that annual open enrollment period, and just kind of not just making the right decision up front, but also just continuing to evaluate it. Sometimes that makes sense to stay the course. Sometimes that makes sense to make a change.

Kevin Lowden: Needs absolutely change. For those folks, I'll go back to another comparison of the supplements and Advantage plans. I know in my family, my in-laws were on a supplement for years. They were going back and forth from Ohio to Florida in the winters. They had doctors that they saw down there. As they got older, they didn't go to Florida very much in the winter. They actually switched from their supplement plans to an Advantage plan. They were staying local. There really wasn't any real need to be spending several hundred dollars a month on supplement plans and drug plans when they were seeing local doctors.

So, they switched to Advantage plans and ended up saving significant money because they just no longer needed the flexibility of the supplement plan.

Tony D'Amico: Yeah, absolutely. Your story there, Kevin, just reminded me of how you and your team kind of helped me with my mom's Medicare plan while she was alive, and with her health issues there towards the end of her life, and just evaluating her plans for us and making some slight adjustments which really, really helped. She was able to kind of get the care that she needed. She had a couple stents in skilled nursing after surgeries, and then was released home, but then my sister and I obviously both work so we were able to help her out somewhat when she

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was able to actually get care in the home like as you mentioned.

So, just a personal thank you for that as well.

Kevin Lowden: That's what we do. I'm glad you bought that up, because one of the things that we do as a company that I think is important, people can go anywhere to sign up for a Medicare plan. You can do it online. You can talk to an agent. You can call the company. But one big part of the service that we offer is our client engagement team. So, once somebody becomes a client of Retirement IQ, we provide lifelong support. Any time going forward that anybody ever has a question on their health insurance, they're not picking up a phone or calling an 800 number to some giant call center somewhere. We have a whole team here that will help people with anything, whether it's a billing question, or "I need to see a specialist. Is he in my network?" Or any of those types of things. We provide that service on a lifetime basis for folks.

Tony D'Amico: Yeah. I think that's important. We can talk about these planning decisions, but once they affect you personally then it's a different ballgame. Even as a financial planner myself, and even for our team, I always encourage them to implement things for yourself. Obviously, I can't start Medicare now, but I could help a family member go through the Medicare process. You really learn. It's one thing to learn from a book, but it's another thing to learn from direct personal experience. That really helps shape, my guess is you may have from the same thing, but going through these experiences with your family and yourself helps you really advise other people much more effectively.

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Kevin Lowden: I do this for a living. My dad, the last year of his life, had multiple surgeries, was in and out of rehab as your mom was, and skilled nursing and all that type of thing. I can't tell you how many times I came into the office and went over to your client engagement team and said, "What am I supposed to do next?" Because it does get very overwhelming.

Tony D'Amico: It sure does, yeah. It sure does. Kevin, let's talk a little bit about... I think there are some important things about your service that I'd like to mention. I'll maybe share with you what I'm thinking. You can talk about them. From my perspective, one is you guys are independent. You have access to all these different carriers. You have access to the same carriers that AARP has access to in a sense, and correct me if I'm wrong. But you have all these different carriers that you have. I think that's really important for people to understand, that you guys take that educational approach.

We're fiduciaries to our clients where we have to put their best interest first above all else all the time, and I feel like you have that same fiduciary approach in really learning about them. Then having access to all these different carriers, I think that's really important. I've worked with other Medicare professionals that maybe have done a good job, but maybe they had limited carriers. Or maybe they didn't have as again, not as many carriers or maybe not the expertise, or sometimes maybe they have just Advantage plans and there may be more experts there and less on that side.

I think that the fact that you're independent and you deal with Supplement and Advantage plans, I think is really

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important. From my perspective too, I don't think it's important to state that when we refer a client to you that's in your coverage area, we do have clients in many different states and you guys are in certain states, so when we are able to utilize you guys we don't get any compensation from you, right? It's strictly a referral based upon that we feel that our client would best be served by you. I think that's important to mention. And just that overall, your process.

Hopefully I teed that up for you well, but I think those are some important things that are important for people to understand.

Kevin Lowden: Well, yeah and it is a process that we go through. I'm in kind of a business development role with Retirement IQ. I work with you. I work with other financial planners. We work with literally hundreds of different companies and other organizations out there, labor unions, you name it. Kind of anybody that has people who might be aging in into Medicare. We have an educational process that we typically start at about age 63 through an email newsletter that we publish. The thing that's nice about it is it's really pretty self-driven by the end user. We'll send you a list of topics. You pick what you're interested in, and you tell us what or how often you want to get it. It just kind of goes forward from there.

If anybody's interested in that, there is a website up on the screen behind me. It's RetirementIQ.com/FidatoWealth. If you go there, that'll give you kind of a little registration form. It just needs your name, an email address, and birthdate, and ZIP code, and that will get you the welcome email, and that'll kind of

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start the newsletter process. Going forward from there, we also have advisors that you can work with. They kind of fall into two categories. We have our program advisors, which is kind of the initial starting point. Any time anybody ever has a question regarding Medicare, "I'm getting all this stuff in the mail. What am I supposed to do? My uncle said this." Anything that comes along, you can call those folks and they are more than happy to answer those questions as you're leading up to retirement. The phone number for that is up on the screen behind me as well.

Once you get to the point where you're ready to retire and enroll in Part A and Part B, and get serious about selecting your Medicare plan, our benefit advisors at that point will sit down and really get in depth with you in terms of the doctors that you see, the prescription medications that you take, those supplemental benefits that I mentioned earlier are those types of things that are going to be important to you. They'll talk through how Medicare works, how Part A works and B works, and the differences between Advantage plans and Supplement plans so that you really do have a good understanding of what your options are, and what your costs and so forth are.

Then once you decide what you want to do, to your point Tony, we work with virtually every major Medicare carrier out there. We have access to Advantage plans, Supplement plans. There are over 200 plan options in the State of Ohio, and you certainly don't want to dig through those. We really help you narrow the focus to one, maybe two, plans that we'll make a recommendation for you. Then we'll get you enrolled in the plan so that it starts when you're ready to start Medicare.

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The nice thing about it is, we don't charge our clients for our services. We don't charge you, Tony. We don't charge the groups that we work with. And we don't charge the clients that we enroll in plans. The reason that we can do that is that when we enroll somebody in a Medicare plan we get compensated by the insurance company, which usually drives the question, "Well, does Insurance Company A pay you more than Insurance Company B?" The answer to that is no. That whole compensation model or structure is very heavily regulated by the government. They set that up, so we really don't have a dog in the fight one way or the other in terms of what plan we sign somebody up for. We just want to make sure that you're on the best plan for your circumstances, for your financial situation, for your healthcare situation so that you're comfortable and secure going forward knowing that the health insurance plan you've got is the best fit for you.

Tony D'Amico: That's really important. That's awesome. I think the other thing that popped into my mind as we kind of close out the podcast I think is, just that collaboration. I think that's the other important piece. We work with a variety of professionals for our clients. They're tax professionals. We tend to quarterback this for our clients so their estate planning attorneys, risk protection specialists, Medicare, and that collaboration is really, really important and something that we value in working with you and your team. There has been various cases I can think of that our team has worked on with your team, and just the level of collaboration to not only get the client and help them make the best decision up front, but then just that ongoing review.

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There's that ongoing tax planning piece too, that has that overlap with Medicare. As you talked about, if you go over a certain income level for the year, it causes the premiums to go up. That income could come from... It's not just earned income. It's also distribution from an IRA. That'll put you over. It could be capital gains. It could be a Roth conversion.

Kevin Lowden: Any number of things can factor into what drives that Part B premium, and one thing I probably failed to mention at the beginning is that two lookback happens every year. We have a lot of clients that come to us and let's say they've sold a business or something, they've had a financial anomaly for lack of a better term, in 2019 for example, that's just never going to happen again. There is an appeals process that you can go through to maybe get that Part B premium reduced to what it should be based on what your "normal" income might be. We can't do that, but we can kind of help you get that done.

You're correct. There are so many factors that go into that as far as Part B premiums go. We're happy to work with you on that. To your point also, you guys do such a good job because you do take that wholistic approach and look at... You're not just doing financial planning or retirement planning. You're looking at all those other factors for your clients that are going to impact their retirement in all those different ways going forward. So, we appreciate the opportunity to work with you guys as well.

Tony D'Amico: Yeah. Yeah, well thank you for the collaboration. I could think of one client that we have that did have an income anomaly, and how you were able to advise them on the appeals process and help them through that process.

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That ongoing collaboration I think is really important between us. For our listeners, for those listeners that work with a financial planner, just that ongoing collaboration between your planner and the Medicare professional you work with, but also... In that one case that where we have that client that had that income anomaly, we collaborated with you and the CPA. It was really a joint collaboration to deal with these things.

Kevin Lowden: That was not a simple issue.

Tony D'Amico: No.

Kevin Lowden: Let me mention one other thing, Tony. I didn't mention this earlier. We are running into, it might be a little bit of pandemic-driven, we are primarily a Medicare broker but we're running into a lot more situations where people are retiring at 65 but might have a younger spouse who is not yet Medicare eligible. In those situations, we can work with those folks as well to help them with their kind of early retirement healthcare needs. Because again, as complicated as Medicare is, so is that. For those people that are in a situation where "I'm 65 and I'm ready to retire. My wife is 63. What do we do with her for the next two years?" We are now in a position to help those folks as well.

We have two advisors that are specializing in those kind of early retiree health insurance areas. So, I just wanted to mention that to you so you know that going forward too.

Tony D'Amico: Awesome. Cool. Well Kevin, as we conclude, as you know the name of the podcast is Wealth and Life, and really looking at the intersection of wealth and life, and what that looks like for different people. So really,

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everyone has a different definition of what it means to be wealthy, and what it means to be successful. Kevin, as I think about your career and the types of companies that you guys work for, the types of major hospitals that you provide this education and service to, and how you've helped us, you have what I would call a very successful career.

As you think about maybe the intersection of maybe wealth and life, or maybe how you view success moving forward, I guess maybe what does success look like to you?

Kevin Lowden: To me personally? Or professionally?

Tony D'Amico: Yeah. Either. Either.

Kevin Lowden: Professionally, it's funny, this is the best job I ever had. It's the first place I've ever been, and I started here as one of our advisors. The first job I ever had where somebody hugged me on their way out the door, because Medicare can be so ridiculously confusing and so stressful for people because there is just so much that goes into it, and so much information that's hitting people. From a professional standpoint, I got it. I'm here. Personally, I'm getting pretty close to retirement myself. I've got grandkids. They're a ton of fun. That's the wealth side for me right now.

Tony D'Amico: That's awesome. That's great. Well Kevin, thank you very much. Thank you for your partnership. Thank you for sharing your expertise on today's podcast.

Kevin Lowden: Glad to do it, Tony. Any time. We appreciate you guys as well. Thanks for doing this. This has been fun.

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Tony D'Amico: Awesome. Thanks.

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