

A MEDIGAP UPDATE

*New changes are taking effect.
New policies may have lower premiums.*

Provided by Timothy C. Hucks, CEP, President, Rising Tide, Inc.

Lower premiums ahead? Back in 2005, Congress voted to make major changes to Medigap plans effective June 1, 2010. While these changes are a bother, they could indirectly result in reduced premiums for these policies.

As the “modernized” Medigap plans sold after June 1 will have some differences from previous plans, insurers will be allowed to reset rates. Competition may drive premiums lower.

Please note: we’re talking about new Medigap policies that will be sold after June 1. If you already have a Medigap policy or buy one before June 1, these new changes won’t affect your plan, and you don’t need to replace your existing plan unless you feel the need.

Just to clarify things further, Medigap plans are Medicare supplement plans, not Medicare Advantage plans.

The changes in brief. In June, three Medigap plans are going away, another is being modified, and two new plans are being introduced. Also, a new benefit will be included in all plans.

- Plan E, Plan H, Plan I and Plan J will no longer be sold beginning June 1. (If you have one of these plans, you can continue to renew it as long as you keep paying premiums.)¹
- Two new lower-cost options will be available: Plan M and Plan N. Both come with some unique cost-sharing.
 - Plan M looks like Plan D with a couple of alterations. It covers just 50% of Medicare’s Part A deductible; 100% of Part B co-insurance is covered, plus skilled nursing facility care and emergency care in foreign countries.²
 - Plan N also resembles Plan D, but there are differences. Plan N will pay the full Part A deductible, but it asks you for co-payments of up to \$20 for each covered healthcare provider office visit (including specialists) and up to \$50 for each covered emergency room visit (you don’t pay that \$50 if you end up being admitted to a hospital).²
- Plans D and G will not come with preventative care and at-home recovery benefits after June 1, 2010. After June 1, Plan G coverage of Part B excess charges will be raised from 80% to 100%.²
- A hospice care benefit will be added to basic benefits of Plans A-G.¹

How easy would it be to switch to a lower-premium plan? If you're going to celebrate your 65th birthday in the next few months, you can enroll in a Medicare supplement plan now and switch to a lower-premium plan in June, as you'll be in the six-month open enrollment period. If you are older than 65, of course, you'll have to go through underwriting to switch to a lower-premium plan - but if you're healthy, making the switch to a cheaper plan may not be difficult at all.

Could you save on prescription drugs as well? If you find yourself hard-pressed to pay for prescription drugs, see if you qualify for Medicare's new Extra Help program, which is worth an average of about \$3,900 a year to Medicare recipients.³

As of January 1, 2010, Medicare no longer counts money contributed by others to pay your household expenses as income. It also no longer counts your life insurance policy as an income resource. This means that more people can qualify for prescription drug savings.

Basically, a married couple living together qualifies for Extra Help if it has less than \$25,010 in resources (savings and investments) and less than \$21,855 in annual income. For individuals, the limits are \$12,510 in resources and \$16,245 in annual income. However, you still may qualify even if you have earnings from work.³

Timothy C. Hucks, CEP, is a Certified Estate Planner, Registered Investment Advisor and President of Rising Tide, Inc. He may be reached at www.risingtideinc.com, 919-968-8675, or tim@risingtideinc.com. Securities offered through [Capital Investment Group, Inc.](#) Corporate Office: 17 Glenwood Avenue, Raleigh, NC 27603 • 919.831.2370. Member [FINRA/SIPC](#).

These are the views of Peter Montoya Inc., not the named Representative nor Broker/Dealer, and should not be construed as investment advice. Neither the named Representative nor Broker/Dealer gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The publisher is not engaged in rendering legal, accounting or other professional services. If other expert assistance is needed, the reader is advised to engage the services of a competent professional. Please consult your Financial Advisor for further information.

Citations.

¹ cahealthadvocates.org/news/insurance/2009/faq.html#2 [11/16/09]

² mainstreet.com/article/family/family-health/medigap-changes-could-affect-you [10/15/09]

³ ssa.gov/pubs/10525.html [10/09]

⁴ ssa.gov/pubs/10525.html [10/09]