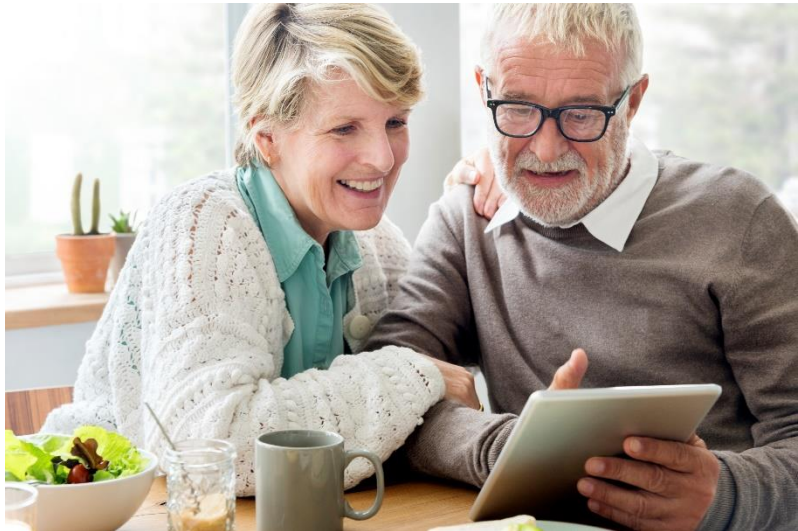


## **It's your 64 ½ birthday! What you need to know about Medicare as you approach age 65.**

Months ago, I wrote about the different components of the [Medicare "Alphabet"](#), and the basics of each plan. [Medicare](#) is something that we need to pay attention to as we approach our 65<sup>th</sup> birthday and understand specifically what kind of "action plan" you need to put together. In this article I'll cover two common scenarios:

### ***Scenario One: You are turning 65 but are still employed.***

In this case, if you are working for a company with over 20 employees and they offer a health plan, you do not have to enroll in Medicare (this also applies to a spouse covered by the employer insurance), but there are two situations where this may be beneficial:



- Enrolling in Medicare Part A is free and can provide additional hospital coverage to what is offered by the employer health plan.
- If you are enrolled in a plan with marginal coverage, Medicare Part B may provide additional coverage for doctor and other health care visits, outpatient care, and medical devices.

*Once you retire, you must enroll in Medicare Parts A and B at a minimum or face financial penalties!*

If you are employed by an employer with under 20 employees that offers a health plan and turn 65, you must enroll in Medicare Parts A and B, which in turn will pay the premium to the small group plan. If a small employer plan pays a benefit for someone that is over 65 and they are not enrolled in Medicare, they have the right to revoke payment, leaving the employee stuck with the bill!



This situation is similar for people covered by a retiree health plan. When they turn 65, they need to enroll in Medicare, which then pays the primary to the retiree plan, which acts as supplemental insurance to Medicare parts A and B.

***Scenario Two: You have an individual Health Plan and are about to turn 65.***

At age 65, you will need to enroll in Medicare parts A and B at a minimum and will have to drop your current plan (assuming it is not a Medicare Advantage Plan). There are many caveats that also apply to those in Scenario

One:

- There are big deductibles in Medicare Part A, and limits to coverage in Medicare Part B, meaning they will not be sufficient for coverage unless you are obscenely wealthy and can self-insure what could be tens of thousands of dollars in extra expenses.
- You will need to decide between a Medigap/Part D (drug coverage) supplemental strategy, or a Medicare Advantage (Part C) plan to cover these additional costs.

**Medigap vs. Medicare Advantage, which way should I go?**

A general rule of thumb is to start out with a Medigap policy for the following very important reason, *you have a 6-month window to buy a Medigap policy after enrolling in Part B. After that, you could be denied coverage based on health status and never be able to get one again!* The reason a Medigap policy is advantageous is it has stable [benefits](#) compared to a Medicare Advantage plan, that can change coverages at their own discretion, as long as they stay within the Medicare A & B



guardrails. The premiums for Medigap policies can go up, but so can Medicare Advantage plans. Medigap policies will also cover expenses for most doctors that accept Medicare Parts A & B, meaning you are more likely to keep your own doctor. A Medicare Advantage plan works like a Health Maintenance Organization (HMO), with specific networks of doctors, and restricted care for those traveling out-of-network. If Medigap insurance is not your cup of tea, you can always shop for a Medicare Advantage Plan, but once you leave Medigap, going back is not guaranteed if your health changes.

These are just the highlights of what you should know as you approach age 65. There are many other wrinkles and scenarios that could be discussed. A good rule of thumb is to start working through this 5 months before your 65<sup>th</sup> birthday to make sure you don't miss any deadlines or enrollment windows. A Financial Planner can help navigate the best Medicare strategy for you when you are 64 ½. For additional guidance we are happy to offer a free consultation, please visit us at [www.F5FP.com](http://www.F5FP.com).