



## Medicare, Medicaid and More

So, you are newly retired and are just now getting used to all of the changes attending that major life event. On the other hand, perhaps you can see retirement rapidly approaching and are making sure you have all of your ducks in a row for a smooth transition from working to whatever comes next. Either way, congratulations.

In the midst of reviewing your investment strategy and updating your estate planning legal documents, don't neglect to plan for the brave new world of health care in retirement. It can get rather complicated. For starters, you will need to become conversant in a whole new "alphabet soup" that is Medicare. Along the way, you should know the essential difference between Medicare and Medicaid when it comes to long-term care planning.

Each of us is most vulnerable about important matters in life when we don't know what we don't know. And understanding how health care coverage works in retirement is one of those areas of vulnerability. Once you do know what you didn't know, then you can make some intelligent, informed decisions.

### Medicare

What is Medicare? It is a government run health insurance program for Americans age 65 and older, as well as certain disabled younger Americans. The Social Security Administration funds Medicare through a Medicare tax extracted from the earnings of taxpayers. Unlike the extractions taken from your income to fund the Social Security System, there

is no ceiling on the amount of income subject to the Medicare tax.

### Medicare: Alphabet Soup

The primary letters you must know in the Medicare "alphabet" are Medicare Part A and Part B. Why? They will form the foundation of your health insurance with limited exceptions. When you think of Part A, think of a hospital stay. There are no premiums to pay for hospitalization coverage, if you paid into Social Security for at least 10 years. For 2015, the Part A premium for those who fall short of the 10 years required is \$407 per month. Either way, you are responsible for out-of-pocket deductibles and co-pays if you are hospitalized.

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When you think of Part B, think of physical therapy, as well as doctor visits and related “outpatient” expenses. Unlike Part A, everyone pays a “base” premium for Part B coverage. In fact, depending on your adjusted gross income, you may be socked with a supplemental premium adding at least 40 percent to your base premium.

After Part A and Part B, you may elect coverage under Part C or Part D, or both. However, if you elect coverage under Part C, then you will be precluded from coverage under “Medigap” policies A through L. Are you confused yet?

Part C is known as “Medicare Advantage” and is part private plan and part Medicare. Basically, as a Medicare eligible retiree, you can choose to get your Medicare Part A and Part B coverage through a private insurer instead of Original Medicare. By law, Part C coverage must be “equivalent” to Part A and Part B coverage, but some offer extras like prescription drug coverage.

Part D is limited solely to prescription drug coverage and is only available through a private plan. Watch out! You cannot have a Part C Medicare Advantage plan with prescription coverage under Part D. If you do, then you will be disenrolled in Part C and dropped back to Original Medicare. Also, beware of the infamous Part D “donut-hole” window. After you reach your plan deductible, you will have no coverage when your annual prescription costs reach \$2,380 and again until they exceed \$4,550.

### **Medigap Policies: A to L**

What if you want insurance to fill in “gaps” not covered in Medicare Part A and Part B? For example, you may be tired

of annual co-pays and deductibles. If yes, then you might want to consider one of 12 “Medigap” policies. Except for three states at present (i.e., Massachusetts, Minnesota and Wisconsin), plan coverages are uniform even though the policies may be offered by different private plans.

Basically, here is how Medigap policies vary, kind of like buying an automobile. Medigap A is basic transportation. As you move up through the Medigap “alphabet” more bells and whistles are added, like air conditioning, sunroof, leather seats and a concert quality sound system. Warning: As with Medicare Part C and Part D, you can only have Part C or Medigap, but not both.

### **Medicare or Medicaid?**

Are you banking on Medicare to pay for your chronic long-term care needs, like the everyday “activities of daily living” (e.g., bathing, dressing, feeding, transferring, toileting, etc.)? If yes, then think again. Medicare only pays for short-term care when rehabilitation is needed – like

to help get you back on your feet after hip surgery. And Medicare only pays a limited amount for a limited period of time. Long-term care insurance pays for chronic care needs for the activities of daily living.

Medicaid, on the other hand, is the primary long-term care payor for people age 65 and older who have limited financial resources. The program is jointly run by the federal government and each state’s government – and may even be referred to by an alternative name from state to state. Because eligibility requirements are very strict and are means-tested, appropriate legal counsel is essential.

Understand your retirement health insurance options, so you can have greater peace of mind in your golden years.



# Directing Your Health Care Decisions

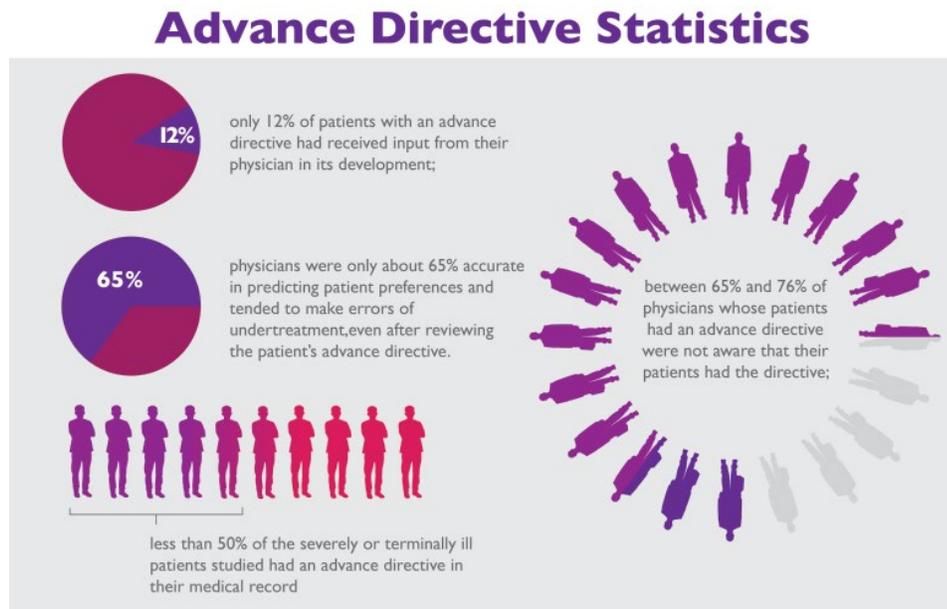
Something very important happened on April 14, 2003. Did you miss it? That is the required compliance date for the Health Insurance Portability and Accountability Act (HIPAA), a law which was enacted in 1996. The HIPAA “privacy rule” imposes strict guidelines on the disclosure of “protected health information” (or PHI) without a medical patient’s express permission. These privacy protections are designed to help us, but they can be problematic if your spouse or other loved one needs to “go to bat for you” with health care providers when you are incapacitated due to an injury or illness.

## What HIPAA Requires

Before your spouse or loved one can discuss your health care condition, obtain your medical records or seek a second opinion, they must have a written document executed by you, with very specific language required by HIPAA. Yes, you read that right. Even spouses do not have such authority simply by virtue of their wedding vows to care for one another “in sickness” and in health.

## Advance Health Care Directives

Every comprehensive estate plan must include an Advance Health Care Directive (also known by other names, like a Health Care Proxy) that is HIPAA compliant. Period. This goes for every adult American who has reached his or her 18th birthday. With adult children tending to wait longer than previous generations to marry and with aging parents living longer than past generations, this has become a uniquely “Baby Boomer” challenge. Are you in that “Sandwich Generation” perhaps? A key component of the Advance Health Care Directive is the Durable Power of Attorney for Health Care Decisions through



Source: [http://www.agingwithdignity.org/forms/Couples\\_AD\\_Study.pdf](http://www.agingwithdignity.org/forms/Couples_AD_Study.pdf)

which the patient appoints Agents to make his or her medical decisions when the patient is unable to do so.

## The Three Variables

There are three variables at play when it comes to making these essential health care decisions. Unfortunately, we only know one of the three right now. However, that variable is why plans need to be made today, not tomorrow.

The first variable we do not know is *what and when*. What is going to trigger the need for your Agent to act? Is it an auto accident five minutes from now or a stroke down the road?

The second variable we do not know is health care related. What *technology, treatments, procedures and pharmaceuticals* will be available at that *what and when* time? What insurance will be around to pay for your care? As you can see these are wild card circumstances we cannot anticipate.

The third variable is the one you know today. Who do you know and trust to

make your *what and when* decisions based on the available *technology, treatments, procedures and pharmaceuticals* ... should you ever be unable to make your own decisions?

## Communication is Key

As with most important areas in life, communication with your spouse and loved ones is key when it comes to making life and death health care decisions for you. Have you had *the conversation*? If you are unsure where to start, then you might consider a resource called “Five Wishes” produced by “Aging with Dignity” which is available online.

In addition to your spouse and loved ones, you should discuss your “wishes” with your primary care physician and spiritual advisor. That way everyone will be on the “same book and page” when needed.

“Five Wishes,” produced by “Aging with Dignity,” is available online at <http://bit.ly/1JUQLc4> or by scanning the QR code.





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**Jude Redkey**, founding partner of Redkey Gordon Law Corp, has practiced personal injury law for 15 years. If someone you know needs a free consultation please feel free to contact our office. Mr. Redkey graduated from University of California, Davis and received his Juris Doctorate from University of Denver, College of Law. Mr. Redkey is admitted to practice law by the State Bar of California and U.S. District Court, Eastern District of California. He is also a Judge Pro Tempore for the El Dorado County Superior Court.

**Robert A. Gordon** is a JD/MBA graduate from the University of San Francisco and holds an Economics degree with highest honors from the University of California, San Diego. Mr. Gordon focuses primarily on estate planning. Mr. Gordon's detail oriented method for drafting wills and trusts, which he tailors to meet each client's unique situation will ensure the protection of your assets. Whether you are a traditional family, blended family, single parent or individual, your values and assets are worth preserving and passing on to those you love.

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