

FINANCIAL SOBRIETY

Episode 112 - The Medicare Podcast Transcript

What is the number one question you get asked about Medicare? I think it's specifically around, first of all, how does it work? People don't understand how it works. Okay. And how much am I going to pay for it? Okay. And what are my choices? So that wasn't the number one question. Those were the three top questions. Did you know that I have three really complicated relationships in my life?

With me, myself, and I? Close. My relationship with money, my relationship with people, and my relationship with self. And they're all connected together because when my relationship with money got out of whack, it totally had an impact on those other relationships. That, my friend, is what we call having financial sobriety. So who are you? I'm Matthew Grishman.

Who are you?

Jim Gebhardt. And we're a couple of financial advisors trying to have an untraditional conversation about our favorite topic, money. Let's go. What are you grateful for this morning?

I am grateful for the opportunity to be out of my comfort zone and here in the podcast studio with you. At least that's what I keep telling myself. There you go.

And I got to throw a dose of gratitude on for that, that we're able to kinda keep the show rolling here while Matthew is taking the time to recover from some surgery that we will get into in later episodes, but certainly sending our best wishes for his speedy recovery. Otherwise, he would be in the studio with us today, but I'm grateful to be in studio with you to talk about a subject that we've really never addressed on financial sobriety, which is Medicare. Medicare. And then in subsequent episodes, we're going to talk about social security and the impact that that has to your overall financial health and well-being and financial sobriety.

These are critical topics that we've always made a little fun of the fact that this show isn't necessarily a show about money, and it's about the three most critical relationships that you have in your life, which is the relationship you have with your money, the relationship you have with your people, and then ultimately the relationship you have with the person looking back at you in the mirror. Well, in the greater context of financial health and well-being whether you're 65 or not that day is hopefully coming and Medicare is a big deal and so much of your experience going back to when we were just, we weren't even newlyweds, we were dating right when you were first involved and very active in setting up some of the you know the very first Medicare Advantage Advantage plans in Northern California. Yes. Fast-forward after 20 years of being at home as a mom your Medicare expertise is becoming more and more of a critical conversation that we have with clients.

This is one of the things I'm excited to talk with you about today is I think there's this big misnomer correct me if I'm wrong. Okay that most People think as they start to approach the Medicare years, which is officially 65 years old It's no big deal. It's easy. It's just I sign up for Medicare and there we go try to say Uh, sure. Yes, probably same applies social security and this episode today is gonna be brought to you by Medicare But right, so snooze alert, right? Well, and if you're 40 years old and you don't care about Medicare... No, but your parents might your parents But that's where it does apply even if you're 40 years old and you don't care about Medicare right now You could care and probably should care about your parent situation with Medicare. And that's why we want to make this conversational today and not have it be some kind of webinar You know audio webinar on just a droning on about Medicare and we're gonna share some stories and get into it But what I've observed Through your experience with clients on the Medicare subject It's a frickin minefield.

It is so complicated. Yeah, let's pick on Jeff, right? Let's pick on ace and granted, he's officially a Medicare recipient. Right.

Beneficiary. Beneficiary. Although he does look 37. Yes, he does. So he did us a favor. And he acts 37 too. Absolutely. He did us a favor prior to enrolling in Medicare where he gathered up a month's worth of all the solicitations, all the mail, all the everything that came in. And it filled a Safeway shopping bag to the brim. Piggly Wiggly for those of you on the East Coast. There you go. Wegmans, come on. Wegmans, sorry. Shout out to Wegmans. Shout out to Wegmans. Piggly Wiggly. Piggly Wiggly's in the South, dear. Okay. There's a Piggly Wiggly in Syracuse. I still have brain damage from going to Piggly Wiggly when I was in college and our golf coach would give us cash when we were on spring break to go buy groceries.

And he always insisted on us going to Piggly Wiggly. And when we went to the meat counter, we had to look for the meat that was reduced for quick sale. So I can't think, unfortunately, in my brain when I hear Piggly Wiggly of, you know, rotting meat. Reduce for quick sale. Anyway, back to the show. The thing with the Medicare to me is, and listening to the stories that you've told, is how unbelievably overwhelming it is when you get this shopping bag full of solicitations on, you know, what's best for you with Medicare? And the other thing that has overwhelmed me with clients is how unique each situation is.

Is that, I mean... Yeah, absolutely. Is that fair to say? And even when we walked in today, Jeff had a packet of, you know, all the solicitations he's been getting recently because we're coming up on the annual enrollment period, which I think we're going to talk a little bit about that, but... A little bit? What was that? The annual enrollment period. Yeah, well, let's just talk about it. Also, very confusingly, they refer to it as the open enrollment period too, which I Isn't that for my group health care through work? No, but just to reflect on what you're talking about in terms of all of that information, and it's not necessarily, you know, what people are getting in the mail isn't necessarily what's the best plan for you.

What they're getting in the mail is, our plan is the best plan for you. Right. And you're getting that from, you know, ten different carriers, lots of different kinds of plans, maybe lots of different kinds of plans, two kinds of plans, but it's hard to discern what those plans really are from a layperson's perspective.

Sure. So that I think is one of the most challenging aspects of, you know, once you're 64 and a half and approaching Medicare age, which is 65 officially, is to figure out what is to kind of cut through all of the noise and figure out what exactly is the best plan for me. Which is not necessarily what was the best plan for your best buddy, your next door neighbor, your co-worker, your aunt from Idaho. 100%. Okay. If we were to just kind of like start with the very basics and kind of build up to some of the expertise that you have with the different carriers and the different types of supplemental plans and all of those things.

But let's just start with the real simple basics and lay out what are the components in honor of Matthew. I say components, but anyway. I know, potato, potato. What are the basics of Medicare?

The basics of Medicare? Well, original Medicare is called Part A and Part B. And before we even kind of dive into any of that, one of the things that I think adds another level of complexity when it comes to Medicare is, and I kind of call it the Medicare alphabet soup. And everything seems to be related to a letter. Based on my last name? And that can get confusing. No, having nothing to do with your last name.

Okay, so I don't wait in the line for the G plan. You don't. No, not for the G plan. All there is a plan G. I know. - Which is the, right now, kind of the most popular plan in terms of Medicare supplements, but we're getting ahead of the game. So yeah, so I mean, it basically starts out, you have original Medicare, which is Medicare Part A and Part B, and Part A covers hospitalization, and that is, and skilled nursing and hospice, but mainly hospitalization. And that's the part of Medicare that is quote, unquote, free. So you get Part A of Medicare when you're eligible at 65 for free, assuming you've paid into the system.

Kind of like Social Security, you gotta pay into the system. - You gotta pay your Medicare tax. - Right, the Medicare tax, 10 years or 40 quarters. - Right. - And so it has nothing to do with how much you paid into the Medicare system.

It's just that you paid into, you paid the Medicare tax. - And that Medicare tax is 1.45 % of whatever you make. There's no cap on it.

- Okay. - If you're self-employed, like you and me, it's 2.9 % on whatever you make. - Why do we pay more? - For self-employed. - Or self-employed. - But why does that matter? - Because there's the employer piece and there's the employee piece.

And when you're self-employed, like Ace or you or me or Matthew, we're both, we're both pieces. - So when you work for a larger company, then there's the larger-- - The company is paying 1.45 and you, the employee, are paying 1.45. - Oh, so same thing. - Yeah. - Okay, oh, I get what you're saying. Okay, thank you for that clarification. - You're welcome. - So Medicare, Part A, you get for free.

- And Part B, I'm paying for. - And Part B, you're paying for. - All right. - And that is one of the big things people don't understand is that-- - What do you think Medicare is free?

- A lot of people think Medicare is free. Well, first of all, people don't understand Medicare.

I mean, the bottom line is, and you really don't understand Medicare unless, you know, as you approach, unless you're someone like me who back in the day sold insurance to old people, which is what everyone said, all my friends said that I did, which is kind of what I did. But now I'm closer to being-- - But it had a lot of positive impact for people. - Well, yeah, and, I mean, I learned a lot and I did a lot of great things for people, or think I did at least, helps people. But now as I am closer to that age of Medicare, it doesn't really seem like I'm selling insurance to old people anymore. (laughing) So the part B, that's the thing that people don't really understand is how much you're paying for Medicare, and it's all based on, this is where it is based on your income. - Right, this is tiered. - It's tiered, yeah. And it's based on your income from two years prior. So let's say you-- - Whoa, whoa, whoa, whoa, whoa, whoa. Say that again. That's important. - I was gonna give an example. - But there's a very particular Medicare phrase for this.

- Yeah, well, so a couple of things here. This can also apply to part D, D for drugs, or your prescription drug plan. - Okay, got it. - So depending on your income level.

But yes, what you're paying for Medicare is based on your income from two years prior, and depending on your level of income, you can have what's referred to as Irma charges, or income related monthly adjustment amounts. - Okay. - So-- - Simply put, the more I make, the more I pay. - Correct. - Exactly. - So that's what Irma, I-R-M-A-A, the acronym stands for. - Correct. So it can apply to part B. It can also apply to part D, what you're paying. Again, based on your income.

And one of the things to point out here that's important for people to understand is that there is a, wait for it, Social Security Form. -(Land mine)

- That is an option for people. If you want to dispute your income and where this really can kind of come into play is because you're paying for Medicare, part B and D, is based on your income from two years prior. Let's say you stopped working a year ago. So you're actually not making as much money as you did two years ago. The form is a life-changing event form that you can submit to Social Security.

And that, I'm not gonna say it's always gonna be approved, approved, but it's certainly something that you need to be aware of. - That's a great example. - And take advantage of if the case applies to you.

- Yeah, yeah. - So one thing to be aware of. - Let's say I'm turning 65. - Let's say you're turning 65. - So it's based on my income when I was 63. - Correct. - So if I'm turning 65 this year in 2023, it's going off of my 2021 tax return. - Correct. - Okay. - Correct. - And then that would adjust every year. - Annually. - Because Medicare is, it's run by the Centers for Medicare and Medicaid Services, or CMS. It's tied to Social Security. So when you apply for Medicare, you're actually applying through Social Security.

- Okay, didn't know that. - Yes. - But I think it's a big point for listeners, for other financial professionals, right? Other financial professionals that do planning and the kind of work that we do.

- And not to disparage other financial professionals, but most financial professionals don't understand Medicare. - No, it's complicated. - Yeah, it's complicated, and it's not their area of expertise. - Even like if you think about the CFP, did you, was there a whole thing, a little bit? - A little bit. - On Medicare? - But that, we have found to be a bit of a mine-field for clients in the sense that it's their 2021 tax return, right?

- Right. - So you sold the piece of property, you sold the business, you had capital gains in your portfolio. All of that is getting tacked into-

- Did you say you sold a house? - You sold a house, yeah. You're adjusted gross income, which is then affecting your cost of Medicare. And I'm remembering a client a number of years ago that my dear assistant Nancy said, so -and -so's on hold, he would really like to talk to you 'cause he's very upset about the increases from those people in Washington on the cost of his Medicare. And it was now gonna be \$437 a month for he and his wife when it used to be \$140.

And I mean, he was red hot. - Yeah. - And I said, I understand you're upset, but do you remember the piece of property that you sold last year? And you had a half a million dollar capital gain? Well, yeah, but what does that have to do with this? It has actually it has everything to do with this. Right. That is what drove your income up. That's what drove the cost of your Medicare up. Right. And the only solace in this is I can tell you that unless you do that again this year, which he wasn't, that your Medicare will adjust and go back down. Right. So there's planning opportunity number one for folks is that it is not the income in the year that you are, you are starting your Medicare. Right. Okay. So part A is free. Part B has some cost. What's part C? Part C is what's referred to as Medicare Advantage plans.

And Medicare Advantage plans are basically private companies that are contracted with

Medicare. And Medicare is paying that plan, that carrier to provide basically all of your Medicare benefits.

Okay. And so it's, if you will privatizing Medicare. Okay. And then a Medicare Advantage plan is able to in most cases, and it totally depends basically on the county that you live in, what the plans are that you have available to you based on the county that you live in. Got it. And Medicare is paying those carriers every month for you as a member of their plan.

Yep. Whether or not you see the doctor. Okay. So Medicare is basically, I think of it in terms of Medicare sort of offloading the, the risk, the risk, the administration, everything to the private insurance carrier to offer your Medicare benefits. And in the private world, they're able to use those dollars in a way that generally speaking, they can offer you additional benefits above and beyond what Medicare would cover. - Got it, got it. So I think it's really important for people to understand that in Medicare Advantage, it is county specific. - Yes. - So just 'cause cousin Eddie who lives outside of Chicago is in a Medicare Advantage plan and raves about all of the features and benefits with that particular insurance company, that may not be what is offered in your County. - Correct. - Let alone it may be the same carrier, but they may not have the same benefits due to cost and what have you. - Oh, even if you take a state, they're not gonna have, a carrier is not gonna have the same benefits in Sacramento County as they offer in San Diego County. - Gotcha. I think that's-- - Necessarily, I mean they may, but not necessarily. - I think that if you're considering a Medicare Advantage plan, we'll talk more about that later, but I think that is another big factor to this, is that people, I think by nature, want to assume simplicity, assume that what my parents had with their Medicare Advantage plan in Syracuse, New York is the same as our friends up in Seattle or your mom and dad in San Diego.

I think there's a natural tendency for people to think that if you get that, that's what we should have available here too. Well, big fact to disclose there is that's not the case.

- It's not. And all of that is relative to, oh, hi, guess what? Money. And the cost of health-care, if you will, by county, let's just say. In Kalamazoo versus Sacramento. - Right, versus Oswego County. - Right. - Look at that, I'm pulling out the East Coast. - Pulling out the county reference.

- California kid. - I know, right? - Going to upstate New York. How about it? All right, so what is Part D? - Part D is D for drugs. Part D is for prescription drugs.

- All right. - So that-

- So they cover all my drugs. - Yeah, ish. - Okay. - And that's the thing where it comes to prescription drugs, it's highly unlikely that if you pulled 10 people walking down the street, they would all be on the same prescription drugs. So the prescription drug piece of it is

very, very individual and it's definitely not a one size fits all situation.

So there's lots of different prescription drug plans out there. And if you're another, and I don't know if you wanna get into all this right now in terms of Medicare Advantage plans and all that kind of stuff, but I'll just suffice to say at this point that the majority of Medicare Advantage plans also include prescription drugs. - Okay. - So if you're living in a county that let's say you have five Medicare Advantage plans available to you, right? It's incumbent upon you to really do your research and see what those plans cover, right? What the benefits are, what you're paying for it and what their formularies are.

'Cause each one of those is gonna have a different formulary. And so in other words, what your drugs-

- Slow down, slow down. What in the world-

- I just get on a roll. - Is a formulary. - A formulary is essentially a - It doesn't sound good.

- A list, a formula based on the formula. - Oh, it's a formula. - Formula. Now it's essentially the list of drugs that a plan will cover.

- Okay. - And then also kinda the second part of that is how much you would pay for said drug. - Okay. - So on prescription plan number one, maybe you would pay a \$5 copay for your particular drug. - Okay. - That same drug on prescription plan number two might be a \$10 copay. - Okay. - So there's homework that has to go into this.

- 100%. - But-- - And that's why it goes back to that whole like big old stack of mail that you get and everybody wanting you to enroll-

- Totally overwhelming. - Because you are big money.

- Right. - Right, this is big. I mean, there's 10,000 people a day that are turning 65 what? so 10,000 people a day so this is this is big business big business yeah so but I'm unclear in something well not really how I mean it cannot is there a website is there is something relative to the part D that I can see what Medicare is gonna cover for me and my medications when I'm 65 well just clarification Medicare is not covering those drugs well sure they are so I paid into it for all these years talk about that okay so this is where I think personal opinion alert I think it's somewhat misleading dare I say but because Medicare actually doesn't cover the prescriptions when you have a prescription drug plan yeah it is offered through a private carrier okay it's not offered or paid for or covered by Medicare itself so if I'm 65 and I'm on three or four medications part D of Medicare isn't gonna pay anything I need a prescription drug plan of some kind ... yes so that again that's why I think it's it's very it's hard for people to understand and it's very misleading is that you know Medicare says there's four parts of Medicare a b c and D well D may be a part of Medicare but it's not paid for by Medicare in order to have a part D plan you actually

have to enroll in a prescription drug plan that is offered by a private carrier same with Medicare part C with the Medicare Advantage Plans. Sorry have I already confused you? oh my goodness and I we live and we live together we talk about all the time which is very scary. So part D is confusing part A sounds simple part A is probably the simplest of it all part B has some wrinkle to it in terms of what it's gonna cost and when does it when does that cost again and again mama part C is the Medicare Advantage plan we're gonna talk more about that in a minute part D is for drugs right see is for cookie right right? Sorry. Am I even allowed to say cookie monster anymore? No, you're definitely not. Cookie friend. That is canceled. Cookie friend. That is canceled. He's not a monster. Cookie. It's not cookie. It's Kale friend. Kale. My Kale friend.

Right. D is for drugs. Yes. And I mean, does the alphabet soup keep going? Does it go? Well, it does, but that's when it gets into Medicare supplements. So that's, we were going to Medicare supplements. So these are the vitamins that I take to feel better when I'm 65. Just jumping ahead. But let's just, yeah. Okay. Wait, what'd you say? Those are the vitamins you take? Right. The supplements. The supplements. We get supplements from the government to make us feel better when we're 65.

No. Something. Well, I guess it is. I guess, yeah. Medicare is supplementing your healthcare costs. Let's say that. Joking aside, tell us about Medicare supplements.

What are, what exactly are those? So Medicare supplements are also, it's basically an alternative to a Medicare Advantage Plan. So I don't have a chart in front of me, but there's usually, there's some visuals that I use to help describe and explain this a little bit better. So if you can imagine, you have to have Medicare Part A and Part B. Okay. So that's where you start. Yep. And once you decide, okay, I need to go on to Medicare and we can talk a little bit more about that in cases when maybe it's not appropriate for you to enroll in Medicare. Sure. Once you know, okay, I'm going to Medicare, then you have to decide, am I going to go down the path of Medicare plus Medicare supplement and a prescription drug plan.

Okay. Okay. That's one path. Yep. The other path is enrolling in Medicare Advantage Plan. Sure. And just a side note about the Medicare Advantage Plans. Again, just to be very clear here, the vast majority of them do include prescription drugs. Okay. So that's, if you will, an MAPD, Medicare Advantage Prescription Drug Plan.

Gesundheit. There are actually standalone MA or Medicare Advantage plans. I personally have never seen any of those in California, but apparently they exist somewhere.

I don't really know why anyone would enroll in those, but anyway. So MAPD, Medicare Advantage Prescription Drug Plan. So you have a choice. You enroll in a Medicare Advantage plan or you enroll in a Medicare Supplement plus a prescription drug plan.

The Medicare Advantage Prescription Drug Plan sounds like an all-inclusive to me. It is. It

is. Okay. It's an all-inclusive. Pretend you're in Cabo. Got it. And you're at the swim-up bar. And you're at the swim-up bar and I get my prescription drugs and whatever else. Right. Right. Okay. Yes. So that has some appeal to me conceptually. We're going to talk more about the pluses and minuses of this. Yeah. And then you have the Medicare Supplement Plan. Yes. What about that? Plus the prescription drug plan. So first of all, you cannot have both. Okay. So you have to decide.

All right. So. And you, with the Medicare Supplement Plan, that sounds like something I'm paying for. Yeah. Well, you're paying for the Medicare Advantage Plan too, depending on where you live. Sometimes there are some Medicare Advantage Plans that actually do have a zero premium. And you would pay co-pays when you see the doctor, usually. And this is where I say it all depends on the plans that are available where you live.

Right. Can't emphasize that enough that just whether you're in San Diego County or Oswego County, there could be very different costs for anything of which we're talking about today. And personally, I don't know anyone who would rather live in Oswego County, New York than San Diego County, California, except for Cheryl. So. And Randall. Alexander. The Medicare Supplement Plan. Shout out to my family. The Medicare Supplement World is, to me, what is so incredibly confusing and client-specific. Right. So those are the two ends of the barbell as we've talked about.

But I think where it tends to get really complicated listening to the stories that you tell about client situations is what I'm going to call a middle lane. If you call one the left lane and one the right lane, the middle lane is if the employer, your employer, your spouse's employer-- - Look at you coming up with a new little-- - Hey, I am fully caffeinated today. That Pete's coffee today was like a main line, just let's go. The middle lane with the complexity of an employer or a former employer's potential benefit or your 65, you're still working or the spouse is working and you're covered under the spouse's plan and it rains and the, holy smokes, let's go there. - That's a whole other thing. And I think in California, we tend to see more people working past 65. And maybe that's 'cause it's so darn expensive to live in California, but a lot of people that I run into are working past 65 and they have employer group coverage and it's impossible to say everyone should do this or everyone should do that. But it's certainly something to be aware of that and this is I think where a lot of people don't understand especially if you're working and past 65, if you're working for a large company so more than 20 people, you technically don't have to enroll in Medicare. Now there are ins and outs with regard to you could enroll in part A because it's free, right? So you could enroll just in part A and not enroll in part B if you wanna just to continue on your current employer group plan, again for employers that are 20 and over. But then another nuance there is if your employer group plan is a high deductible plan and you're contributing to an HSA or a health savings account, once you enroll in any part of Medicare, you can no longer contribute to an HSA. What, what? - Yeah, this is a thing that a lot of people don't know. - Landmine.

- A lot of people don't know. Yeah, there's a landmine. - Landmine. - There's a landmine. So-- - You know what this all sounds like to me? This all sounds like it's crackers to slip a rozzer the dropsy in snide. I mean, I can't-- - Wait, who is that? Is that a Steve Lesser thing? - No, that's a reference way back to, I'm not even sure what movie that comes from.

- Oh, it's a movie. - Probably something with Steve Martin. - I thought it was like a Dungeons and Dragons thing that you guys did when you were little. - No, dear God, no. No, I'm afraid not. Wow, that's really throwing me back. - Fun fact, Jim actually played Dungeons and Dragons.

And the scariest part about that is I actually married you. Well, I didn't play for long. - I think I might have known that back when I agreed to marry you. - I think my friends had played. - Oh! - Blame it on the Prince.

- Full disclosure. - Blame it on the Prince. - So, it sounds-- - Sorry, nothing, no, no. - No, nothing against their D & D friends. - No, nothing against their D & D friends. - So, how in the world is someone supposed to decipher the magic key code for all of this? Because the other thing, just to kind of throw it out there and with both clients and folks that you've just been introduced to, there also seems to be this time pressure that people feel.

- Yeah. - And they don't know there's this little window that, frankly, I think removes the time pressure, but everybody kind of comes in a little, a little just kind of like on edge on the time clock.

- And a lot of what you get in the mail and you read about, there are time constraints, if you will. I feel like a lot of the mailers, you know, often are kind of using that as a scare tactic.

I have to make a decision, okay, I got five pieces of mail from Carrier XYZ, so I'm gonna enroll in that plan. - So what is that window? I know you talk about the three here and the month of and the three after, but then there's penalties if I don't do this and I don't stand in my head and drink water in a timely manner and what's that all about? - There's a lot of, this is so, yet another confusing part of Medicare in landmine is there's a lot of different enrollment periods.

So the enrollment period, first of all, that you're mainly referring to is your initial enrollment period. So this is when the average person if you will is turning 65.

So there's a seven month window that you have to enroll in Medicare without any kind of penalties. So that is three months before you turn 65 the month you turn 65 and three months after you turn 65.

So if you enroll in Medicare during that seven month initial enrollment period you get a free set of ginsu knives. Oh, no, no, get it not to be confused. No, no, no, no, we're not giving away ginsu. Cutco knives. I use levity a lot to just kind of lighten up the mood and particularly when things get complicated. But you need to understand that there you don't get anything from Medicare like knives or toasters or any of these silly things that I referenced that is that is all just a little bit of levity.

So for our friends in compliance, that was not intended to be an offer of any kind, just a little bit of humor to lighten up the mood. Not even confuse that a little bit more.

But again, maybe here's a little tidbit for people out there. This is a little unknown unknown fact or not very well known fact I should say, if your birthday happens to fall on the very first day of a month, yeah, that means you are actually eligible ahead of time. So let's say for example, and we have a client I'm working with right now, her birthday is December 1st. Yes.

Yes. So in her case, she is eligible for Medicare as of November 1st. So kind of changes the timeline a little bit for those of you whose birthdays are on the very first day of the month.

So that's a little bonus for the the first day of the month, something to be aware of. Meaning you get like an extra you get like a bonus month of Medicare, a bonus month of Medicare? You don't really get a bonus month of Medicare, but you just, you start, you start a month earlier. - You start a month earlier. - So it's just, again, something to be aware of. So if you apply, let's say in that case, your birthday is December 1st, and let's say you apply because you can apply, let's just say you don't know that, right? And you apply for Medicare in September. If your birthday is, you're thinking you can do that if your birthday is in December, right? And you think, okay, then I'm gonna apply and my Medicare's gonna start December 1st 'cause my birthday is December 1st. You're gonna start Medicare November 1st. - How about it?

- So you just kind of have to get your ducks in a row and understand that. - Yeah, okay. So that's confusing as it could be. - Yeah, that's just, again, a little known fact, a little landmine. - The first of the month and the, so this is all just the enrollment period to get the party started. - That's one of the enrollment periods, but yes, that's the initial enrollment period. - The initial enrollment period to sign up for Medicare. Okay, so then-- - The thing that's important about that is that if you're applying for a Medicare supplement up to go along with your original Medicare, which again, original Medicare is part A and part B is Medicare. - As our kids might say, OG Medicare. - OG Medicare, exactly. The thing that's important about that timeframe is that you can then enroll in a Medicare supplement plan in what's called guaranteed issue.

So there are-- - This sounds very important. - There are not, it is very important. So in

other words, you would not be subject to any kind of underwriting. So let's say you have health concerns and health conditions. And that's-- - That's a big deal.

- Yeah, so it's important to pay attention to that. - So let's slow this down again. So that is on, wait, whoa, whoa, whoa. I'm confused, imagine that. If I sign up for Medicare part A and B in this window, this initial enrollment period window, I can then select a Medicare supplement plan and enroll, is that the right physiology?

- First of all, you have to enroll in Medicare. So you have to enroll in Medicare part A and B. - Check, I'm doing that in my window. - Yep, you get it. - I'm born on the fourth, I'm not born on the first. - Right, there you go. - So I'm in my window. - Right. - So now I wanna enroll in, I've got this fantastic advisor that's helping me select a Medicare supplement plan. - Oh my gosh, is her name Beth Gebhardt? - It is, she's the co-owner of, and I've found the plan that I want, and if I enroll in this window, right, the seven month window? - Yes, initial enrollment. - There's no underwriting. - There's no underwriting, well, okay, let's just, I just wanna super clarify this.

There is never, there's never, no, no, no, there's never any underwriting for enrolling in Medicare. I don't want people to be thinking that. - Okay, enrolling in Medicare doesn't matter, you know, any kind of persistent conditions, not a thing, okay? What's important about that initial enrollment period is that you understand that that is, when you're first signing up for Medicare, that's when you have a guaranteed issue for signing up for a Medicare supplement plan, which means that you don't have to go through underwriting to qualify for that supplement. So-- - That's a big deal.

- Yeah, so that's important for people to know. - I mean, I don't have statistics to say what percentage of 65-year-olds have something. - I don't either. - Have some health condition, let alone more than one, but I've gotta imagine it's a pretty significant number.

So that window is really important in terms of looking at the options that you have in the Medicare supplement market, and then that's where you may or may not add on a prescription drug plan.

- Eh. - Oh, okay. - I would say you have to add on a prescription drug plan. - Okay. - Because this is another area where there are potential penalties.

So even if you don't take prescription drugs, once you become eligible for Medicare and you enroll in Medicare, and let's say you decide, if I go back to my, what I was explaining before, you have two paths, Medicare Advantage or Medicare Supplement plus a prescription drug plan. So if you decide you're gonna go down the Medicare Supplement path, you enroll in your Medicare Supplement, you also need to enroll in a prescription drug plan.

It's a separate. So if you will a standalone prescription drug plan, so you would have a separate policy, it's like separate policy. Exactly. Exactly. I have my home policy and I have my, my, my automobile policy. So it's, you have your Medicare Supplement and a different

car. So you have your Medicare Supplement ID card. Yep. And then you'd also have your prescription drug ID card.

Got it. And also you would have your, your, your, your OG Medicare red, white and blue card. That's just this silly. Yes. A regional gangster reference that our kids use all the time.

I don't think it's just our kids. It's a lot of kids. Makes me feel old. Okay. So that window again, it's, oh, sorry. So what happens if I don't enroll in a prescription drug plan within that seven month window?

Well, it's actually not really that seven month window, but there's another little thing about prescription drug plans. Land mine. Medicare talks about it in terms of credit credit. I was hard for me to say this, creditable coverage, creditable coverage, creditable coverage. And so Medicare wants you to have creditable coverage. You can't go without creditable coverage for 63 days.

63 days, 63 days, not 64 days, the first of the month. No, it doesn't have anything to do with that. This is clear as mud. So if you say to yourself, well, I don't take any prescription drugs.

I don't need a prescription drug plan, blah, blah, blah. I would encourage you to rethink that and to actually look for a prescription drug plan. And there are definitely prescription drug plans out there that are very cost effective.

Like I'm talking like 10 bucks under 10 bucks. We met a woman last week who is 77. She doesn't take any prescription drugs, but she's on a plan that's like \$2 a month.

She said she's on a plan that's like, yeah, \$2 or \$3 a month. So because she doesn't take any prescriptions at this time. Right. However, if she started taking prescriptions and she added a prescription drug plan on her 78th birthday that wasn't the first of the month, what happens? - Well, you can only change your prescription drug plans once a year. - Of course. I feel like I'm in an Abbott Costello who's on first scenario. - So that's kind of the whole annual enrollment period, which I know we're gonna talk a little bit about that as well. - You know what? Let's just put it out there now. We've got this so beautifully mapped out and road mapped. What is that about? - The annual enrollment period.

So here's a-- - Not my initial enrollment period. - Not your initial, not to be confused with your initial enrollment period. - This is an annual enrollment period. - It's the Medicare annual enrollment period.

You will also see it referred to as the Medicare open enrollment period. - Oh dear. - And where I think that gets really ultimately confusing is that there is also, and what they refer to as an MA open enrollment period, or a Medicare Advantage open enrollment period, which is completely separate, that's in January. That's for three months in January.

So I like to refer to the time in the fall as the annual enrollment period. And it essentially starts October 15th and goes to December 7th, and that's every year. - What do I do during that time of year? - So the main things that the Medicare annual enrollment period, I'll specifically say, the one in the fall so that you don't get confused with open enrollment period. So the one in the fall that starts on October 15th and goes to December 7th is for an opportunity for people that are enrolled in a Medicare Advantage plan, also known as a Part C plan, also known as some people refer to them as bundled plans, some people refer to them as Medicare HMOs, that's what we used to refer to them back in the day.

So those are all the same thing, okay? But essentially they are Medicare Advantage prescription drug plans, MAPDs, right? So that this enrollment period in the fall allows you to basically look at other plans, other Medicare Advantage plans that you have available to you in your county in your service area and see, oh, well, maybe there's another plan that's better for me.

Or one of the things that can happen with Medicare Advantage plans is they can have a change in their network of doctors. So we haven't talked really about that aspect of Medicare Advantage. I think we'll save that for a glass of wine.

Okay. Yeah. It's five o'clock somewhere. Somewhere. So, but actually that's a super important part of Medicare Advantage is understanding that. Who? The doctors that? The fact that you have, when you're enrolled in a Medicare Advantage plan, you are agreeing to see the doctors that are contracted with that plan. Which may or may not be. Which may or may not be your doctor. Yeah. Is that what you were going to? Yeah, exactly. And so those are contracts. So medical group, you know, there's a medical group, the carrier, the Medicare Advantage plan has a contract with, let's say a medical group. Typically they would have contracts depending on the area with multiple medical groups. Sure. Those can change. Those contracts can change. Right. They do change. They do change. And as a matter of fact, I had a client in the office the other day and he showed me this letter saying that, you know, referring to UCSF and one of the contracts that was changing there. And it had him a little freaked out.

It did have him a little freaked out. It really didn't apply to him. It applied to his previous employer group coverage. So now that he's on Medicare, it doesn't really apply to him. But yet again, it sort of like took him off guard, you know, and rightly so because he's got a lot of health things going on, you know, wants to continue to go to UCSF, which and the doctors that he's been working with for a long time. Yeah.

Yeah. All right. UCSF. Yeah. Yeah. So the point is those contracts can change and so it's something that you want to be paying attention to. So let's say that your, the group of doctors, the medical group that your physician belongs to is no longer going to be contracted with the carrier that the Medicare Advantage plan Plan that you're enrolled in,

maybe during the annual enrollment period, that's an opportunity to find another Medicare Advantage Plan that might be contracted with your doctor. - Got it. The other thing I'm thinking of is the fact that, you know, something that happens when people retire, like 65-ish, is they move. - Yes. - How does moving or the snowbird or the, you know, how does that, how does that work? - Yeah, the moving of the snowbird is a big thing. So like we said, Medicare Advantage Plans, they are county specific or service area specific. So if you move, so let's say you move from San Diego, California to Onidaga County, New York, your Medicare Advantage Plan, you would no longer be able to be enrolled in the Medicare, and you were enrolled in the Medicare Advantage Plan when you were in San Diego, okay? Let's just make that assumption. So if you moved, you would have a special enrollment period. Here's another enrollment period. - Oh, landmine. - Yeah. And this is for moving. - 'Cause my birthday's on the first? - For moving. No, it has nothing to do with that this time.

So you would have a special enrollment period that allowed you to enroll in a different plan. And at this point-- - Because I moved. - Because you moved. And at this point, also you would have an opportunity to either enroll in a Medicare Advantage Plan in your new county, or you could be eligible to enroll in a Medicare supplement plus a prescription drug plan without underwriting. - Okay, this is a big factoid that I think people need to be familiar with on the, what'd you call it, a special enrollment period? - Special enrollment period for moving out of the area. - Got it. Are there other special enrollment periods? - Oh yeah, there's a lot. Well, the retiree or the loss of employer group coverage is also a special enrollment period.

There's special enrollment. - So if I retired at 68 and I had group coverage that I was carrying forward until I retired at 68 and I no longer had the group coverage, maybe I just had part A of Medicare. Sure. So that's another special enrollment period when I'm now officially retired and no longer have group coverage.

So then you have a special enrollment period that allows you to enroll in a Medicare supplement plan and prescription drug plan without underwriting. Wow. Are there other other ones or you could enroll in a Medicare Advantage plan.

So that's why it's just, it's incumbent upon you, a listener, you, the, you know, you, the general you to understand what the differences are between Medicare Advantage plans and Medicare supplement plans and understand what, you know, where, what, what path, again, going back to my original point about the path and which, which path, which path is the, the, the best for you.

Got it. Because then also that gets into another point that you just brought up about traveling. So if, or if you have a second home. So I don't recommend people if they have a second home.

So let's say they live, you know, they live in, well, we have the one client that lives in San

Francisco, but they have a home in Hawaii. Right. So in that case, they're enrolled in a Medicare supplement plan so that they can access.

So, so just using that client example, they have a Medicare supplement, but let's say they had a Medicare Advantage plan. They lived in San Francisco and then they are spending six months at their home in Hawaii. They would only be covered in Hawaii for urgent and emergency care.

If they had a situation where they had a doctor that they were seeing kind of more on a regular basis for care, for ongoing care in Hawaii, then that would not be covered by their Medicare Advantage plan that they're enrolled in and their main service area in San Francisco.

So that's going to be interesting to see in this new era of telemed and Zoom appointments and all that you can do with medicine. Yeah. Let's just go down that route and say that we're retired six months of the year in Hawaii.

That sounds pretty spectacular. That sounds delicious. You could still zoom. We could still zoom or have telemed appointments with our doctors in the Bay Area.

Yeah. I think a lot of that still is very dependent on the doctor and the medical group and the kind of system, if you will, that the medical group has. Yeah.

And certainly some of the carriers also have what they referred to as teledoc services, but that would be not necessarily with your own particular doctor.

Got it. Sure. Because you're in a Medicare. No, I'm not even in Medicare Advantage Plan. It doesn't really matter. I think that the generally speaking, the Zoom with your doctor has more to do specifically with your doctor and the medical group that the doctor is associated with and how they've set up their practice.

Got it. So one of the other things I was hoping you could do for us is we've clearly demonstrated how complex all of this is. But what's a good example of a client that was just kind of a seven iron down the middle?

I love the golf reference. Seven iron down the middle. Come on. Yeah. Yeah. So, you know, another example of where it's pretty, pretty straightforward, but also required some planning. You know, a client who is retired basically 18 months ahead of time and so that he could take advantage of Cobra before he turned 65.

So he was ready to retire. He was done working. Said that's enough. Wasn't gonna somehow finish the marathon till 65. Right. So timed it in such a way where he retired at 63

and a half.

Right. The eligible for Cobra kicked in for 18 months. Right. Therefore it took him to the to the magic age of 65, but he had his three month.

Well, then he had his initial enrollment period. So he was able to time it so that he enrolled in Medicare, which starts the first day of the month he turned 65, and unless your birthday is on the first of the month. And so then he timed it so that his Cobra, if you will, Cobra coverage ran out. The month he turned 65, and that's when Medicare kicked in, and then we also got him enrolled in a supplement ahead of time so that his supplement kicked in in the same month that Medicare did. So, and the prescription drug plan. So it was all planned out.

So you can, you certainly can do that. - Yeah, that seems like the way to go. - Yeah, and the one thing to note about Cobra, just want to make a special note here, because I've seen this happen, which is a little odd, but does happen. So in that story, and we're just talking about, that's when a client had Cobra prior to turning 65. I've been involved in a situation, someone called me up and was asking for some help with a situation where it was a CPA who had a client that was 70 years old, and she retired, and she took Cobra. And the thing you want to be aware of here is that Cobra, if you're over 65 and retired, Medicare doesn't recognize Cobra as credible coverage. So something to be very aware of. And in that case, if I had been involved earlier with when she was making those decisions, I definitely would have advised her to not take Cobra at the age of 70, but to enroll in Medicare because it's not credible coverage, and it's outside her initial enrollment period, and she doesn't have another enrollment period. She has to wait until the regular Medicare open enrollment period, which is in January, so January through March. January through March, and as I remember that specific client situation, her Cobra expired in April. Correct, of the previous year. So she was out without any kind of-- She was-- She did have Medicare Part A, but she-- She had Medicare Part A, but that's just again, that's just hospitalization and-- Correct.

And urgent care, emergency room. Correct. Part A for hospitalization. Yeah. Primarily. So the rest of her medical needs were exposed to the fact that she didn't have Medicare, nor did she have any other health insurance coverage. Right. Which would have all been out of pocket for her. Right. Because-- That's a little scary. Because her Cobra ran out. Yes, it is scary. And also, she's going to be subject to penalties because she didn't enroll in Medicare when she should have. So there's penalties? Yes, so there's a couple different penalties that you need to be aware of.

There's one having specifically to do with not enrolling in Part B when you're eligible to enroll in Part B. And then there's another penalty that is specifically to prescription drug plan and not enrolling in a prescription drug plan when-- Going without prescription drug

coverage.

So-- Wow. Lots to be aware of. Complex, complex, complex. There's so much here. We could do this for days. Are there other super critical components to what we're talking about that you want to make sure that we cover in this episode of our 14 -part mega series on Medicare?

Well, I just think it's important that people understand that don't get caught up in the frenzy of all of the advertising. And do your research.

Medicare.gov is actually a very-- There's a lot of information on Medicare.gov. There's also what's referred to as the State Health Insurance Assistant Program, and that's a SHIP for short.

So these are resources that you have available to you that you can look into-- State. State Health Insurance-- Health Insurance Program. Assistant programs. Assistance programs.

SHIP. SHIP, yeah. And go on Medicare.gov. And really also when you're searching searching for information, make sure that you're looking at credible resources online.

I would, you know, rely more on medicare.gov than I would on, you know, a rando, website. Another little sidebar is that Medicare has, Medicare first of all is open 24 hours a day, seven days a week. I have found that Medicare is not that bad in terms of trying to reach somebody. The other thing that's interesting is you can set up your Medicare, you can set up a medicare.gov account if you're on Medicare. Medicare and medicare.gov has a chat feature. And I have found the chat feature to be a-- - That's valuable.

- A good resource. - Wow. - A good resource. And you can, the reason I like the chat feature is because it's documented. So if you're asking a very specific question, you can put it in the chat feature and get a response.

Sometimes there, and it's not a bot, it's a person. Sometimes the responses are a little more general or a cut and paste of a rule or whatever. But if you really want to press the issue, you can try to get your question specifically answered and then you have, and then print that out. So you have that documentation. - That's good advice. - If you ever have a dispute on something down the road. - Okay. What is, this has been swimming around in my head for a while. What is the number one question you get asked about Medicare? - I think it's specifically around, first of all, how does it work? - Okay.

- People don't understand how it works. - Okay. - And how much am I gonna pay for it? - Okay. - And what are my choices? So that wasn't the number one question. Those were

the three top questions. - Well, that's helpful because-- - Those are the three, yeah. - Because again, going back to my initial point that I think people have an expectation that Medicare is gonna be easy. - Right. - It's going to be simple, right? - And straightforward. - And straightforward. - And it's not necessarily-- - And it's just, as we've identified, there's a lot of technical aspects in terms of all of this stuff. And I think we gotta put it out there for those of you, what states are you licensed in? - California, Oregon, and Nevada. - So for those members of the financial sobriety community that may individually or a loved one, neighbor friend, cousin, coworker that has issues, questions related to their Medicare situation, and they are approaching 65 or in the magic seven month window, let's have them reach out to my email address, which is jim@yourfinancialsobriety.com. Just drop us your question and-- - Sure. - Either we can talk one on one or maybe we can address future questions in the podcast depending if we get a slew.

Because this is, I just keep coming back to the fact that it's so lifestyle specific. It's so individually specific to what your circumstances are.

And because of this desire for people to wanna keep it simple, they're talking with their next or neighbor at the mailbox who may be the same age and is on a different plan or their spouse has coverage through work or what the heck it is.

And then they go and they don't have those same options and they get frustrated. But that's where this is just, it's not a one size fits all solution. Part A, as you've described it, sounds like it's the most one size fits all.

After that, you go into the custom design section of Medicare where all these nuances apply. And that's why I keep coming back to this mine field in these land mines because people don't know this stuff.

- Right, right. - So hopefully this has been a really valuable public service announcement for our tribe today. Beth Gebhart who happens not only to be my wife but also my partner on the subject of all things Medicare at Gebhart Group.

- Usually you call me your bride. - I do, but you don't like it when I use that. you can say that all right also my bride next week of 26 years you can find her on 26 years of sheer bliss absolutely four kids and a dog Gebhardt group Inc .com is our wealth management group which is where Beth spends most of her time but it is awesome having you in studio today Matthew would have had lots to share I'm sure he would have but we're gonna say that this is the quietest Matthew's ever been true this this episode is brought to you by the letter M for Medicare and with that good night Cookie Monster that's a wrap.

If you like what you heard leave us a review and be sure to subscribe and check out our website yourfinancialsobriety.com thanks again for listening today here to help you find more clarity confidence and capability along your journey into financial sobriety I'm Matthew

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