

David Lerner Associates: Complaints about Hidden Medicare Costs

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Monthly Medicare premiums, copays, and coinsurance, as well as out-of-pocket expenses, could impact your retirement budget.

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Some seniors have the mistaken idea that once they start receiving Medicare, virtually all of their healthcare costs will be covered. But this usually isn't the case for most seniors.

First, there are monthly Medicare premiums, copays, and coinsurance associated with Medicare services, as well as annual deductibles. Beyond these costs are other possible Medicare out-of-pocket expenses that are harder to predict, but they could result in unexpected medical costs which could impact your retirement budget. These might include the following six potential costs:

- 1. Charges associated with annual wellness checkups** — Medicare Part B includes free annual wellness checkups in addition to a free “Welcome to Medicare” preventive doctor’s visit during the first year of coverage. But if your doctor orders certain tests or services that aren’t considered preventive or orders these tests more often than they are covered by Medicare, there might be a coinsurance payment, and the deductible might also apply. Buying a supplemental plan like Medicare Advantage and Medigap could help cover some of these costs.
- 2. Charges associated with preventive care screening tests** — Most of these tests are covered by Medicare with no out-of-pocket costs borne by retirees. It’s the additional tests that might be required if the original test detects a potential concern that could result in a copay for retirees. Colonoscopies are a good example: They usually cost retirees nothing if no potential concerns are uncovered. But if the doctor removes a polyp or other suspicious tissue during the procedure, a 20 percent copay might apply.
- 3. Late enrollment penalty for Part B** — It’s critical to sign up for Medicare Part B during your initial enrollment period. This begins three months before the month you turn 65 and continues for four more months after your 65th birthday. Otherwise, you could be subject to a late enrollment penalty for as long as you live. This penalty is equal to a 10 percent increase in the monthly premium for each 12-month period you were eligible for Medicare Part B but didn’t sign up.
- 4. Late enrollment penalty for Part D** — There’s also a late enrollment penalty for failing to sign up for the Medicare Part D prescription drug plan when you are first eligible, and the penalty increases the longer you wait to sign up. Some seniors neglect to sign up for Medicare Part D when they’re first eligible because they aren’t taking any (or very many) prescription medications. But waiting can be costly if you end up needing prescription medications later and have to pay a late enrollment penalty.
- 5. Medicare Part D drug restrictions and coverage gaps** — Medicare formularies detail which prescription drugs are covered under Part D and what the cost-sharing requirements are. In addition, some Medicare Part D plans require seniors to use a lower-cost prescription medication than what the doctor prescribed, or impose quantity limits on prescriptions. There’s also the infamous Part D “doughnut hole” coverage gap that applies when a retiree incurs between \$2,850 and \$6,691 in prescription drug costs (in 2014). This gap is scheduled to be closed by 2020, but in the meantime, it could prove costly for seniors with high prescription drug expenses.
- 6. Long-term care expenses** — Medicare only covers short-term nursing home stays of up to 100 days (after a three-day hospital stay). Retirees are primarily responsible for the cost of any nursing home care beyond this. One option is to spend down all of your resources to try to qualify for Medicaid, which might cover some long-term care expenses. Another option is to purchase private long-term care insurance.

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Founded in 1976, David Lerner Associates is a privately-held broker/dealer with headquarters in Syosset, New York and branch offices in Westport, CT; Boca Raton, FL; Teaneck and Princeton, NJ; and White Plains, NY. For more information contact David Lerner Associates <http://www.davidlerner.com> (800) 367-3000

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