

## October 2, 2023 – Wealth Planning Commentary

### Beware of Medicare Advantage Plans

An alarming trend in health insurance coverage over the past fifteen years is the privatization of Medicare through increased enrollment in Medicare Advantage plans. The adoption of Medicare Advantage plans within the eligible Medicare population grew from about 20% in 2007 to 50% in 2023. Seniors are bombarded with ads from insurers offering Medicare Advantage plans, especially during the open enrollment period from mid-October through early December. Many seniors enroll in Medicare Advantage plans without understanding the benefits and risks. For affluent seniors, Original Medicare, Part D and a Medigap plan is likely a better solution than a Medicare Advantage plan.

Medicare Advantage plans, also known as Medicare Part C, are funded by the federal government but defined and administered by private carriers. A plan participant must first enroll in Medicare Part A (Hospital Insurance) and Part B (Medical Insurance) before signing up for a Medicare Advantage plan. Medicare Advantage is meant to supplement Original Medicare (Parts A and B) and typically includes Part D (Drug Coverage). Medicare Advantage plans are designed to replace a Medigap supplemental plan like Plan G.

Medicare Advantage plans do come with some benefits and can cover more services than Original Medicare including dental, hearing and vision. There are HMO and PPO models. HMOs typically have lower premiums and incentivize the insured to use in-network providers. PPOs are likely to have higher premiums in exchange for the flexibility to use both in- and out-of-network providers without a referral. PPO out-of-pocket costs are higher than HMO out-of-pocket costs. Medicare Advantage plans are a good fit for healthy seniors who do not have significant medical expenses, and who find that the combined monthly cost of Medicare (A+B), Part D and Medigap is too expensive.

It's typically recommended to enroll in Part D and a Medigap plan instead of Medicare Advantage. Together, Medicare A+B, Part D and Medigap offer access to a broader range of doctors. Medicare Advantage plans, even PPOs, will usually incur higher costs for seeing out-of-network providers. Medicare Advantage plans also have a higher likelihood of claim denial and require more prior authorizations. A federal study from 2022 found that almost one in five Medicare Advantage plan payment claims were wrongfully denied and should have been covered.

It is difficult for those who initially enroll in a Medicare Advantage plan to switch to Original Medicare and Medigap. Original Medicare covers 80% of medical bills and many enrollees will need prescription drug coverage and a Medigap plan. Gaining coverage under a Medigap plan after the initial enrollment period may be challenging. Applicants are required to undergo medical underwriting. However, if the applicant had signed up for a Medigap plan during the initial enrollment period, instead of Medicare Advantage, the underwriting process would not have been required.

To help our clients with the Medicare decision process we have partnered with Fair Square Medicare. Please reach out to your Wealth Manager to discuss.

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