

Beware ignoring Medicare enrollment rules

By Lynn Brenner August 21, 2008

Every adviser with clients who are nearing retirement should start talking to them at least six months before they turn 65 — or sooner if they intend to retire early — about when and how to tap Medicare.

It's important to be proactive about this, said Taylor M. Gang, an accredited investment fiduciary and a vice president of Evensky & Katz Wealth Management, a Coral Gables, Fla., firm that oversees about \$550 million in client assets.

If you don't speak up, your clients risk missing important enrollment deadlines. The result can be extremely costly. Few clients are aware of these deadlines, Mr. Gang said. Clients face annual Medicare options that most people find mind-numbingly complex, he said. "This is an area where an adviser can really add value.

If you have a long enough relationship with clients, every one of them will go through Medicare decisions," Mr. Gang said. "And if this is near the starting point of your relationship, it's a tremendous opportunity to secure a client for life."

Contrary to what you might assume, Medicare doesn't notify everyone when they become eligible for coverage.

The only people who automatically receive Medicare cards are those who apply for Social Security retirement benefits before they turn 65 — something the affluent rarely do. (In fact, most advisers recommend that clients delay collecting Social Security until after they qualify for a full benefit, and those born after 1937 aren't ineligible for a full benefit until they're over 65.)

Anyone not collecting Social Security at 65 must apply for Medicare during one of three very strict enrollment periods, said Maura Carley, president of Healthcare Navigation LLC, a Fairfield, Conn. fee-only health care consultant and patient advocate.

Although the firm has clients in all demographic groups, retirees are becoming an increasingly large part of its business.

Medicare's "initial enrollment" period starts three months before a person's 65th birthday and ends three months after he or she turns 65.

"But let's say you don't enroll at that point, because you're still working and have group coverage," Ms. Carley said. In that case, you have a second opportunity when you stop working.

This is a “special enrollment” period, which ends eight months after your retirement date or the date your employer-sponsored coverage ends, whichever comes first, Ms. Carley said.

Anyone who misses special enrollment pays a permanently higher premium for Medicare Part B, which covers doctors’ fees and outpatient services: You pay an extra 10% for each 12-month period in which you could have been enrolled in Part B but were not. If you’re 24 months late signing up, for example, your Part B premium will always be 20% higher.

Finally, there’s “general enrollment,” which occurs annually from Jan. 1 through March 31 for Medicare coverage starting July 1.

In other words, a client who misses the March 31 deadline can be without health coverage for more than a year. This gap in coverage can be hugely expensive, Ms. Carley noted.

Older clients often have health problems, and an uninsured patient typically pays charges many multiples above those that are billed to a group plan or to Medicare, she said. “I recently saw a \$118,000 bill for just one morning of medical treatment,” Ms. Carley said.

Clients often inadvertently make bad choices. Ms. Carley recalls one man who worked into his late 70s and then elected to continue his group coverage through COBRA provisions when he retired.

“That’s usually a very bad decision for anyone who could be on Medicare, because the government doesn’t recognize 18 months of COBRA as an excuse for missing a Medicare enrollment period,” she said.

“Fortunately, his family discovered his problem in first quarter of the year, so he was able to enroll in Medicare effective July 1,” Ms. Carley said. “He needed surgery, which had to be moved up so he was in the hospital when COBRA ended. And his Medicare penalty premium was assessed back to the open enrollment when he’d turned 65.”

Clients who retire from a corporate job at 62, became self-employed and have small-group coverage through their own business encounter a different problem: They rarely realize that under small-group insurance rules, Medicare becomes your primary coverage as soon as you turn 65.

“Eventually, their insurer sends them a bill for all the claims it paid in error — claims that should have been paid by Medicare,” Ms. Carley said.

“That’s very hard for the average person to deal with. Medicare doesn’t accept claims from civilians. You have to get your doctors to submit them.”

Ms. Carley recommends reviewing a client’s health insurance strategy every year. “Their coverage and their health status both change.”

Lynn Brenner is a weekly columnist on personal finance for Newsday, and has been a business journalist for over 25 years.