

Greetings again. I'm writing this on a beautiful fall day in mid-October. Cool fall temperatures. Sunny. Crisp. Just the way I like it. I'm looking forward to the colors, the caramel apples and the pumpkin pie.

The most significant change in government insurance programs in years is the introduction starting January 1 of Medicare's long-awaited new prescription drug coverage Part D. I share with you here what it is that you and your loved ones on Medicare need to know, along with my recommendations. Every single person currently on Medicare is being inundated with information. Mail-order solicitations from scores of insurance companies. Booklets from Medicare. Letters from their own Medicare supplement insurance company. Rather than add to that pile, I decided that I could best serve you by providing you with some basics and then cutting right to the chase—giving you the best advice I can to help you make good decisions as quickly and easily as possible. I have tailored my advice to my specific clients and not to the senior population as a whole.

**MEDICARE'S
PRESCRIPTION DRUG
COVERAGE STARTS
JANUARY 1, 2006**

Referred to as Medicare Part D. Unlike Medicare's Part A and Part B, this new drug coverage, along with the collection of premiums and payment of claims, will be administered by private insurance companies rather than Medicare but will be funded by Medicare. This Part D coverage will be optional to you. If you accept it, you will need to choose an insurance company to administer the coverage and pay your claims. If you currently have Medicare supplement coverage with prescription drug coverage, you will have to choose between Medicare's drug coverage and your own current coverage. The rules of Medicare will not allow you to keep both. However, considering its minimal cost to you after government subsidizing, nearly everyone who does not have existing "credible coverage" will be better off accepting Medicare's Part D coverage and dropping their current coverage, if any.

**WHAT IS "CREDIBLE
COVERAGE"?**

To be considered "credible," your existing drug coverage must be as good or better than Medicare's Part D drug coverage. Your current insurer is sending you an advisory in writing as to whether or not your current coverage is "credible." If it's not credible, I recommend you take Medicare's Part D coverage instead and drop your existing coverage.

**WHO SHOULD DECLINE
MEDICARE PART D?**

Decline Part D if your coverage is considered "credible" and if the cost of the coverage is free or minimal to you. Here are two examples.

• **Dan's story**

Dan is a retired University of Minnesota professor. Part of his retirement package includes the option to keep full University of Minnesota health coverage at a very discounted price. The drug coverage under this plan is far better than Medicare's so Dan should decline Part D.

• **Betty's story**

Betty continues to work 30 hours per week and receives full benefits at no cost to her, including full drug coverage with \$15 co-pays. Far better coverage than Part D.

**SOME BACKGROUND:
WHY I EXCLUSIVELY
RECOMMEND BLUE
CROSS SENIOR
GOLD MEDICARE
SUPPLEMENT
POLICIES**

For a few years now, I have been exclusively recommending to MN clients the Blue Cross Senior Gold program because it meets what I consider to be the three most important criteria of a good Medicare supplement: (1) good freedom of choice of physicians including specialists; (2) claims coverage anywhere in the United States (great for snowbirds); and (3) perhaps most importantly, coverage for about 80% of the often substantial medical costs that Medicare disallows as being "excessive." A fourth advantage is that if you use Blue Cross doctors anywhere in the United States, claims will be paperless. In addition to all these features, the Blue Cross Senior Gold program is priced very inexpensively. For these same reasons, I also recommend Blue Cross prescription drug coverage for you as well.

**THE PROPOSED
TIMETABLE**

If you are currently enrolled in Medicare, sometime before November 15, 2005, you will start receiving solicitations by mail from several different insurance companies. If you currently have a Blue Cross Medicare supplement policy (i.e., Senior Gold), you also will receive a prescription drug Part D coverage offer from Blue Cross. Blue Cross must, by law, include a comparison of your existing drug coverage to Medicare's new Part D drug coverage.

THE OPEN ENROLLMENT PERIOD

You can sign up for Medicare Part D anytime between November 15, 2005, and May 15, 2006. **This coverage will be guaranteed to you regardless of any pre-existing health conditions!** I recommend a start date of January 1. The coverage will work better for you if you have it for the full calendar year

THE PENALTY FOR LATE ENROLLMENT

If you don't sign up by May 15, 2006, you can still get the coverage in future years between November 15 and December 31, but the premium will be 12% per year higher for each year that you delay enrollment, for the rest of your life, unless you have credible coverage currently. In which case, you can decline Part D now and buy later without penalty.

"SO HOW DOES PART D MEDICARE WORK?"

- You pay 100% of the first \$250 of drug costs in a year (your deductible).
- From \$250-\$2,250, you pay 25% and Medicare pays 75%.
- From \$2,250-\$5,100, you pay 100%, Medicare pays zip (referred to as the "donut hole" in the new Medicare coverage.)
- Above \$5,100, you pay 5% and Medicare pays 95% with no dollar limit.

Of the first \$5,100 of drug costs in one year, you pay \$3,600! For some reason, the law does not allow you to insure this \$3,600 responsibility. (Which makes absolutely no sense to me at all! This plan, with all the different layers, was clearly created by a committee!)

ADIOS TO CANADA

If you've been one of those "drug importers" getting your drugs from Canada at a discount, those costs will not count toward your new Part D drug coverage with Medicare.

INTRODUCING THE THREE BLUE CROSS PRESCRIPTION DRUG OPTIONS FOR 2006: CODENAME "MEDICARE BLUE RX"

All three plans meet or exceed Medicare's Part D minimum requirements. (See the enclosure that compares the three plans and includes some examples.)

1. **Option 1** – a basic plan that meets but does not exceed Medicare's Part D coverage requirements. Very economical—under \$14 per month.
2. **Option 2** – a slightly upgraded plan that waives the \$250 deductible, covers a little more of the next \$2,000, but charges nearly \$500 a year more in premium.
3. **Option 3** – the Cadillac of coverage. Much simpler administratively. Covers 70% of the first \$12,000 a year of drugs and 95% above \$12,000. It's the priciest option at about \$100 a month, but it's better coverage and less expensive than the best available current Senior Gold drug coverage of 50%.

COMPARING ANNUAL COSTS FOR EACH OF THE THREE PLANS

In order to help you choose the plan that's best for you right now, I did some number crunching, and here's how the three plans compare in cost for different levels of annual drug expenses. "Annual costs" refers to the sum of the annual premiums paid for each plan plus the out-of-pocket costs and co-payments you will be responsible for under each plan:

IF YOUR ANNUAL DRUG COSTS ARE:	OPTION 1 PLAN	OPTION 2 PLAN	OPTION 3 PLAN	BEST CHOICE
None	\$160	\$650	\$1,200	Option 1
\$1000	\$600	\$850	\$1,500	Option 1
\$5,100	\$3,760	\$3,950	\$2,730	Option 3
\$12,000	\$4,105	\$4,650	\$4,800	Option 1
\$18,000	\$4,405	\$4,950	\$5,100	Option 1

Surprisingly to me, the most cost-effective choice in several cases is not the most deluxe coverage but rather the basic coverage. Apparently, the premium difference of \$1,000 per year is so significant that the premium savings more than offsets the improved coverage. The only thing you have to be careful of about Option 1 is just make sure that the drugs that you're taking are on the approved formulary list. Option 1 includes two levels of approved drugs, covering 100% of generic drugs and the majority of brand name drugs. Options 2 and 3 have a third level that includes the remaining brand names. The easiest way to check out if your brand-name drugs are included in the first two tiers is go to www.yourmedicareolutions.com and select the drug formulary option. Per Blue Cross, 96% of the top 100 drugs are in the first two tiers.

I RECOMMEND THAT YOU WORK WITH JUST ONE PHARMACY

This layering of coverage with different percentages will make it very confusing when you go to the pharmacy. Your co-payment for any one drug prescription could be 100% or 25% or only 5%, depending on your cumulative bills to date. If you get all your drugs from one source, the pharmacist should be able help you figure out what your co-payment should be. Approved participating pharmacies can also be located at www.yourmedicareolutions.com

MY RECOMMENDED ACTION STEPS FOR ENROLLING IN PART D

1. Complete the Medicare Blue RX enrollment form for drug coverage in the packet sent to you by Blue Cross. Choose the coverage option that you want— Option 1, 2, or 3. Fill in my name as your agent and my agent code of FFK6349, so I can represent you. (Leave the agent signature box blank. It is not required.) Then sign the form and mail it back to: Enrollment Services, P.O. Box 7018, Lawrence, KS 66044, before December 31 for a January 1, 2006 effective date. Send no money. You will be billed.
2. Choose one of the three optional plans, even if you have no current medication you take. The cost is only \$160 a year for Option 1, and you will avoid much higher costs later for late enrollment. (Not to mention that you might need the coverage!)
3. If you're dropping your current drug coverage, also complete the Medicare Supplement Change Form, sign that and mail to: Blue Cross, P.O. Box 64560, St. Paul, Minnesota 55164.

WHAT I RECOMMENDED TO MY MOTHER-IN-LAW? —OPTION 3

Choosing choice, simplicity, and convenience over lowest cost. Option 3 gives Paddy Jo the luxury of more freedom of choice with the largest eligible drug list. A better coverage and cost value in most cases than Option 2. Much simpler for her to work with, paying a flat 70% of the first \$12,000 and 95% thereafter, each calendar year. Plus 40% better coverage than what she has had with Blue Cross for a premium of \$400 a year less. (You never want to give your mother-in-law bad advice. You never know what she might put in the stuffing at Thanksgiving!)

REMEMBER YOU CAN CHANGE PLANS ANNUALLY

Don't be concerned about making a bad choice about your drug coverage. The only bad choice would be not taking any option. Every year from November 15 through December 31, you will be given the choice of raising or lowering your coverage and corresponding premiums, regardless of health.

IF YOU WOULD LIKE SOME ONE-ON-ONE HELP FROM US...

If you'd like to discuss your specific situation in more detail, call Carol Bechay at 952-896-9536 or myself at 952-896-9534. Or e-mail your questions to Carol at cbechay@corporate4.net or me at jhungelmann@corporate4.net.

Or, perhaps a much easier alternative, make a 30-minute appointment at our Edina office to have us proof the forms for you, mail them to the appropriate locations for you and give you a copy set for your records. Call Carol at 952-896-9536 to set it up.

“CAN I BUY YOUR EXPERTISE FOR A LOVED ONE?”

Yes you can. There are plenty of resources where free help is available. But if you want me to personally work with your mom or sweet Aunt Mary (who made you all those chocolate chip cookies as a kid), I will meet you and/or them, help sort through the options, and help make a good decision. Your cost will be \$200 for up to one hour and in \$150 per hour thereafter. In most cases one hour should be all we need.

IF YOUR MEDICARE SUPPLEMENT IS THROUGH THE MINNESOTA COMPREHENSIVE HEALTH ASSOCIATION (MCHA)

I have a client by the name of Mary Bass who, due to some significant health problems requiring a lot of prescription drugs, was forced many years ago to buy her Medicare supplement from the state insurance plan, MCHA, and is now paying about \$600 a month for that supplement that includes 80% coverage for prescription drugs. If she cancels the drug coverage and takes Medicare Part D, she will have to pay more in co-payments for her drugs most of the time, but she will also save over \$3,000 a year in premium. Definitely a good move.

• AN IMPORTANT POINT REGARDING MCHA

Under the new drug coverage for Medicare, anyone can enroll in any plan sold in the state and cannot be denied coverage based on pre-existing health conditions. Thus, Mary can safely drop her MCHA drug coverage and buy it much cheaper elsewhere. It is not a requirement that anyone has to purchase their drug coverage from the same insurance company covering the Medicare supplement.

IRS RULES PERMIT YOU TO HAVE YOUR HEALTH SAVINGS ACCOUNT ANYWHERE YOU CAN HAVE AN IRA

Such as banks, credit unions, mutual funds etc. There are some conveniences of having them together with Blue Cross. But Blue Cross is still working on trying to get the bugs out of their system and, so far, the service has been sometimes less than what it should be. Some clients have expressed some frustration. If you are one of those clients who has a Blue Cross high deductible health plan but is dissatisfied with their affiliated savings account service, I recommend you look into moving the savings account part of your program to any of these other investment vehicles where you'll have more control.

TO THOSE WITH HEALTH SAVINGS ACCOUNTS WITH BLUE CROSS/MII LIFE

Having a tax deductible Health Savings Account requires two things: 1) an approved high deductible health plan, and 2) a separate savings account to which you can deposit money that has never been taxed to pay future medical bills, dental bills, health insurance deductibles, etc. It is convenient but not a requirement that the savings account be with the same company as the health insurance.

CHOOSE AN ACCOUNT THAT ALLOWS FOR CHECK WRITING AND DEBIT CARDS

If you move your HSA, be sure to set up the type of account such as a checking account where you would have both checks and a debit card. Then you can easily pay uncovered medical expenses, dental bills and deductibles yourself right on the spot and not have to go through the hassle and delay of submitting them to Blue Cross and waiting for them to issue your check.

IF YOU DO MOVE, THERE IS AN ADDITIONAL RISK YOU'RE TAKING

With the savings account through Blue Cross, before they issue you a reimbursement check for an uninsured expense, they do get documentation from you to verify that that expense is legitimately payable by a Health Savings Account. If you move your savings account to your own control and you pay the bills yourself, if you're ever audited, you will be on your own.

IF YOU KEEP YOUR HSA WITH BLUE CROSS/MII...

Here's a list of contact names and numbers of people happy to help you if you're having problems with the administration of your savings account:

For general service questions:	Customer service	651-662-5065 (fax 651-662-7247)
If they can't help:	Brenda Olson	651-662-7593 Brenda_Olson@miilife.com
Brenda's supervisor:	John Nentwig	651-662-8951 John_A_Nentwig@miilife.com
Department manager:	David Duffy	651-662-1189 in line David_P_Duffy@bluecrossmn.com

GOOD NEWS! HSA CONTRIBUTIONS NOW TAX DEDUCTIBLE IN MINNESOTA!

Minnesota finally fixed the glitch in their tax system. Your HSA contributions are now deductible on your state return. They have always been deductible on your federal return. The really good news is that Minnesota made the change retroactive to January 1, 2004! If you contributed to an HSA in 2004, consult your tax advisor about filing an amended return for a refund. (Be sure to send the usual 15% finders fee to yours truly!)

COBRA EXTENDED TO 24 MONTHS FOR THOSE EMPLOYEES ON ACTIVE ARMED SERVICES DUTY

For employees who leave their job to serve in the Armed Forces for 30 days or more, the right under federal COBRA law to continue their group health coverage has now been extended from the usual 18 months to 24 months. Rightfully so.

In my 21 years of writing newsletters, this issue is by far the most difficult I have ever written. Many hours of research on the new Medicare drug coverage and detailed analyses of the choices. And several rewrites as more and more information filtered in. But my business is personal risk management—not just selling insurance. Helping you identify and make good decisions about managing all the risks in your life requires that I research new laws and coverages and make recommendations to you. This newsletter, my research and analyses are all made possible because of the risk management fee that you pay every year.

All the best!

Jack Hungelmann

Insurance For Dummies authored by Jack Hungelmann. Buy it online at www.dummies.com or www.amazon.com.

