



## Questions Every *Advisor* *Should be Asking* Medicare-Eligible Clients

### **Do you have any upcoming financial changes that will impact your Modified Adjusted Gross Income?**

About 95% of Medicare beneficiaries pay Medicare's standard base premiums. A small group of high-income earners will pay the base premium plus an additional amount.

Medicare imposes a premium adjustment based on a two-year lookback of your Modified Adjusted Gross Income (MAGI). If you owe a higher premium, Social Security calls this your "income-related monthly adjustment amount" or IRMAA.

Examples of income you may have reported on your tax return would be wages, dividends, alimony received, rental income, farm income, investment income, capital gains, and Social Security benefits.

Social Security uses the income information you reported from your most recently filed federal tax return. They calculate your Medicare premium based on your reported MAGI 2 years ago.

If Social Security determines that you owe a higher premium, they will send you a letter to notify you of the amount. If you wish to appeal the income-based adjustment due to a life-changing event, there is a form to fill out and file with Social Security titled Medicare Income-Related Monthly Adjustment Amount (SSA-44).

### **Are you currently contributing to a Health Savings Account?**

Contributing to an HSA while enrolled in any part of Medicare can result in an IRS penalty. If you start Medicare at age 65 or during your 7-month Initial Enrollment Period (IEP), you will want to stop all HSA contributions by the day before the 1st of your 65th birthday month.

However, suppose you delay all parts of Medicare beyond age 65 because you plan to continue working for a large employer. In that case, you will want to stop contributions six months before you apply for Medicare or Social Security benefits.

If your spouse contributes to an HSA and is not enrolled in Medicare, they can continue to contribute up to the individual limit allowed by the IRS even though you are enrolled in Medicare.



### **Are you planning to work past age 65?**

People who are eligible for Medicare but planning to work beyond age 65 may be able to delay Medicare enrollment. If you (or your spouse) are actively working for a large employer with 20 or more employees with an eligible group health plan, you can delay Medicare coverage.

Some people in this scenario still choose to enroll in Medicare Part A and sometimes B. You can still enroll in Medicare for secondary coverage, and Parts A and B would pay secondary to your employer plan.

When you delay enrollment, you will later have an 8-month Special Enrollment Period (SEP) to apply for Medicare Part A and/or Part B once you stop actively working. You will have a 2-month SEP to apply for a Part D plan without a penalty. During this time, you can also enroll in a Medicare Advantage plan. Enrolling in a Medigap plan during your 6-month Medigap Open Enrollment is based on your Part B effective date.

You will need to have your employer fill out form CMS-L564 to prove you were covered by creditable coverage while delaying Medicare. You will submit this form, along with form CMS-40B (Part B application), to the Social Security office when it's time for you to apply for Medicare.

If your employer has less than 20 employees, you will want to enroll in Medicare Part A and Part B during your Initial Enrollment Period to avoid unexpected medical expenses and a potential late enrollment penalty. However, you can stay on your employer's insurance; in this case, Medicare is primary, and the group health plan is secondary.

### **Will you have any other forms of insurance or retiree coverage?**

Unfortunately, retiree, FEHB, COBRA, Veterans, and Tricare for Life (TFL) coverage are not considered creditable for Medicare. If you have any of these coverages, you will want to enroll in Medicare Part A and Part B through Social Security during your Initial Enrollment Period (IEP) to avoid late enrollment penalties. In this case, Medicare will be primary, and the other coverage will be secondary.

Tricare for Life acts as a supplement to Medicare. Medicare will be primary, and Tricare will be secondary. Tricare for Life offers comprehensive coverage, so you will not need to enroll in additional Medicare plans or Part D if you are eligible for and enroll in TFL.

Veterans' insurance (also known as VA Benefits) can provide some medication coverage, which is creditable. It is recommended that people with VA Benefits sign up for a Medicare Part D plan to have access to civilian pharmacies if needed.

### **Did you know Traditional Medicare does not cover all health care costs?**

You can choose one of two routes regarding Medicare supplemental coverage. You can enroll in either a Medigap plan or a Medicare Advantage plan.

There are ten types of Medigap plans on the market. Medigap plans pay secondary to Original Medicare and help cover the "gaps" that Medicare does not cover, such as deductibles and coinsurance. With these plans, you typically have less out-of-pocket costs in exchange for a higher monthly premium. Medigap plans do not have network restrictions, so you can visit any doctor in the U.S. that accepts Medicare and use a Medigap plan.

Your second option is a Medicare Advantage plan. When you opt for a Medicare Advantage plan, you will receive your Medicare Part A and Part B benefits through the private insurance carrier. Your plan will have a network of doctors and pharmacies you can visit that accept your plan. These plans tend to have lower premiums than Medigap plans in exchange for more annual out-of-pocket costs. Advantage plans can offer additional dental, vision, and hearing benefits.

 Investment Management

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