How Medicare Works with Marketplace Insurance

Information for Professionals Who Work with Medicare Beneficiaries

Medicare and the Individual Marketplaces

www.medicarerights.org

Medicare Rights Center

- The Medicare Rights Center is a national, not-for-profit consumer service organization that works to ensure access to affordable health care for older adults and people with disabilities through:
  - Counseling and advocacy
  - Educational programs
  - Public policy initiatives
This toolkit for State Health Insurance Assistance Programs (SHIPs), Area Agencies on Aging (AAAs), and Aging and Disability Resource Centers (ADRCs) was made possible by grant funding from the National Council on Aging.
This training will cover

- The Marketplaces
- Medicare beneficiaries and individual Qualified Health Plans (QHPs)
  - Transitioning from a QHP to Medicare
  - Consequences of late enrollment and strategies for resolving Medicare enrollment mistakes
- The Small Business Health Options Program (SHOP)
- Medicare beneficiaries and the Small Business Health Options Program (SHOP) plans
- Making decisions about Medicare drug coverage
Case example: Raymond

- Raymond is 67 years old, lives in Nebraska, is enrolled into Original Medicare Parts A and B, has a stand-alone Part D plan and has Medigap policy C
- Raymond has premium-free Part A
- Raymond hears about the Marketplaces on TV and thinks he needs to change his coverage
- He calls you and asks a series of questions
  - Do I need to disenroll from Medicare and switch to a Marketplace plan?
  - Do I need to change or add to my coverage because of the Marketplaces?
  - Are private Medicare plans (Part D, Medicare Advantage, Medigap) sold through the Marketplaces now?
- After this presentation ends, you will know what to tell Raymond

The Marketplaces: background

- Forums where businesses and individuals can shop for health coverage
  - Insurance for individuals = Qualified Health Plans (QHPs)
  - Insurance for businesses = Small Business Health Options Program (SHOP) plans
- Marketplaces permit comparison of available plan options based on price, benefits, services and quality
- Marketplaces are also called Exchanges and may have other names depending on the state
- Marketplaces typically provide insurance to individuals who currently have no insurance coverage or insufficient insurance coverage
The Marketplaces: background

- Marketplaces operate in every state and the District of Columbia.
- How state Marketplaces are run varies:
  - Some states run their own Marketplaces.
  - Some states partner with the federal government.
  - Some states rely on the federal government to run their Marketplaces.

Help paying for QHP coverage

- People with incomes between 100 percent and 400 percent of the federal poverty level (FPL) can receive tax credits to pay for their QHP premiums.
- Some groups never qualify for tax credits:
  - People who are eligible for Medicaid
  - People who are eligible for Medicare
  - Some exceptions may apply.
Requirement for health coverage

- Starting January 1, 2014, U.S. residents must have a minimum level of health coverage, called minimum essential health coverage
  - This requirement is also known as the Individual Mandate

- Minimum essential health coverage includes: Medicare, Medicaid, employer coverage and/or QHPs

- People who fail to obtain minimum essential coverage need to pay a fee unless they can’t afford health coverage

Do the Marketplaces affect Medicare?

- The Marketplaces do not affect Medicare coverage
- Medicare will operate the same way it has always operated
- Medigap policies, Medicare Advantage plans and stand-alone Part D drug coverage will not be sold through the Marketplaces
- People with Medicare should not use the Marketplaces to change their coverage
Open enrollment periods

- The Marketplace Open Enrollment Period overlaps with Medicare’s Annual Open Enrollment Period
  - Medicare Annual Open Enrollment Period (October 15 - December 7)

- People with Medicare should use Medicare’s Annual Open Enrollment Period to examine their Medicare plans and make changes if the plans no longer meet their needs

People with Medicare and the Marketplaces

- People with Medicare should not drop their Medicare coverage or enroll in a QHP

- It is illegal for a Marketplace sales representative who knows a person has Medicare to sell them a QHP

- **Note**: There are some very limited exceptions to these rules. Please see the Marketplaces for People with Medicare Frequently Asked Questions handout for information on exceptions.
People with Medicare and the Marketplaces

- Medicare provides the most cost-effective coverage
  - Premiums for Medicare Parts A and B, Medigap and Part D plans should cost less than QHPs and provide more coverage
  - Most people who qualify for Medicare will not qualify for low-income tax credits to help pay QHP premiums

- Medicare Part A fulfills the minimum essential coverage requirement

Transitioning to Medicare from a QHP

- If someone has a QHP, they should:
  - Take Medicare once they become eligible, and
  - Drop their QHP
    - At least 14 days before their Medicare coverage begins, an individual with a QHP should contact the plan to end their QHP coverage

- Once people enroll in Medicare, Medicare will pay primary

- The QHP may provide little or no additional coverage for people—despite expensive premiums

- People should enroll in Medicare Parts A, B and D during their Initial Enrollment Period whenever possible
  - They should keep track of when they first qualify for Medicare
  - They should enroll themselves if not automatically enrolled
Why take/keep Medicare?

- If people are eligible for Medicare, they will likely need to pay the full premium of a QHP in addition to Medicare costs
  - Will not usually qualify for tax credits to help pay for QHPs
  - QHP premiums will likely be more expensive than Medicare coverage options
- People who delay Medicare enrollment:
  - Will likely pay higher Medicare premiums for the rest of their lives
  - Will have to wait for their Medicare to start if they decide to enroll later
- There is no guarantee that a QHP will pay for a person's health care if they are eligible for Medicare but fail to enroll

Premium penalty

- If a beneficiary has an individual QHP and does not take/keep Medicare, they will likely be subject to the Part B premium penalty
  - 10% Part B premium penalty for each 12-month period that someone delayed enrollment in Part B when they didn't have insurance through a current employer
- Penalty is in addition to the monthly Part B premium
  - Part B premium is $104.90 in 2014
- Must be paid every month as long as the person has Medicare
Strategies for late Part B enrollment

- Beneficiaries who have individual QHPs rather than Medicare do not have a Special Enrollment Period (SEP) to take Medicare later.

- If they delay Medicare enrollment, they most likely have to wait until the General Enrollment Period (GEP) to enroll into Medicare Part B.

- Remember, the GEP lasts from January 1 - March 31 of each year with Medicare coverage beginning July 1.

- Beneficiaries may pay a 10% Part B premium penalty for the rest of their life for every year they delayed enrollment.

Strategies for late Part B enrollment

- There are two ways a beneficiary can avoid waiting for the GEP and avoid Part B premium penalties if they do not enroll into Part B when they first qualified.

  - **Medicare Savings Programs (MSPs)**
    - Income/Assets below a certain amount allow for Part B enrollment outside of enrollment periods.
    - Income and Asset levels vary by State.

  - **Equitable Relief (limited option)**
    - Allows beneficiaries to ask the Social Security for enrollment outside of an enrollment period and elimination of penalty.
    - Beneficiaries must show that delayed enrollment was a result of misinformation given by an employee of the federal government.

- **Note:** If someone is under 65 but has Medicare due to a disability and they turn 65, their premium penalty will be erased.
Case example: Raymond

- After learning about Medicare and the Marketplaces, how would you answer Raymond’s questions?
  - Do I need to disenroll from Medicare and switch to a Marketplace plan?
    - No, people with Medicare should not switch to a QHP coverage. The Marketplaces are not for people with Medicare and disenrolling from Medicare may mean premium penalties and gaps in coverage.
  - Do I need to change or add to my coverage because of the Marketplaces?
    - No, people with Medicare should not add QHP coverage to their existing Medicare coverage. QHPs are costly because people with Medicare do not qualify for tax credits.
  - Are private Medicare plans (Part D, Medicare Advantage, Medigap) sold through the Marketplaces now?
    - No, private Medicare coverage like Medigap policies, Medicare Advantage plans and Part D plans are not sold through the Marketplaces.

Medicare and the Small Business Health Options Program (SHOP)
Case example: Debbie

- Debbie is 64 and will turn 65 in June. She is insured by her husband’s employer. Her husband is currently working for a company with 30 employees. Her husband’s company recently moved all of their employees into health insurance purchased through the SHOP.
- Debbie calls you and asks if she needs to take Medicare when she turns 65 this summer
- At the end of this presentation, you will know what to tell Debbie

The SHOP

- **SHOP = Small business Health Options Program**
- Program within the Marketplace where small businesses and their employees can search for and purchase health coverage
- SHOPs should:
  - Guarantee small businesses a choice of plans to offer employees
  - Post health plan information on a state’s website to allow comparisons among plans
Participation in the SHOP

- Companies can generally only participate in their state’s SHOP if they have 50 or fewer employees
  - Must offer SHOP coverage to all full-time employees (30+ hours),
  - 70 percent of employees must participate
  - In 2016, all companies with 100 or fewer employees should be able to participate

- Sole Proprietors/Self-Employed Persons cannot participate in the SHOP
  - Must buy QHPs through the individual Marketplace

SHOP and Medicare eligibility

- When people with SHOP coverage first qualify for Medicare, they need to decide whether to enroll in Medicare Parts B and/or D
  - Decisions about Part B are based on how their SHOP plan coordinates with Medicare
  - Decisions about Part D are based on whether SHOP plan provides creditable coverage for prescription drugs

- The following sections explore these two broad choices
SHOP and Part B Enrollment

Decisions about delaying Part B

- All people with SHOP coverage qualify for a Special Enrollment Period (SEP) to delay Part B without penalty
  - After a current worker retires or loses their job, the worker and their spouse have up to 8 months to enroll in Part B without penalty
- But many people with SHOP plans should enroll into Medicare Part B as soon as they are eligible
  - In many cases, Medicare pays first and the SHOP plan pays second
- Before deciding about Part B, people must find out how their SHOP plan coordinates with Medicare
Coordination of benefits

- Coordination of benefits is the sharing of costs by two or more health plans
- Primary insurance pays first on a claim for medical care
- Secondary insurance pays after primary insurance
  - It usually pays all or some of the costs left after the primary insurer pays (copays, deductibles)
  - If the primary insurer denies the claim, the secondary insurer may or may not cover it: it depends on the plan

SHOP coverage and Medicare

- If Medicare pays first and the SHOP plan pays second, people should always enroll in Medicare Part B as soon as they are eligible
- If people with SHOP coverage delay Part B when Medicare pays first:
  - Their SHOP plan may pay little or nothing for their care
  - A plan may recoup payments it made when Medicare should have been primary
- If the SHOP plan pays first, and Medicare pays second, people may consider delaying Part B
Fewer than 20 employees (65+)

- 65+ individuals with SHOP coverage from an employer with fewer than 20 employees need to take Part B when they qualify

  - For 65+ individuals, Medicare is always primary to coverage from a current employer with fewer than 20 employees

  - When Medicare pays first, a SHOP plan may provide little or no coverage if the person failed to enroll in Medicare

20 or more employees (65+)

- 65+ individuals with SHOP coverage from company with 20 or more employees may consider delaying Part B

  - For 65+ individuals, Medicare always pays second to coverage from a current employer with 20 or more employees

  - The SHOP plan must provide the same coverage as it does to people who do not qualify for Medicare
20 or more employees (65+)

- People with SHOP coverage may be able to delay Part B without penalty or gaps in coverage.

- Before making any decisions about Part B, individuals should talk to their employer to see how Medicare coordinates with the SHOP plan and confirm that information with Social Security:
  - Social Security Administration: 800-772-1213
  - Get answers in writing

The SHOP and people under 65 with disabilities

- Under 65 people who qualify for Medicare due to a disability should enroll into Medicare Part B when they first qualify.

- All plans purchased through the SHOP pay second to Medicare for this population:
  - For under 65 people with disabilities, Medicare always pays before coverage from an employer with fewer than 100 employees.

- When Medicare pays first, a SHOP plan may provide little or no coverage if the person failed to enroll in Medicare.
SHOP and Part D Enrollment

Eligibility for Part D

- All people qualify for Medicare Part D once they are enrolled in Medicare Part A and/or Part B
- Part D plans provide outpatient prescription drug coverage for drugs purchased at a pharmacy or through mail order
- People may consider delaying Part D if the SHOP plan provides creditable coverage
What is creditable coverage?

- Drug coverage that’s at least as good as Medicare’s basic drug benefit
- People with creditable coverage from a SHOP plan can delay Part D without penalty
- SHOP plans may or may not offer creditable coverage
- Look for a yearly notice from their insurer that states whether or not the SHOP coverage is creditable
  - If notice is not received ask for proof of creditable coverage in writing from employer
- Note: People with creditable coverage may want to enroll in Part D if they qualify for Extra Help, a low-income drug program, which could lower their drug costs

Part D enrollment

- Individuals should strongly consider enrolling in Part D if they don’t have creditable drug coverage
- Part D covers most outpatient prescription medications
- Even if people take few medications now, their health could change in the future
If someone doesn’t enroll in Part D

- If someone has creditable coverage, they can enroll in Part D within 63 days of losing creditable coverage to avoid penalties and gaps in coverage.
- If they don’t have creditable coverage, they can enroll later, but there may be consequences:
  - They may have gaps in coverage because they’ll usually need to wait for an enrollment period to sign up for Part D.
  - They may have to pay a premium penalty:
    - The penalty is 1% of the national average premium for every month they lacked creditable coverage for 63 days or more.
    - National average premium in 2014 is $32.42.

Case example: Debbie

- Debbie calls you and asks if she needs to take Medicare when she turns 65 this summer.
- What should you tell Debbie?
  - If her husband continue to work past her 65th birthday, she can delay Medicare Part B enrollment until he decides to retire.
  - When he retires, she should enroll into Part B.
  - Debbie will need to talk to her husband’s employer and/or insurance administrator to see if his SHOP plan’s drug coverage is considered creditable.
    - If it is, she can delay Part D coverage.
    - If it is not, she should enroll into Medicare Part A only when she turns 65 and then she can enroll into a stand-alone Medicare Part D plan for drug coverage.
Conclusion

Summary

- If people have Medicare, they should keep it and should not consider QHPs for individuals.
- If someone has an individual QHP, they should enroll in Medicare when they first qualify for it.
- If an individual is enrolled in a SHOP plan:
  - They should take Medicare if they are under 65 and qualify for Medicare due to a disability.
  - They should take Medicare if they are over 65 and their SHOP plan is through an employer with fewer than 20 employees.
  - They may be able delay Medicare if they are over 65 and their SHOP plan is through an employer with 20 or more employees.

For more information and help

- Local State Health Insurance Assistance Program (SHIP)
- Medicare
  - 800-MEDICARE (800-633-4227)
  - www.medicare.gov
- Medicare Rights Center
  - 800-333-4114
  - Medicare Interactive (See next slide)
- National Council on Aging
  - www.ncoa.org
  - www.centerforbenefits.org

Medicare Interactive

- Medicare Interactive
  - www.medicareinteractive.org
- Web based information system developed by Medicare Rights to be used as a counseling tool to help people with Medicare.
  - Easy to navigate
  - Clear, simple language
  - Answers to Medicare questions and questions about related topics, for example:
    - “How do I choose between a Medicare private health plan (HMO, PPO or PFFS) and Original Medicare?”
  - State-specific information (Find what programs their state offers and their income and asset limits.)
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