

# Medicare Advantage Is Cheaper for A Reason

The smart way to shop for any type of insurance is to steel yourself and imagine the worst. The house burns down. The car is totaled. With those “what-ifs” front and center, you’ll likely seek out the best protection.

## The big what-if of Medicare Advantage

The vital “what-if” you should consider during your initial enrollment in Medicare is: **What plan you want if you are diagnosed with cancer or another serious illness that requires lengthy and costly medical care over a significant period of time?**

You will find that the Medicare option that looks so enticing when you’re healthy (likely with minimal premium) becomes costly when you actually need to use it.

## Two types of Medicare

Medigap Plans: Original Medicare allows you to see any doctor and use any facility in the U.S. that accepts Medicare. Most do. But to get blanket protection with Original Medicare, it’s vital to also purchase a supplemental policy — referred to as Medigap — that picks up the portion of certain bills that Medicare doesn’t pay directly.

A Medigap policy that provides complete coverage (Medigap Plan N for instance) has an average monthly cost from \$85 to \$120. You will also need a Medicare Part D drug plan. Average cost for that is \$41.64/month with an annual deductible of \$342.97. That’s not cheap. But again, other than a basic deductible for Medicare Part B (\$203 in 2021), \$20 copays for doctor visits, and generally modest copays for drugs, you’re likely to have everything covered for about \$150-\$200 a month or so.

Medicare Advantage is the other way you can enroll in Medicare. Most Advantage plans work like a health maintenance organization. You are limited to a network of doctors and facilities based on where you live. Medical care beyond basic preventive care typically need preauthorization.

The allure of Medicare Advantage is that you don’t need to purchase any supplemental coverage. In fact, you’re not allowed to have a Medigap policy or a drug plan. Not spending \$150 to \$200 a month on Original Medicare + Medigap + Part D is undeniably attractive. **At least when you are healthy.**

But you buy insurance to protect you from the BIG WHAT-IF. And that’s where Medicare Advantage could disappoint. Remember, you can’t see every doctor who accepts Medicare. That means the specialist you really want to oversee your care may be out of reach and that’s just the beginning.

## The high cost to actually use Medicare Advantage

**Once you start to use your Advantage insurance, you will likely run into coinsurance that will typically require you to pay 20% of your bills. With a serious illness, coinsurance can easily run into significant costs.**

Some good news is that the government limits your Medicare Advantage annual out of pocket health care costs. In 2021, the maximum out-of-pocket is \$7,550. Many Medicare Advantage plans set their out-of-pocket even lower. According to the Kaiser Family Foundation, a nonprofit health care research organization, **the average out-of-pocket for 2021 was around \$5,000.** (There is a separate out-of-pocket max for Rx coverage.)

## Illness doesn’t care about calendar years

The out-of-pocket maximum is per calendar year. Many illnesses will span at least two years, possibly more. For instance, if you are diagnosed in September with cancer that requires chemotherapy, surgery and possibly radiation, you are still going to be in the thick of treatment the following year. That means you could face the out-of-pocket two times in just three, four or six months. You will likely pay more than \$10,000 out-of-pocket in just a short period... with significant 20% coinsurance exposure **for many years to follow.**

### **Here's more bad news – You are likely stuck with Advantage Plans**

If you chose a Medicare Advantage Plan during your initial enrollment and developed a serious illness, you are unlikely to be medically qualified for a Medicare Supplement plan (with significantly lower out of pocket exposure) as you must pass underwriting requirements. While you can change to a different Medicare Advantage Plan, you are not likely to qualify for a Medicare Supplement plan. This is why most experts suggest that you **make your initial choice as though it's a lifetime choice**.

If you reach a financial situation that makes the monthly cost of your supplement unaffordable, Medicare does allow you to switch to a different Advantage Plan during Annual Open Enrollment each year. (October 15 to December 7).

### **Original Medicare: cost and coverage**

Now let's return to Original Medicare/Medigap coverage. It definitely costs more upfront, as it's imperative to add a Medigap policy to cover the coinsurance costs that are embedded in all Medicare. Again, a premium for a Medigap Plan N might be \$150 to \$200 a month, depending on where you live. But for that premium you generally have no other out-of-pocket costs beyond the standard deductible for Medicare Part B and D and modest copays.

If you live in a high-cost area, that works out to \$2,400 a year per person. Clearly that is a significant fixed cost. But then you don't have to worry about potentially high and recurring out of pocket costs as you do with Advantage plans.

### **Making a clear-eyed Medicare choice**

**There is no clear-cut right or wrong choice**. The key is to make an informed choice and working with a licensed Medicare Agent can help you ensure that you have the information you need to make that informed choice.

**Call Bill Clevenger at 844-397-0606** for a no-cost evaluation/pricing. No pressure, I promise - just information.