

Planning Today for Tomorrow's Health Care Costs

Janice Holm Lloyd

What you don't know **can** hurt you -- the cost of believing in myths.
 "We grow too soon old and too late smart" (Pennsylvania Dutch saying).

Bob and his wife Shirley own a large farm where they once raised tobacco, corn, and soybeans. In the mid-late 1980s they had some tough years, decided to go into a contract poultry operation, and built several poultry houses. There was so much depreciation that they did not have to pay self-employment tax when they filed Schedule F. Bob is turning age 65 and has only 24 Social Security credits, so he will not be eligible for premium-free Medicare Part A. Shirley did some part-time off-farm work in the past, but recently launched her own crafts business. She too has only a few Social Security credits.

Question: Can Bob and Shirley get health insurance during the years when health care is most expensive? Answer: It depends on the current policy and how much money will be available.

Unfortunately, many families believe things about Medicare and other health insurance for older folks that can best be called "myths." Following are some of these myths and their realities.

The Myth	The Reality
Everyone gets Medicare - and at no cost.	This is not true. If you have fewer than 40 Social Security credits, you will not be eligible for premium-free Medicare Part A (Hospital Insurance). Premiums in 1998 are \$170/month for persons with 30-39 credits, and \$309/month for persons with fewer than 30 credits. Nearly everyone pays Part B (Medical Insurance) premiums (\$43.80/month in 1998).
I'm going to work til I die and won't need Social Security or Medicare, so	You may not be allowed to keep your current insurance. Most health insurance policies for persons younger than 65 end when they reach age 65. When a person reaches age 65, almost all private health insurance is a secondary payer and will not pay for

I'll just keep my current health insurance.	what Medicare covers, regardless of whether the person has Medicare A and B coverage.
If I decide I need Medicare later, I'll get it then.	You may not be eligible later. Many older families do not have sufficient savings and income to cover health insurance premiums and other out-of-pocket health care expenses.

Action Steps to Locate Reliable Information

- Study the six fact sheets about [Medicare](#) available electronically on the World Wide Web or in print from the Cooperative Extension Service or from SHIIP (Seniors' Health Insurance Information Program).
- Check with the SSA (Social Security Administration) for their record of the number of credits each person in your household has now. If you have fewer than 40 credits, estimate how long it would take to earn 40 credits. (Divorced women may be eligible through their former husbands if the marriage lasted 10 or more years.)
- Check with the benefits office of employer(s) to see what will happen to your current health insurance when you reach age 65. If an Employer's Group Health Plan will be available, get the details of that plan.
- If you have a private health insurance policy, find out what will happen when you reach age 65.
- Study and compare coverage of the ten standardized Medicare Supplement plans and typical premiums for the plan you prefer (from SHIIP).
- Study and compare coverage and costs of Medicare HMOs, if they are available in your area (SHIIP).
- Study [Getting Off to a Good Start with Medicare](#) (on the World Wide Web or from SHIIP).
- Estimate future out-of-pocket health expenses and increase your savings and investment program.

Key Facts about Social Security and Medicare

About Social Security

- Employers, employees, and self-employed persons pay into Social Security to earn credits that provide eligibility for four government insurance programs:
 - Retirement benefits that are available at age 62 or later (age will begin to increase in 2003).
 - Survivors benefits that are available for minor children, older widows/widowers (and disabled survivors age 50 or older).
 - Disability benefits that are available after two years (does not give eligibility to spouses).
 - Medicare benefits in the form of health insurance that is available at age 65 or for certain disabilities.
- Most people need 40 Social Security credits to receive retirement insurance or to receive premium-free Medicare Part A hospital insurance at age 65.
- You can earn a maximum of four Social Security credits per year.
- By using the optional method, farmers can earn two Social Security credits per year even if they did not earn enough money to be required to pay self-employment taxes. Farmers may do this every year that the situation applies. Small business owners may use the optional method only five times during their lifetime.
- You should check the accuracy of SSA records of your work credits **at least once every three years** because SSA will not make corrections for errors more than three years old.
- To determine the number of credits you have earned, contact your nearest Social Security Administration office and ask for SSA form 7004 and send it in to SSA. (The form is also available on the World Wide Web <<http://www.ssa.gov>>.)

About Medicare

- Medicare Part A is hospital insurance (HI). It is premium-free for persons with 40 or more credits, but can be purchased by persons with 30-39 credits (\$170/month in 1998)

and by persons with fewer than 30 credits (\$309/month in 1998). HI has a deductible for everyone that changes every year (\$764 in 1998) and that charge applies *every* time you enter the hospital more than 60 days after a previous hospital stay.

- Medicare Part B is medical insurance (doctor and outpatient charges). Nearly everyone must pay a monthly premium (\$43.80 in 1998) that is usually withheld from the Social Security benefits payment. The deductible in 1998 is \$100, and there are co-pay requirements for all approved expenses.
- Medicare does not cover all health care expenses. Ideal coverage consists of:
 - Medicare and supplemental coverage.
 - Traditional Medicare -- Medicare Part A plus Medicare Part B plus Medicare Supplement plan or its equivalent (a good Employer's Group Health Plan); **OR**
 - A Medicare HMO or similar managed care plan plus Part B premium **PLUS**
 - Personal income and savings for the inevitable uncovered health care expenses.
- Medicare is designed for acute care needs, *not* for chronic long-term care costs. Unfortunately, long-term care insurance, which covers long-term care costs, is too expensive for many people. Almost half of all long-term care costs are covered by [Medicaid](#), the primary government assistance program that provides long-term care benefits. Ask SHIIP for their *Guide to Long-Term Care Insurance*.

Checklist For Analyzing a Situation and Determining Available Options

- Q-1. Who in your household has 40 or more credits and is eligible for premium-free Medicare Part A at age 65? (If not yet eligible, how many Social Security work credits does each person have now and how many will each have upon reaching age 65?)
 - Number of Social Security credits for:
 - single person now _____ husband now _____ wife now _____
 - single person at 65 _____ husband at 65 _____ wife at 65 _____

- Q-2. What type of health policy or policies do you have *now*, and who is covered by each policy? (single person, husband only, wife only, both/family)
 - ___ individual policy (purchased for a single person or a single family)
 - ___ group policy through membership in an organization (not employer)
 - ___ employer's group health policy

- Q-3. What will happen to your current health coverage at age 65, and who, if anyone, could be covered after that? (husband only, wife only, both/family)
 - ___ will end
 - ___ can continue as secondary payer to Medicare
 - ___ can continue instead of Medicare A & B

- Q-4. If you will have the option of an EGHP (Employer Group Health Plan) at age 65, which family members could be covered? If you could have an EGHP after age 65, how well does its coverage compare with the various Medicare Supplement policies (the 10 standardized Medigap plans) or with locally available Medicare HMO plans?

- Q-5. What are today's monthly premiums for each type of insurance that you are considering purchasing when you reach age 65? (For single person, husband, and/or wife?)
 - ___ Medicare A (if not eligible for premium-free Part A)
 - ___ Medicare B
 - ___ One of the ten Medicare Supplement plans (Medigap policies)
 - ___ EGHP (Employer's Group Health Plan)
 - ___ Medicare HMO plan
 - ___ Other alternatives to traditional Medicare
 - ___ Other health insurance (Discuss with SHIIP volunteer)

- Q-6. What other costs can you anticipate that will be out-of-pocket (deductibles, co-pays and charges not covered by Medicare, prescriptions, over-the-counter items)? Consider inflation in estimating future costs.
- Q-7. What would be the total cost per month at today's rates for your family's health care and insurance costs for one or more persons age 65? (Consider inflation in estimating future costs.)

Choosing the Best Options for Your Family

Option 1. If you now have fewer than 40 Social Security credits on record, you should estimate how many you (and your spouse, if you are married) will have at age 65. If that number will be fewer than 40, consider working longer under Social Security coverage. If it is not possible to earn enough credits, see if you can purchase a group policy that can be continued after age 65 and try to budget and save in order to pay the premiums for whatever coverage is available and affordable. If you find that you *will* have 40 or more credits, you will be eligible for premium-free Part A and should follow the enrollment procedure described in Cooperative Extension Service publication '[Getting Off to a Good Start with Medicare.](#)'

Option 2. If your current health insurance *will not* continue after you turn 65, study the Medigap plans and locally available Medicare HMO plans, and begin budgeting and saving for policy premiums.

Option 3. If you have an employer group health plan that *will* continue past age 65, compare its cost and coverage with Medigap policies or locally available Medicare HMO plans (plus Part B premium), and begin budgeting and saving for the premiums you expect to owe for whichever coverage you select.

Option 4. Estimate other out-of-pocket health care expenses and begin budgeting and saving for future health expenses that will be your responsibility.

Sources of Further Information or Assistance

- Social Security Administration - federal (1-800-772-1213) and Local (see U.S. Government listings in your phone book).
 - - *Request for Earnings and Benefit Estimate Statement* - SSA 7004 (web address: <http://www.ssa.gov/>)
 - - *Understanding Social Security* - SSA 05-10024
 - - *If You're Self-Employed* - SSA Factsheet No. 05-10022
 - - *Agricultural Workers* - SSA Factsheet No. 05-10074

- HCFA - Health Care Financing Administration
- *Your Medicare Handbook 1998* (obtain from SHIIP)
- HCFA & NAIC - National Association of Insurance Commissioners - (obtain publications from SHIIP)
 - - *1998 Guide to Health Insurance for People with Medicare* (obtain from SHIIP)
- SHIIP - Seniors' Health Insurance Information Program - N.C. Department of Insurance
 - - Access to trained SHIIP Volunteer Counselors in every county: 1-800-443-9354
 - - North Carolina Medicare Supplement Comparison Guide
 - - North Carolina Guide to Long-Term Care Insurance
 - - Other N.C. Department of Insurance Publications
 - - Publications from HCFA and NAIC and publications developed with NCCES
- NCCES (North Carolina Cooperative Extension Service) at N.C. State University. Publications are available at Cooperative Extension Centers and on Family & Consumer Sciences Department home page: <http://www.ces.ncsu.edu/depts/fcs/> (Click on Family Resource Management)
 - - [Medicare Myths Fact Sheets](#) (1-5) and Sources of Information (developed with SHIIP)
 - - [Getting Off to a Good Start with Medicare](#) (developed with SHIIP)
 - - Planning Ahead for Elder Care (series of fact sheets for consumer decision making)
 - - [Legal Authority](#) (Giving Someone the Power to Act on Your Behalf)
 - - [The Living Will](#)
 - - [Health Care Power of Attorney](#)
 - - [Advance Instruction for Mental Health Treatment](#)
 - - [Medicaid Eligibility for Nursing Home Care](#)
- County DSS (Department of Social Services) - see local phone book under county government
- Information about Medicaid & other state/local government assistance programs
- CARE-LINE, N.C. Department of Health & Human Services - 1-800-662-7030

- Information on public & non-profit services by county and by type of service

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