President Trump signed these Medicare changes into law. Here's what to watch for

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Editor's Note: Journalist Philip Moeller is here to provide the answers you need on aging and retirement. His weekly column, "Ask Phil," aims to help older Americans and their families by answering their health care and financial questions. Phil is the author of the new book, **"Get What's Yours for Medicare,"** and co-author of **"Get What's Yours: The Revised Secrets to Maxing Out Your Social Security." Send your questions to Phil**; and he will answer as many as he can.

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Seemingly overnight, big changes to Medicare morphed from being an item on various congressional wish lists into reality as part of last week's budget deal, diverting me on my way to this week's reader questions.

The Congressional Budget Office's estimate of the financial impact of the budget deal includes **five pages** of detailed health care changes, and I suspect there are others that have yet to be reported. However, the law has already been signed by President Trump, so whether these are good changes or not is moot for the time being.

- **Medicare's Independent Payment Advisory Board has been killed.** It was authorized by the Affordable Care Act to serve as a check on higher Medicare expenses. It was quickly labeled a death panel by opponents and became such a lightning rod that no board members were ever named.

- **The rules for Medicare's Part D drug plans were changed.** The much-maligned coverage gap (or donut hole) in these plans has been shrinking for years under the Affordable Care Act, and was supposed to end in 2020, at which time consumers in the gap would pay no more than 25 percent of the costs of their drugs. That end date was moved up a year to 2019.

- **Consumers who have spent a lot on drugs and have entered the so-called catastrophic phase of Part D plans will pay no more than a few dollars for each prescription or, for costly drugs, no more than 5 percent of the cost of the drug.** While this percentage will not change, the responsibility for paying the other 95 percent of the cost will be borne even more heavily by the government, and is expected to save pharmaceutical companies billions of dollars. Taxpayers, of course, ultimately will be on the hook for those higher government expenses. It's a more significant if largely invisible change.

- **Medicare's caps on covered expenses for outpatient therapy have been officially repealed.** People with persistent therapy needs have bumped against these caps for more than 20 years, and Congress has regularly eased those rules. While claims above current cap levels may be subject to review, people who legitimately need extensive therapy will not have to depend on year-to-year congressional fixes.

- **Medicare's high-income premium surcharges will carry even more of a bite for wealthier enrollees.** Those making more than $500,000 a year ($750,000 for couples) will pay 85 percent of the actual costs of Part B and D in 2019, up from 80 percent this year. Most Medicare enrollees pay premiums that equal about 25 percent of these costs.

- **Congress also made numerous and potentially far-reaching changes to the rules for Medicare Advantage plans**. That includes allowing such plans to pay for limited long-term care expenses – something that until now has not been covered by Medicare.
  If this wasn't enough, the Trump administration finally seems ready to make good on its repeated commitment to do something to lower high prescription drug prices for Medicare beneficiaries.
  The **Council of Economic Advisers issued a report**late last week laying out many ideas.
  The White House **reportedly will back a plan** to permit those on Medicare to share in substantial discounts that drug manufacturers currently pay to Medicare drug insurers. People with commercial health insurance regularly get manufacturer discounts, which can save them thousands of dollars a year on costly medications. Medicare prohibits such manufacturer discounts, and while pharmaceutical companies do provide hefty discounts to Part D insurers, they are not passed along to consumers.

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Part D insurers generally oppose the change, saying that the industry currently uses the discounts to subsidize Part D premiums, and that all consumers would face sharply higher premiums if discounts were shared with the relatively small number of consumers who need expensive medications.

The Trump budget also proposes removing even the 5 percent that people in the catastrophic phase of their drug plan must pay, permitting them to get their drugs for free. While this would be a great deal for the million or so people who spend that much money on prescriptions, other elements of the proposal would raise out-of-pocket spending for other people with Part D plans.

I have loads of unanswered questions about these new Medicare policies. Below are some questions that I hope I can actually answer!

Terri: My husband turns 65 in June 2018. Our financial planner suggested that he take my Social Security benefits, as I am the higher earner. However, does that mean that I have to take mine as

well — I am 62 and still working — and does his receipt of Social Security money obligate him to go on Medicare? I have your books, and while they are very helpful, I cannot find the answer to these questions.

Phil Moeller: Changes to Social Security laws enacted by Congress in late 2015 have eliminated your ability to file and suspend your own benefit so that your husband could file for a spousal benefit based on your record. So, you would have to file for your own benefit to make him eligible to file for a spousal benefit.

If you did want to pursue this, I'd suggest you wait until he turns 66. At that point, if you filed for your own benefit, he could file a restricted application for just a spousal benefit while permitting his own retirement benefit to earn **delayed retirement credits**.

Unfortunately, you are too young to be able to wait until your **full retirement age** to file such a restricted application and claim a spousal benefit based on his earnings record.

The best course of action depends on the difference in your benefits, your relative ages, your financial needs, and your health. Major gains in longevity have convinced me that it's usually a good idea for people to wait and file so they can maximize their monthly benefit.

Finally, as the higher earner, there are strong reasons for you to delay filing for your own retirement benefit until as late as age 70. This would guarantee that you receive the highest possible benefit. Also, a surviving spouse is entitled to the larger of the two spouses' benefits, which provides another reason to consider maximizing your benefit.

Monica: My husband died in an auto crash in 1988. We had two young daughters, and qualified for Social Security benefits for them until my youngest graduated from high school. I am now 62, have never have remarried, and wonder if I qualify for any of my deceased husband's retirement benefits? Still heartbroken and trying to manage life after all these years.

Phil Moeller: You were entitled to receive a survivor benefit as early as age 60. It will not reach its maximum amount until you reach your **full retirement age** (FRA).

If your survivor benefit is going to be larger than your own Social Security retirement benefit, I would urge you to file for your own benefit now, and then file for the survivor benefit when you reach your FRA.

On the other hand, if your retirement benefit would be larger, than I'd suggest you file for your survivor benefit now, and then wait until age 70 to file for your retirement benefit, at which time it will

have reached its maximum value. **Here are details** on how survivor benefits are reduced if taken prior to FRA.
If you haven't already done so, you can open a **My Social Security** online account and see what your own benefits would be at different claiming ages. If you don't have your late husband's Social Security details, you would need to call Social Security and ask someone to help you get them. I would not actually file for any benefit during that call, but simply gather the information you need so you can make a thorough assessment of your best filing strategy before actually filing for any benefit.
I can't begin to imagine how hard it must have been for you to suffer such a loss and then have to raise your daughters as a single parent. I wish you all the best.

Rob: I'm 68 years old. Since age 65, I have been covered by my federal government-employed spouse's federal plan. Its drug coverage has been deemed credible, which I understand to mean that I do not have to get a Part D drug plan. My spouse is retiring this month and will have a retirement package that continues to provide my health insurance. However, I've signed an agreement to waive all benefits if she dies before me. Do I need to enroll now in Medicare Part D to avoid lifetime late-enrollment penalties were she to predecease me and I wanted to enroll Part D at that point?
Phil Moeller: This seems a very expensive approach. Part D penalties are 1 percent of the national average premium for a Part D plan for each month you are late in enrolling. Right now, that's roughly $30 a month, so the penalty would be 30 cents for each month you are late.
If, for example, you faced 20 years of late-enrollment penalties, they would be 240 months times 30 cents, or an extra $72 a month. That's a lot, but then compare it with $7,200, which is the bill for 20 years of Part D premiums for coverage you didn't need. It would take you 100 months (eight and a half years) for that plan to begin paying off for you, and you would be 96 before you began coming out "ahead."

You can use different sets of assumptions, and I certainly respect whatever you decide to do. Were it me, I'd self-insure against the possibility of a Part D penalty by setting aside a little money each month into a separate account. If you ever needed it, the money would be there to pay the penalty. Otherwise, it would be yours or more likely your heirs to enjoy.

Cindy – Iowa: I will be turning 65 soon. My husband is younger, and we still have a son at home in college. I carry our health care though my employer. It is very expensive and not very good coverage. I have applied for Medicare. Do my husband and son still have to be covered under my employer's plan?
Phil Moeller: You can get Medicare but your husband and son will still need coverage. You could continue to carry them on your employer plan, but the plan's family coverage likely would cover you as well, in which case you'd still have those expenses plus the cost of Medicare. I'd call your insurance benefits person and find out the details.
If you keep your employer plan and also get Medicare, it would become the secondary payer of covered claims. I know you said your current plan was expensive and not very good, but I'd at least explore the impact on your coverage and out-of-pocket expenses if you did this.

If you drop your employer coverage, your husband and son would need to find an ACA plan. Depending on your family income, their rates might be eligible for government subsidies.

Jan – Fla.: I took early retirement at 62. I have had Affordable Care Act coverage since then. My question is, do I have change to Medicare now that I am turning 65? I would rather keep my ACA insurance.
Phil Moeller: You could stay on your ACA plan but you will no longer qualify for any subsidies. You should evaluate the impact this would have on your costs and decide if it would be better to enroll in Medicare or not. Keep in mind that if you do not enroll in Medicare when you turn 65 and later do enroll, you may face late-enrollment penalties. These penalties would be imposed because your ACA plan is not considered active employer group health insurance, which is the only type of insurance that you can have after age 65 and avoid future late-enrollment penalties.

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Lots of people on ACA policies have been uncertain what to do when they turn 65. To help them with this transition, **Medicare has waived** late-enrollment penalties until the end of September.

Charles: I will be turning 65 in May and am currently receiving health from the VA as a result of my Army service. I am trying to figure out if I need to apply for Medicare, and if so, how that would affect (or not affect) my coverage from the VA.

Phil Moeller: If you are satisfied with your VA health benefits and care, you may be able to avoid getting Medicare, and you can stay on VA for the rest of your life. I urge you to confirm this with the VA, as there are differences in the comprehensiveness of VA coverage depending on the specifics of your military service.

If you qualify for **Tricare for Life**, which is an insurance program for service veterans, you would need Medicare when you turn 65.

If you do not get Medicare and later change your mind, you would face late-enrollment penalties that would add 10 percent a year to Medicare Part B premiums for each year you are "late" in enrolling.

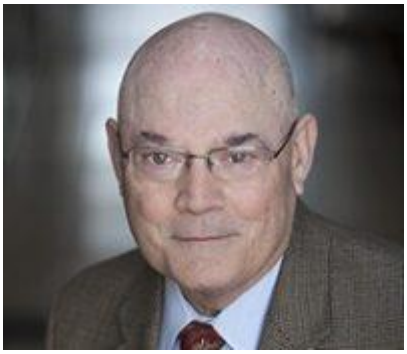
If you do get Medicare, you do not need to get a private insurance product but can simply get Part A for hospital coverage and Part B for doctors, outpatient, and durable medical equipment. Part B only pays 80 percent of covered expenses, Tricare should cover you as a secondary insurer here. You should check with Tricare about its coverage. You also could get a Part D drug plan but it's my understanding that VA coverage is quite good for prescription drugs, making a separate Part D plan unnecessary.

Martha – Ariz.: I signed up for Medicare through the Social Security site. I did not sign up for Part B because I am still employed and have health insurance. But I received a Medicare card that said I had Part B, and then just yesterday, I received a bill for more than $400 for Part B! They said it's due in two weeks! Now what do I do?

Phil Moeller: This happens regularly, and I know it is both a hassle and unfair to have to decline something you never wanted in the first place. **Follow these instructions.** Eventually, the incorrectly billed premium should be returned to you.

Left: The law has already been signed by President Trump, so whether these are good changes or not is moot for the time being. Photo by Tom Grill/The Image Bank via Getty Images

By Philip Moeller



By —
Philip Moeller

Phil Moeller is the author of "Get What's Yours for Medicare: Maximize Your Coverage, Minimize Your Costs" and the co-author of the updated edition of The New York Times bestseller "How to Get What's Yours: The Revised Secrets to Maxing Out Your Social Security," with Making Sen$e's Paul Solman and Larry Kotlikoff. On Twitter @PhilMoeller or via e-mail: medicarephil@gmail.com.

@PhilMoeller