

ASK THE MEDICARE SPECIALIST

Q: Why are there limited enrollment periods for those on Medicare? Why aren't people able to switch insurance carriers anytime during the year like we can with auto and homeowner's policies? Why are there also late enrollment penalties for Medicare Part B and D? None of it makes sense or seems fair to me.

A: I completely understand Tony's confusion and view. The bottom line is every health insurance company needs a large amount of healthy people enrolled and paying premiums to offset the costs of insuring sick people who generate expensive medical claims. Without the enrollment periods and penalties, many healthy people would opt out of Medicare Parts B and D, and not buy a Supplement, Advantage Plan or prescription coverage until they became sick. This would cause what is known as "adverse selection" which occurs when individuals who are at a higher risk of needing insurance benefits are more likely to purchase insurance than those who are at a lower risk. This can lead to an imbalance in the risk pool, causing insurance companies to raise premiums for all policyholders, potentially making coverage unaffordable.

A regulation in the state of New York that allows people to enroll in Supplement coverage without going through medical underwriting is a good example of how adverse selection can make insurance much more expensive. In 42 states, including Pennsylvania, Supplement companies can discriminate on who they accept based on current or previous health conditions except for a nine-month window, the three months prior to an applicant's initial Part B effective date and the six months following. During this time, companies must accept all applicants into any plan letter at the "Preferred Rate." After that, however, companies can deny applicants who they deem high risk and represent the possibility for significant losses. New York, meanwhile, mandates that Supplement companies must accept anyone who applies, and at any time during the year, regardless of health or

how long it's been since their original Part B effective date. That may sound like a good idea in theory, but the result is the lowest cost Supplement Plan N for a 65-year-old female in Buffalo, New York is \$291 per month compared to around \$71 in Erie, PA which is less than 100 miles away.

If I'm a healthy person, why would I pay \$300 per month or more for a Supplement when I can just wait until I get sick and then enroll at any time with no risk of being denied a policy and coverage? That's a smart line of thinking and many people do just that, hence the 400% higher premiums in New York.

Buffalo is ranked 837th out of 1,000 plus cities in New York for median household income, making it what I would consider a lower-middle class city. \$300 per month for a Supplement isn't affordable for the majority of Buffalo residents, nor is it for many Americans on Medicare. The percentage of our Pennsylvania clients who choose Supplements when first going on Part B is probably 75% or more. At \$300 per month, I estimate it would be less than 15%.

Enrollment periods, late enrollment penalties, and limiting the time to get a Supplement without underwriting encourage people to enroll when they're first eligible and healthy. Without these parameters, Medicare Part B would be much more costly than the \$185/month it is today. Supplements, like in New York, along with Advantage Plans and Part D prescription coverage would also be much more expensive, resulting in far too many people going under or uninsured.

Another reason most can't simply switch from one Advantage Plan company to another anytime during the year is so people don't exhaust all their ancillary benefits, the extras such as dental, vision, and Over the Counter (OTC) allowances, and then simply move to another carrier to do the same. This would put extra financial pressure on these companies, causing losses or less profit, and ultimately result in a reduction or elimination of those benefits, higher premiums, co-pays, or all the above.

Be advised that those turning 65 or going on Medicare Part B for the first time can enroll in a Medicare Advantage Plan, Part D, or a Supplement anytime during the year while in their Initial Election Period (IEP) which lasts seven months. They **ARE NOT** limited to the Annual Election Period (AEP)

that runs from October 15th through December 7th or the Open Enrollment Period (OEP) from January 1st through March 31st. AEP and OEP are specifically designed for those already on Medicare and present opportunities to make changes to their plan(s). Those are somewhat limited during OEP, and people who've been on Advantage Plans for 12 months or longer and want to switch to a Supplement must go through medical underwriting during both AEP and OEP.

There are some exceptions and groups of people who can change Advantage or Part D plans all year round using what is known as a Special Election Period (SEP). Those who lose health insurance from a job or a company they retired from, Medical Assistance, PACE or PACENET, and people with limited incomes can enroll outside of AEP, OEP, or IEP.

With questions about this column or any other Medicare related topic or to make an appointment for a no cost consultation, give us a call or feel free to email me personally at aaron@GetYourBestPlan.com.