

SMALL PARENT INVESTMENT

BIG STUDENT RETURN

THE WALL STREET JOURNAL

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THE WALL STREET JOURNAL.

WSJ.com

FAMILY VALUE | NOVEMBER 13, 2010

The New Medicare Rules

Coming changes to Medicare will benefit some recipients—but will make coverage more expensive for people with higher incomes.

Thanks in part to this year's health-care overhaul, everything from benefits and enrollment rules to the number of choices available will be affected beginning Jan. 1.

While most beneficiaries' premiums will remain relatively stable in 2011, those who already pay higher premiums for doctor's visits and other "Part B" coverage will also pay more for "Part D" prescription drug coverage come Jan. 1.



Getty Images

Medicare's annual open-enrollment period starts Nov. 15.

What's more, insurers are eliminating or consolidating hundreds of Medicare-related plans this year, in part to comply with recent regulations aimed at reducing duplicative plans. As a result, as many as one million Medicare recipients will have to choose new coverage, according to AARP.

Nov. 15 marks the start of Medicare's annual open-enrollment period, during which those in the federal health insurance program for people 65 and older—and their caregivers—can make changes to their coverage by Dec. 31.

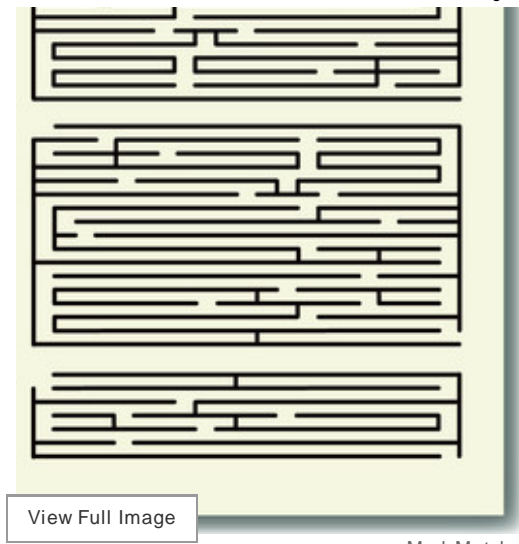
"Calls to our offices have picked up significantly in recent weeks," says Christina Crain, director of information and assistance at the Southwestern Connecticut Agency on Aging, which provides free Medicare counseling under the federally funded State Health Insurance Assistance Program.

What sort of changes will you see? The answer depends, in part, o



n whether you have plain-vanilla Medicare or a federally subsidized private Medicare Advantage plan, which typically operates like a conventional insurance plan and often includes prescription-drug coverage.

Many who opt for traditional fee-for-service



Medicare also purchase a "Medigap" policy, as well as a separate prescription-drug policy, to patch holes in their coverage.

For those with traditional Medicare, the biggest change on the horizon is an expansion of benefits. Starting Jan. 1, Medicare will completely cover the cost of many preventative services, including mammograms, Pap tests and screenings for prostate and colorectal cancer, as well as one annual "wellness" examination.

Benefits will also grow richer under the Part D prescription-drug program. Currently, these privately managed plans cover 75% of a participant's drug costs—up to a limit that will rise to \$2,840 in 2011. After that, participants fall into

a "doughnut hole" gap where they are required to pay 100% of their drug costs until expenditures reach \$6,440. Then catastrophic coverage kicks in, capping outlays at 5%.

Under the health-care overhaul, the estimated 14% of Part D participants who fall into this coverage gap will start to receive discounts that will reduce the amount they pay—from 100% in 2010 to 50% for brand-name drugs and 93% for generics in 2011.

As a result, those who have "enhanced" Part D plans, which provide some coverage in the doughnut hole, should consider whether it makes sense to pay the extra premiums, says Joe Baker, president of the nonprofit Medicare Rights Center.

For upper-income participants, there is some bad news: Starting in 2011, singles with a modified adjusted gross income of more than \$85,000 a year—and couples who exceed \$170,000—will pay between \$12 and \$69.10 more in monthly premiums for Part D than other beneficiaries.

One way to sidestep an increase: Move into a Medicare Advantage plan. These typically offer medical and drug benefits with lower monthly premiums than what's charged for original Medicare plus supplementary policies. But some of these plans change their benefits or fees from year to year, and some restrict where policyholders can seek care.

Under the new regulations, insurers are eliminating about 16% of Advantage plans and 36% of Part D plans before Jan. 1, leaving people like Aletha Fortunato, 86, of Watertown, N.Y., scrambling for coverage.

Ms. Fortunato's daughter, Linda Brown, says she has spent a dozen hours comparing several Medicare Advantage plans available to her mother.

While the health-care overhaul is expected to divert more than \$100 billion from Medicare Advantage during the next 10 years, average premiums will remain essentially flat in 2011, according to the federal Centers for Medicare & Medicaid Services.

Participants will also enjoy some new protections. Advantage plans must cap—at \$6,700—recipients' annual out-of-pocket expenditures for Medicare-covered services within their networks. The plans will also be barred from charging higher copayments or coinsurance rates for some services, including chemotherapy, than patients would pay under traditional Medicare—although the plans can charge higher deductibles and copayments for other services.

Starting in 2011, Advantage participants who wish to switch to another Advantage plan will no longer be allowed to do so between Jan. 1 and March 31. Instead, they must make such a move by

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Family Value: The New Medicare Rules...

Dec. 31. From Jan. 1 to Feb. 14, participants can still drop an Advantage plan, but they'll have to switch to traditional Medicare.

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