

**Welcome to our Virtual Super CE Event:**  
 Planning with Social Security & Medicare/  
 The Advisor's Guide to Social Insurance Programs



We will begin shortly...  
 (event begins promptly at 1:00PM Eastern Time)

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**WEBINAR PRESENTATION**

**Planning with Social Security  
 and Medicare**

**Presented by:  
 Steve Clifford**

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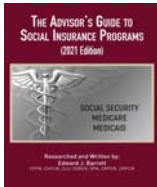
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**Virtual Super CE Program**

- > **Live Webinar Presentation**
  - Planning with Social Security and Medicare (No CE credit).
- > **Self-Study/Correspondence Course:**
  - The Advisor's Guide to Social Insurance Programs (2021 Edition):
  - **Electronic Exam:**
    - State Insurance CE credit (varies with state)
      - Test 50/100 questions
    - CE credit for CFP and CIMA/CPWA
      - CFP 50 question = 10 credits
      - CIMA/CPWA/RMA 50/100 question = 5/10 credits

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## Our Agenda

- > Social Security (OASDI)
- > The ABCDs of Medicare
- > Medicare Supplement (Medigap) Policies



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## Overview of Social Security

- > The official name is Old Age, Survivors and Disability Insurance (OASDI)
  - > Social Security Act of 1935 created the program providing retirement benefits (OA).
    - In 1939, coverage was extended to dependents and survivors (S).
    - In 1956, added disability insurance benefits (DI).
- > The OASDI program provides benefits to 65 million beneficiaries, as of November 2020<sup>1</sup>:
  - 49 million retired workers and dependents;
  - 6 million survivor benefits (S); and
  - 10 million from disabled workers and their dependents
- OASDI the #1 federal entitlement program.<sup>2</sup>



President Franklin Delano Roosevelt: "Old Age is at once the most certain and for many people the most tragic of all hazards."<sup>3</sup>

Source: <sup>1</sup> SSA Monthly Statistical Snapshot (December 2020). [https://www.ssa.gov/policy/docs/quickfacts/stat\\_snapshot/](https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/); <sup>2</sup> The 2020 Annual Report of the Board of Trustees of the Federal OASDI Trust Funds, The 80<sup>th</sup> Report. [https://www.ssa.gov/OACT/TR/2020/II\\_A\\_highlights.html](https://www.ssa.gov/OACT/TR/2020/II_A_highlights.html)

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## Social Security Funding\*

- > Payroll Taxes: 89% of total funding: B31
  - FICA is 12.4% of taxable earnings up to a wage cap of \$142,800 in 2021. Employer / Employee: 6.2% (maximum yearly withholding for EE \$8,853.60 in 2021) (OASI Trust fund 5.015% and DI Trust fund 1.185%); and
  - SECA tax is 12.4% (50% is tax deductible)
- > Social Security tax on benefits 4%; and
- > Interest on intra-governmental debt 9%.
- > All income is deposited into the SS Trust Funds (purchase Special U.S. Treasury Securities)

Source: \* The 2020 SS Trustees Report; The 80<sup>th</sup> Report. [https://www.ssa.gov/OACT/TR/2020/II\\_B\\_cyoper.html#96807](https://www.ssa.gov/OACT/TR/2020/II_B_cyoper.html#96807)

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**Slide 6**

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**B31** wage cap changed from \$137,700  
Best 31, 1/15/21

## Social Security Trust Funds\*

> **Two Trust Funds** B32

- OASI Trust Fund (86%); and
- The DI Trust Fund (14%)

> **Managed by a Board of Trustees** composed of six members:

- Secretary of Treasury (Managing Trustee);
- Secretary of Labor
- Secretary of Health and Human Services;
- Commissioner of Social Security; and
- Two public Trustees (not filled)

Annual Report	2020	2019
<b>Depletion Dates</b>		
OASI	2034	2034
DI	2095	2092
Combined (OASDI)	2035	2035
<b>Percent of Benefits Payable Upon Depletion</b>		
OASI	76%	77%
DI	92%	91%
Combined (OASDI)	79%	80%
<b>75-Year Actuarial Deficit (as percent of taxable payroll)</b>		
Combined	3.21%	2.79%

\*Beginning in 2021, the SSA will start redeeming Treasury Securities in Trust Funds to pay scheduled benefits.

Source: \*Social Security Trustees Report; The 80<sup>th</sup> Report released April 23, 2020;  
<https://www.ssa.gov/oact/TR/2020/tr2020.pdf>

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## Eligibility for OA Retirement Benefits

> **Two basic requirements**

- Attaining age 62 for one full month; and
- Being “fully insured”

> To be “fully insured,” a worker must earn **40 credits (Quarters of Coverage)**:

B33 \$1,470 = 1 credit (2021).

- Maximum 4 credits per calendar year (\$5,880 of income in 2021).
- 4 credits per year x 10 years = 40 credits to be fully insured.

> Fully insured = 100% of benefit (PIA) at FRA.

[www.ssa.gov/mystatement/](http://www.ssa.gov/mystatement/)

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## Determining FRA

Year of Birth	Full Retirement Age (FRA)
1937 or earlier	65
1938 - 1942	65 + 2 months for every year after 1937 until 1943
1943 - 1954	66
1955 - 1959	66 + 2 months for every year after 1954 until 1959 (66 and 10 months)
1960 and later	67

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## Slide 7

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**B32** entire slide has been updated  
Best 31, 1/15/21


## Slide 8

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**B33** 1st bullet updated- \$1,470 = 1 credit (2021).  
2nd bullet updated- (\$5,880 of income in 2021).  
Best 31, 1/15/21

## Calculate OA Retirement Benefits

- > Step 1: Index the earnings record
  - “Indexed” earnings over a 40 year work history
- > Step 2: Calculate the AIME
  - Highest 35 years of the 40 years (420 months) of workers history (earnings history indexed to the average wage index two years prior to his or her age 62).
- > Step 3: Calculate the PIA using a “progressive” formula (2021): <sup>B34</sup>
  - First bend point = 90% of the first \$996 of AIME, plus
  - Second bend point = 32% of AIME over \$996 and through \$6,002, plus
  - Third bend point = 15 % of AIME over \$6,002



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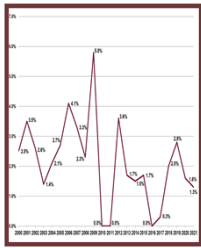
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## COLA

- > Based on the increase in the CPI-W:
  - 3<sup>rd</sup> quarter of current year compared to the 3<sup>rd</sup> quarter of the previous year.
- > COLA 1.3% (2021) <sup>B35</sup>
  - COLAs have averaged 1.4% over the last decade less than half of the 3% that they averaged during the previous decade (2000-2009)<sup>1</sup>
  - SS benefits have lost 30% buying power since 2000<sup>2</sup>
- > SSA projects a 2.6% COLA on SS Wage Statements.

**COLAs 2000-2021**



Source: <sup>1</sup>SSA; <sup>2</sup>The Senior Citizens League; The 2020 Social Security Loss of Buying Power Study;   
<https://seniorcitizensleague.org/social-security-benefits-lose-30-of-buying-power-since-2000-no-cola-likely-for-2021/>



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## Windfall Elimination Provision (WEP)

- > Applies to certain workers who are entitled to SS benefits (OA and DI) as well as to pension benefits from employment not covered by SS.<sup>1</sup> About 1.9 million beneficiaries.<sup>2</sup>
  - Non-covered pensions: Federal gov’t employees prior to 1984, and some state employees and local gov’t employees (Police, Firefighters), Teachers, and foreign employment.
- <sup>B36</sup> How it works: First PIA bend point 90% is reduced to 40%.
  - .90 (996) = \$896.40 / WEP .40 (996) = \$398.40. That is a reduction of \$498 (\$896.40-\$398.40)
- > WEP is eliminated if worker has substantial earnings (\$26,550 in 2021) for 30 years or more. An adjusted formula for workers with 21 – 29 years of substantial covered employment.
- > Also, affects spousal benefits but NOT survivor benefits.

Source: <sup>1</sup>SSA; <https://www.ssa.gov/pubs/FN-05-10045.pdf>; <sup>2</sup>Congressional Research Service: Social Security: The WEP (Feb 10, 2020) <https://fas.org/sgp/crs/misc/98-35.pdf>



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## Slide 10

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**B34** Step 3 has new information for 2021  
Best 31, 1/19/21

## Slide 11

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**B35** COLA changed from 1.6%  
Best 31, 1/19/21

## Slide 12

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**B36** how it works: all figures Updated for 2021  
Best 31, 1/19/21

### Government Pension Offset Provisions

- > AKA, Public Pension Offset (PPO), affects beneficiaries who are receiving spousal or widow(er)'s benefit of a person who also received a pension from government employment (federal, state, or local) that was based on work not covered by Social Security.
  - Spousal and survivor benefits are reduced by two-thirds of the non-covered pension. If pension is significantly larger than SS benefit it can reduce and eliminate spousal and/or survivor benefit.
- > How It Works
  - > Jack's PIA is \$2,000 a month, his wife Jill is receiving a non-covered pension of \$900 per month. Jill's spousal benefit is \$1,000. Her reduction in spousal benefit is \$600 (2/3rds of \$900). Jill's spousal benefit would be \$400. Jill's total benefit would be \$1,300. (\$900 + \$400).

Source: Congressional Research Services The GPO (Feb. 10, 2020); <https://fas.org/sgp/crs/misc/RL32453.pdf>



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### Retirement Earnings Test

- > If a worker claim SS benefits prior to his/her FRA and continues to earn income over a certain threshold, SSA will temporarily withhold some of their benefits under the RET limits.
- > SSA will increase their monthly payments by the amount that is roughly actuarial equivalent to the withheld benefits.
- > Benefits are not lost but rather returned over a beneficiary's life beginning at their FRA

B37	2021 Limit
<b>Below full retirement age</b> -\$1 of benefits reduced for every \$2 in earnings above the limit	<b>\$18,960/year</b> <b>(\$1,580/mo.)</b>
<b>Year individual reaches full retirement age</b> -\$1 of benefits reduced for every \$3 in earnings above the limit for months prior to attaining full retirement age	<b>\$50,520/year</b> <b>(\$4,210/mo.)</b>
<b>Month individual reached full retirement age and beyond</b> -Reduction no longer applies	<b>Unlimited</b>

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### Taxation of Social Security Benefits

- > The Combined Income Formula, (aka, Provisional Income) determines how much of a retiree's SS benefits are subject to taxation.
  - MAGI is AGI plus nontaxable interest, interest earned from foreign sources, and 1/2 of SS benefits (not indexed).
- > Note: That it is "up to" either 50% or 85% of SS benefits that are taxed.
  - By 2010, 47 percent of beneficiary households paid some taxes on their benefits, rising to about 55 percent today, and this share is ultimately projected to level off at 58 percent around 2030.<sup>1</sup>

Modified AGI threshold <sup>1</sup>	Taxable portion
A. Less than \$25,000	None
B. \$25,000-\$34,000	Amount up to 50 percent of benefits up to 50 percent of modified income above \$25,000 (maximum of \$4,500)
C. Above \$34,000	Amount up to 85 percent of benefits up to 85 percent of modified income above \$34,000 plus amount from line B
D. Less than \$32,000	None
E. \$32,000-\$44,000	Amount up to 50 percent of benefits up to 50 percent of modified income above \$32,000 (maximum of \$6,000)
F. Above \$44,000	Amount up to 85 percent of benefits up to 85 percent of modified income above \$44,000 plus amount from line E

Source: Center for Retirement Research at Boston College; "How Much Taxes Will Retirees Owe on Their Retirement Income"; [https://crr.bc.edu/wp-content/uploads/2020/11/wp\\_2020-16.pdf](https://crr.bc.edu/wp-content/uploads/2020/11/wp_2020-16.pdf)



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**Slide 14**

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**B37**      **Chart updated for 2021**  
Best 31, 1/19/21

**Slide 15**


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**B38**      **NEW SLIDE**  
Best 31, 1/19/21

### When Should I Apply for SS Retirement Benefits?

> A worker who is fully insured will have the following options:

- Reduced benefits beginning at age **62** (permanently reduced);
- Full benefits at FRA (age 66); or
- Increased benefits, if delayed beyond FRA to age 70 (Delayed Retirement Credits).



“Of the non-disabled persons who claimed benefits in 2019, **70% of retired workers elected reduced benefits**: 67% of men and 73% of women. Less than 4% of men and 6% of women waited to elect benefits at age 70 and later.”\*

Source: \*SSA, 2020 Annual Statistical Supplement, Master Beneficiary Record; <https://www.ssa.gov/policy/docs/statcomps/supplement2020/5a.html>

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### Effect of Claiming Age on Monthly Benefits B39

If benefits are claimed at age:	The monthly amount would be:	If benefits are claimed at age:	The monthly amount would be:
62	\$750	62	\$700
63	\$800	63	\$750
64	\$867	64	\$800
65	\$933	65	\$867
66 (FRA)	\$1,000	66	\$933
67	\$1,080	67 (FRA)	\$1,000
68	\$1,160	68	\$1,080
69	\$1,240	69	\$1,160
70	\$1,320	70	\$1,240

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### Maximizing SS Benefits for Singles

> When should singles start SS retirement benefits?

- Which starting date will maximize the PV of projected benefits?
- Which starting date will minimize longevity risk?

> For singles who live to average L/E and whose benefits are not affected by the earnings test, the PV of benefits is approximately equal no matter when benefits begin.

B310 The average mortality for a male and female who reach age 66 and 2 months in 2021 is 84.3 (18.1 years) for the man and 86.7 (20.6 years) for the female.<sup>1</sup>

> However, for singles who are risk averse and live beyond average L/E, they would be better off to wait to at least their FRA, and if concerned about longevity they would be better off waiting to age 70 (Longevity insurance).

Source: <sup>1</sup>SS Online Life Expectancy Calculator: <https://www.ssa.gov/oact/population/>

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## Slide 17

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**B39**      **New Slide**  
Best 31, 1/19/21

## Slide 18

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**B310**     **Average mortality updated for 2021**  
Best 31, 1/19/21

## Planning For Married Couples

- > One of the most complex areas of Social Security planning
- > Married couple's choice of benefits:
  - Their own individual OA retirement benefit;
  - Spousal benefit (if eligible); and
  - Survivor benefits
- > New changes under the Bipartisan Budget Act of 2015

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## Spousal Benefit

- > Provides an eligible spouse, at FRA, a benefit up to 50% of the Primary spouse's PIA at his/her FRA. Earliest age to qualify is age 62 (35% permanent reduction)
  - Spousal benefit is calculated by using the spouse's own earnings record and compares it with the spousal benefit ("dual entitlement rule"). If the spousal benefit is higher, an amount will be added to his/her own retirement benefit to make it equal to the spousal benefit ("deemed filing rule").
- > Primary spouse must have filed and receive their own benefit (ex-spouse exempt from this rule). Must be married at least 12 months prior to filing for spousal benefit.
- > Spousal benefits are NOT increased by DRC's (do not delay beyond FRA) and are subject to the retirement earnings test (RET).

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## Married Couple Switching Strategies

- > **Old Law:** The Senior Citizens Freedom To Work Act of 2000 allowed "loopholes" that would boost total benefit payments for married retirees.
  - At FRA, the law allowed for the filing of a limited benefit and then later "switching" to a larger benefit:
    - File and Suspend (F & S) strategy;
    - Restricted Application Strategy:
      - Claim Now, Claim More Later strategy; and
    - The Combination Strategy - F&S and then file a Restricted Application).
- > **New Law:** The Bipartisan Budget Act of 2015, Subtitle C Section 831 "Closure of Unintended Loopholes."

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## File and Suspend Benefits

- > The BBA of 2015, The Social Security Act Subsection 202(z), stipulates that if an individual chooses to suspend benefits (File & Suspend strategy), then:
  - All benefits payable to that individual will be suspended, based on his/her own earnings record (i.e., retirement benefit) and also based on any other person's earnings record (i.e., spousal benefits)
  - No other individual will be eligible for benefits based on the earnings record of the person who voluntarily suspends benefits.
- > Effective Date: April 30, 2016. Applicants may still suspend their benefits but it will also suspend payments to their ancillary beneficiaries. Closes the File & Suspend strategy.
- > Note: Those who elected the File & Suspend Strategy prior to April 29, 2016 were grandfathered.



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## Deemed Filing Rule

- > The BBA of 2015, The Social Security Act Subsection 202(r) expands the “*deemed filing rule*” to age 70.
  - Anyone who is eligible for a spousal benefit is deemed to have filed for their old-age retirement benefit as well, and similarly anyone who is eligible for a retirement benefit is deemed to have filed for any spousal benefits to which he/she is entitled.
- > This rule ended the use of the Restricted Application switching strategies (Claim Now; Claim More Later and the Combination of F&S with RA). However, it does not affect survivor, child-in-care and disabled children benefits.
- > Effective Date: Individuals born after January 1, 1954 can no longer file a RA. However, individuals born prior to January 1, 1954 have been grandfathered (still allowed to file a RA).



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B311

## Undo An Early Claim

<p><b>Withdrawal of Application (“Do Over”)<sup>1</sup></b></p> <ul style="list-style-type: none"> <li>• Can withdraw application for up to 12 months after becoming entitled to retirement benefits</li> <li>• Limited to one withdrawal per lifetime.</li> <li>• Cannot withdraw application if reached FRA.</li> <li>• Anyone else who receives benefits based on beneficiary’s application must consent in writing to the <u>withdrawal</u>.</li> <li>• You must repay all the benefits you and your family received from your retirement application.</li> </ul>	<p><b>Suspension of Benefits at FRA<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>&gt; At FRA or later, you can ask to suspend retirement benefit payments beginning with the month after the month the request is made.</li> <li>&gt; Benefit payment will start the month the beneficiary reaches age 70 (unless requested earlier).</li> <li>&gt; Others who receive benefits will not be able to receive benefits for the same period that benefits are suspended. Note: Except ex-spouses will be able to continue receiving benefits.</li> </ul>
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Source: <sup>1</sup>SSA Withdrawing Your SS Retirement Application; <https://www.ssa.gov/benefits/retirement/planner/withdrawal.html>

Source: <sup>2</sup>SSA Suspending Your Retirement Benefit payments; <https://www.ssa.gov/benefits/retirement/planner/suspend.html>



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Slide 24

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**B311**

**New Slide**

Best 31, 1/19/21

## Survivor Benefits

- > Survivor Lump Sum Death Benefit of \$255
- > Percentage of Deceased's PIA:
  - Widow(er) at FRA or older: 100% of the deceased worker's PIA amount.
    - Age 60 to FRA: 71.5% to 99% of the deceased worker's basic amount.
    - Disabled widow(er), age 50 through 59: 71.5%.
  - Widow(er), any age, caring for a child under age 16 or disable: 75% of deceased 's spouse's PIA.
  - Unmarried child under age 18 (19 if still in elementary or secondary school) or disabled (prior to age 22): 75% of deceased's parent's PIA.
  - Dependent parent(s), age 62 or older: One surviving parent— 82.5% of deceased's child's PIA; two surviving parents—75% of deceased child's PIA to each parent.
- > Family maximum rules - 150% to 180% of deceased's PIA.

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## Widow(er) Survivor Benefit Rules

- > Must have been married to the deceased for at least **9 months**
- > Widows Limit Provision: If the deceased spouse received a reduced retirement benefit at the time of death, the benefit cannot exceed the greater of this amount, or 82.5% of the deceased's PIA.
- > If the deceased spouse had not yet claimed retirement benefits, survivor benefits will be determined as if the decedent had claimed at the later of FRA, or date of death.
  - > If the deceased spouse's PIA were increased with DRCs and COLAs, the survivor benefits will be increased
- > Survivor Benefits subject to retirement earnings test limits (RET)



SSA Pub # 05-10127  
*What Every Women Should Know*

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## Ex-Spouse Choice of Benefits

- > Their own OA retirement benefit;
- > If eligible, they can choose the following benefits based on the ex-spouse's PIA:
  - Spousal benefit; and
  - Survivor benefit.



"The Divorce rate for adults age 50 and older has roughly doubled in the past 25 years. Up 109% from 1990 to 2015."

Source: Pew Research Center analysis of the 2015 American Community Survey (IPUMS); <http://www.pewresearch.org/fact-tank/2017/03/09/ed-by-baby-boomers-divorce-rates-climb-for-americas-50-population/>

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### Ex-Spouse Spousal Benefits

- > The same benefit formula, age requirements, and actuarial reductions apply as a married spouse.
- > Eligibility Requirements:
  - The marriage lasted for at least (10) years prior to year of divorce;
  - The claiming spouse is unmarried;
  - The claiming spouse is age 62 or older
  - Must have been divorced for at least two (2) years;
  - The benefit that the claiming spouse is entitled to receive based on his or her own work record is less than the benefit he or she would receive based on the record of the ex-spouse (non-claiming spouse); and
  - The non-claiming spouse is **entitled** to Social Security retirement or disability benefits.
- > Benefits are subject to the RET limits
- > Restricted Application is available if ex-spouse was born prior to January 1, 1954.

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### Ex-Spouse Survivor Benefits

- > A divorced ex-spouse can apply for benefits on the ex-spouses' worker's record. Same benefits as a widow(er) providing the marriage lasted 10 years or more .
  - If the ex-spouse is caring for child of the ex-spouse who is under age 16 or disabled he/she will not have to meet the length of marriage rule.
  - If the surviving ex-spouse remarries after age 60 (50 if disabled), the remarriage will not affect eligibility for survivor benefits.
- > Deemed filing rules does not apply. Able to choose the higher of either survivor benefit or his/her own retirement benefit.
  - File Restricted Application: Elect survivor benefit while delaying retirement benefit to age 70 (increased with DRCs) then switch.

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### Medicare

- > Medicare was established in 1965 under Title XVIII of the Social Security Act as a federal health insurance program for individuals age 65 and older, regardless of income or health status.
  - Individuals under age 65 receiving SSDI and certain benefits from the RR Board for 24 months; and
  - Individuals with Lou Gehrig's disease or end-stage renal disease (ESRD).
- Administered by The Centers for Medicare and Medicaid Services (CMS).
  - 63 million American (19%).<sup>1</sup>
- Only covers 64% of health care expenses.<sup>2</sup>



President Johnson signing "Title XVIII of the Social Security Act of 1965."  
"http://www.cms.gov/History/

Source: <sup>1</sup> CMS Medicare Dashboard: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Dashboard-Medicare-Enrollment/Enrollment%20Dashboard.html>  
<sup>2</sup> Employee Benefit Research Institute; May30, 2019; [www.plandviser.com/couple-may-need-363000-cover-health-care-expenses-retirement/](http://www.plandviser.com/couple-may-need-363000-cover-health-care-expenses-retirement/)

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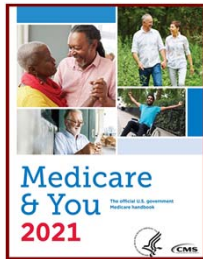
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## ABCDs of Medicare

- > Medicare is split by topic into several subsections:
  - Part A – Hospital Insurance (HI)
  - Part B – Supplementary Medical Insurance (SMI)
  - Part C – Medicare Advantage Plans (MA)
  - Part D – Prescription Drug Plans



www.medicare.gov/pubs/pdf/10050-Medicare-and-You.pdf

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## Choosing Medicare Coverage

### Original Medicare

- > Fee-for-Service (38m)<sub>1</sub>
- > Includes Part A (hospital insurance) and Part B (Medical insurance)
- > Can join a separate Part D drug plan (25m)
- > To help pay for out-of-pocket costs can purchase a Medicare Supplement (Medigap) Policy

### Medicare Advantage

- > Part C (25m)<sub>2</sub>
- > Sold by private insurance companies
- > “All in one” (bundled plans” many include a MA-PD plan (23m).
- > Some plans may have lower costs
- > Some plans may offer extra benefits like vision, hearing or dental.

Source: <sub>1,2</sub> CMS Medicare Dashboard; <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Dashboard/Medicare-Enrollment/Enrollment%20Dashboard.html>

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## Medicare Part A

- > Compulsory. Must sign-up. 99% of Medicare beneficiaries do not have to pay a premium. This because they or a spouse paid Medicare taxes while working for a specified duration of time.
  - > This duration is generally 40 credits (10 years).
- > For those individuals who do not automatically qualify for premium-free Part A coverage (2021), they can buy in by paying a monthly premium based on their duration of Medicare covered employment:
  - Those with 30-39 credits will pay a monthly premium of \$259; and
  - Those with fewer than 30 credits pay a premium of \$471.

B313

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**Slide 33**

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**B313** last 2 bullets updated  
Best 31, 1/19/21

### Medicare Part A - Financing\*

- > Payroll taxes collected (88%):
  - Employee and Employer each pay 1.45% (2.90%). S/E pay full 2.9 percent (able to deduct up to 50%). No cap on wages subject to tax.
- > Other Income: Taxation of benefits (8%); Interest earned (3%), and Other (2%)
- > Medicare NIIT (IRS Form 8960) - 3.8% and Medicare surcharge on wages 0.9% (IRS Form 8959). Schedule 2 line 8 Taxes from 8960 and 8959 reported on line 15 of Form 1040
  - > Income Thresholds: \$200,000(S)/\$250,000/ \$125,000
- > HI Trust Fund will be depleted in 2026, HI revenues projected to cover 89% of program costs

Source: \*CMS 2020 Trustees Report, <https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf>

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### Medicare Part A - Benefits

- > Medically necessary in-patient care in hospital;
- > Blood (3 pints);
- > Hospice care;
- > Home health care;
- > Skilled nursing and rehabilitative care only after a three day hospital stay, up to 100 days in a benefit period
  - Part A does not cover custodial LTC
- > Inpatient psychiatric care (up to 190 lifetime days).

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### Medicare Part A Out-of-Pocket Costs

- > In patient care in hospital (2021):
  - Deductible: \$1,484 covers the patient's first 60 in-patient days during a "benefit period". B314
  - Daily Co-Insurance Charges:
    - o \$371 per day for the 61<sup>st</sup> through 90<sup>th</sup> and
    - o \$742 per day (91-150 days) for lifetime reserve (60 days)
- > Skilled nursing care in a skilled nursing facility (2021)
  - Days 1-20 = \$0 cost
  - Days 21 – 100 = \$185.50 per day
  - Days 100+ = 100% out-of-pocket costs after 100 days

A Benefit Period under Part A begins the day the patient is admitted to the hospital and ends when the patient has been discharged for at least 60 days. Unlimited benefit periods. Each benefit period requires a new deductible to be met.

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Slide 36

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**B314** Entire slide has been updated  
Best 31, 1/19/21

### Part A Enrollment Dates

<b>Automatic Enrollment</b>	If receiving Social Security or Railroad Retirement benefits. Disabled and under 65, he/she will automatically be enrolled in Original Medicare (Part A) after they get disability benefits from Social Security, for 24 months.
<b>Initial Enrollment Period (IEP)</b>	<b>7 month period</b> begins 3 months before the month you turn 65. Coverage starts the first day of birth month. If you enroll on the month you turn 65 or during the last 3 months of your IEP, the start date will be delayed.
<b>General Enrollment Period (GEP)</b>	If you did not sign up for Part A during the IEP and aren't eligible for a SEP you can sign up between <b>January 1 – March 31 each year</b> . Coverage begins <b>July 1 of that year</b> .
<b>Special Enrollment Period (SEP)</b>	Once the IEP ends, you may have the chance to sign up for Part A when you were first eligible because you're covered under a group health plan*. During <b>8-month period</b> that begins the month after the employment ends or the coverage ends, whichever happens first. (No penalty).

Note: Signing up for Medicare disqualifies you for contributing to an HSA plan. COBRA (Consolidated Omnibus Budget Reconciliation Act) coverage and retiree health plans aren't considered coverage based on current employment. You're not eligible for a Special Enrollment Period when that coverage ends.

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### Medicare Part B

- > Part B (aka, Supplementary Medical Insurance) is a voluntary program.
  - Available to individuals who are entitled to Part A, as well as to U.S. residents who have attained age 65 and are citizens and to aliens who were lawfully admitted for permanent residence and have resided in the U.S. for 5 consecutive years. Must enroll and pay a monthly premium.
- > Part B Benefits and Services:
  - Physician services,
  - Outpatient hospital care and surgical services and supplies,
  - General home health services
  - Durable medical equipment; and
  - Other medically necessary (and preventive) medical services.

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### Medicare Part B - Financing\*

- > Sources of Revenue:
  - General revenues 72%;
  - Beneficiary premiums 26%; and
  - Interest income and other sources 2%.
- > Part B does not have financing challenges as does Part A.
- > However, future increases in spending under Part B will require increases in general revenue funding and higher premiums paid by beneficiaries.

Source: \*The 2020 Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds: <https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf>

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## Medicare Part B Out-of-Pocket Costs

- > Annual Deductible \$203 (up from \$198 in 2020)
- > Co-pay 20% of covered services (no yearly limit)
- > Beneficiary/enrollee Premiums:
  - Basic monthly premium \$148.50 (up from \$144.60 in 2020) taken directly from SS check.
    - By law, the Part B premium must represent one-fourth (25%) of the average cost for beneficiaries: Section 1839(f) of the SS Act of 1965 ensures that dollar value increases in Part B premiums for "eligible" beneficiaries (not subject to means testing) do not exceed the dollar value of the SS COLA ("Hold Harmless")
  - Income Related Monthly Adjusted Amount (IRMAA)
    - If the beneficiary's MAGI as reported on their IRS tax return from 2 years ago is above certain amounts, they will be required to pay the standard premium (\$148.50) and an IRMAA (means testing). The IRMAA is an extra charge added to premium. Roth Conversions will affect IRMAA

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## Medicare Part B – IRMAA 2021

Income Thresholds	Single Taxpayer 2019 MAGI:	MFJ 2019 MAGI:	Std. Monthly Premium and IRMAA
Base (25%)	Up to \$88,000	Up to \$176,000	\$148.50
Tier 1 (35%)	\$88,001 - \$111,000	\$176,001 - \$222,000	\$207.90
Tier 2 (50%)	\$111,001 - \$138,000	\$222,001 - \$276,000	\$297.00
Tier 3 (65%)	\$138,001 - \$165,000	\$276,001 - \$330,000	\$386.10
Tier 4 (80%)	\$165,001- \$500,000	\$330,001- \$750,000	\$475.20
Tier 5 (85%)	Than \$500,000	Than \$750,000	\$504.90

**Note:** Modified Adjusted Gross Income (MAGI) is defined as adjusted gross income (AGI) plus tax exempt interest income. Under current law the threshold amounts in tiers 1-3 are indexed with inflation. **Tier 4 and 5 will not be indexed until 2028.** Request to Appeal Form-SSA 44

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## Request to Appeal IRMAA

- > A beneficiary or spouse of a beneficiary who experiences a "life changing event" may request a reduction/elimination of their IRMAA for a specific tax year (Form SSA-44).
  - Qualifying LCEs: Death of a spouse; Marriage; Divorce or annulment; Work reduction; Work stoppage; Loss of income-producing property; Loss of employer pension; or Receipt of settlement payment from a current or former employer.
  - Non-qualifying events\*: Ordinary loss of dividend income; Higher medical expenses; Higher living expenses; Loss of child support; Loss of alimony; or Voluntary sale of income producing property.

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## Part B Enrollment Dates

<b>Automatic Enrollment</b>	If receiving Social Security or Railroad Retirement benefits. Disabled and under 65, he/she will automatically be enrolled in Medicare (Part B) after they get disability benefits from Social Security, for 24 months.
<b>Initial Enrollment Period (IEP)</b>	<b>7 month period</b> begins 3 months before the month you turn 65. Coverage starts the first day of birth month. If you enroll on the month you turn 65 or during the last 3 months of your IEP, the start date will be delayed.
<b>General Enrollment Period (GEP)</b>	If you did not sign up for Part B during the IEP and aren't eligible for a SEP you can sign up between <b>January 1 – March 31 each year</b> . Coverage begins <b>July 1 of that year</b> . Late Enrollment Penalty may apply
<b>Special Enrollment Period (SEP)</b>	Once the IEP ends, you may have the chance to sign up for Part B when you were first eligible because you're covered under a group health plan*. During <b>8-month period</b> that begins the month after the employment ends or the coverage ends, whichever happens first. (No penalty).

Note: Signing up for Medicare disqualifies you for contributing to an HSA plan. COBRA (Consolidated Omnibus Budget Reconciliation Act) coverage and retiree health plans aren't considered coverage based on current employment. You're not eligible for a Special Enrollment Period when that coverage ends.

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## Medicare Part B Late Enrollment Penalty

Mary delayed signing up for Part B two (2) full years after she was eligible. She'll pay a 10% penalty for each full 12-month period she delayed. The penalty is added to the Part B monthly premium permanently. Her premium in 2021 will be as follows:

\$148.50 (2021 Part B standard premium)  
B315 + \$ 29.70 (20% of \$148.50)  
**\$178.20 (Mary's Part B monthly premium for 2021)**

Note: COBRA (Consolidated Omnibus Budget Reconciliation Act) coverage and retiree health plans aren't considered coverage based on current employment. You're not eligible for a Special Enrollment Period when that coverage ends

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## Medicare Part D

- > A voluntary outpatient prescription drug benefit offered by insurance companies and private companies approved by CMS. Two Options:
  - Stand-alone PDPs - added to Original Medicare.
  - Medicare Advantage Plans (Integrated Plans) – included with Medicare Advantage Plans commonly called MA-PDs.
- > As of October 2020, over 48 million people have a Medicare Prescription Drug Plan:
  - Part D PDP: 25 million (52%); and
  - MA-PD: 23 million (48%)



<https://www.medicare.gov/find-a-plan/questions/home.aspx>

Source: 'CMS Statistics of Data, Medicare Enrollment Dashboard, https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Dashboard/Medicare-Enrollment/Enrollment%20Dashboard.html' FOR BROKER DEALER USE ONLY. NOT TO BE USED WITH THE PUBLIC. 45 BROKER EDUCATIONAL SALES & TRAINING INC. © 2021

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Slide 44

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**B315** figures updated for 2021  
Best 31, 1/19/21



### Medicare Part D Stand-Alone PDP Financing

- > PDPs Sources of Revenue<sup>1</sup>:
  - General revenues (71%)
  - Beneficiary premiums (17%), and
  - State transfer payments were (12%)
- > Like Part B, Part D does not have any financing challenges. Any future increases in spending will require increases in general revenue funding and higher premiums paid by beneficiaries.

Source: <sup>1</sup> CMS 2020 Trustees Report, <https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf>

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### Medicare Part D Premiums

- > Part D Stand-alone PDPs average Monthly Premium
  - The National Part D Stand-alone PDPs are projected to range from \$7 to \$89 <sup>B316</sup>
  - The national average premium will be approximately \$43.07 in 2021.<sup>1</sup>
- > National Base Beneficiary Premium (CMS)
  - The national base premium rate for PDPs and MA-PDs is \$33.06 in 2021<sup>2</sup>
    - Used to calculate the Part D late enrollment penalty and the additional IRMAA premium.
- Income Related Monthly Adjusted Amount (IRMAA) premiums

Source: <sup>1</sup> CMS, <https://www.cms.gov/files/document/july-29-2020-parts-d-announcement.pdf>  
<sup>2</sup> CMS, <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Ratebooks-and-Supporting-Data>

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### Medicare Part D – IRMAA 2021 <sup>B317</sup>

Income Threshold	Single Taxpayer 2019 income:	MFJ 2019 income:	Monthly Premium and IRMAA
Base	Up to \$88,000	Up to \$176,000	Plan Premium
Tier 1	> \$88,001 - \$111,000	> \$176,001 - \$222,000	Plan Premium + \$12.30
Tier 2	> \$111,001 - \$138,000	> \$222,001 - \$276,000	Plan Premium + \$31.80
Tier 3	> \$138,001 - \$165,000	> \$276,001 - \$330,000	Plan Premium + \$51.20
Tier 4	> \$165,001 - \$500,000	> \$330,001 - \$750,000	Plan Premium + \$70.70
Tier 5	> \$500,000	> \$750,000	Plan Premium + \$77.10

\*The Part D IRMAA is not collected by the Medicare Part D plans, but instead paid directly to the Federal government (Social Security, Railroad Retirement Board, or Office of Personnel Management benefits). Tiers 1-3 are indexed with inflation and Tier 4 and 5 are not indexed until 2028.

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## Slide 47

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**B316**    **New Slide**  
Best 31, 1/19/21

## Slide 48

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**B317**    **entire slide updated for 2021**  
Best 31, 1/19/21

**3318 Standard Prescription Drug Benefit- 2021**

Deductible	Tier 1 Initial Coverage* \$4,130	Tier 2 "Donut Hole" Up to \$6,550	Tier 3 Catastrophic Coverage After \$6,550
Beneficiary Pays <b>\$445</b>	Plan pays 75% of drug costs up to \$3,685 = <b>\$2,763.75</b>	Beneficiary Pays 100% of Drug Costs (\$9,313.75 - \$4,130) = <b>\$5,183.75</b>	Plan Pays 15% and Medicare pays 80%
	Beneficiary pays 25% of drug costs up to \$3,685 = <b>\$921.25</b>	ACA 2021, beneficiary pays <b>25% on brand name drugs, and on generic.</b>	Beneficiary pays greater of 5% of remaining costs or <b>\$3.70</b> for generic drugs and <b>\$9.20</b> for all other drugs.

\*The total out-of-pocket costs (OOP) is \$1,366.25. Initial Coverage Limit in 2021 is \$4,130 (\$2,763.75 + \$1,366.25). When the beneficiary reaches \$4,130 he/she moves in Tier 2, the "Donut Hole". True Out-of-Pocket (TrOOP) threshold expenditures is \$6,650 (\$1,366.25 + \$5,183.75). Once the beneficiary spends TrOOP of \$6,650 move into Tier 3 Catastrophic Coverage. Source: Centers for Medicare and Medicaid Services.

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**Part D Enrollment Periods**

<b>Initial Enrollment Period (IEP)</b>	If you're not yet in Medicare and have no other drug coverage that's "creditable" (considered as good as Medicare's), you can join a drug plan at any time during your seven-month initial Medicare enrollment period. This lasts from 3 months before to 3 months after the month you turn 65. Or if younger with disabilities, the month you receive your 25 <sup>th</sup> check.
<b>Fall Open Enrollment Period (AEP)</b>	Between <b>October 15 and December 7</b> . Change from Original Medicare to MA plan. Change from a MA plan back to Original Medicare. Switch from one MA plan to another MA plan. Join a Medicare PDP. Coverage will begin on January 1, as long as the plan gets request by December 7. May have a late penalty.
<b>Special Enrollment Period</b>	Allows a Medicare beneficiary to join, switch or drop their PDP outside of the Annual enrollment period. (No penalty). Chance to join lasts <b>two-full months</b> after the month you lose your creditable coverage or you're notified that your current coverage is no longer creditable, whichever is later.
<b>5-Star Special Enrollment Period</b>	PDPs are rated on a scale of 1 to 5 for overall quality and performance, with a 5-star rating being excellent. A plan that does not hold a 5-star rating can be switched for a 5-star plan during the SEP. Can only use once per calendar year. Used only one time during the plan year. This period runs from <b>December 8 to November 30</b> of every year.

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**Part D Late Enrollment**

- > Calculated as the number of months without some form of "creditable" prescription drug coverage multiplied by 1% the annual base Medicare Part D premium (\$33.06 in 2021).
  - Creditable prescription drug coverage means drug coverage is at-least-as-good as basic drug coverage, TRICARE coverage, coverage from a Union healthcare, or employer plan.
- > The LEP may have to be paid each month for as long as you have Medicare drug coverage.
  - Example: Tom went without creditable coverage for 5 years (60 months), he would pay in addition to his monthly Medicare plan premium, a 2021 monthly penalty of \$19.80 (60 x (1% x \$33.06)) – or an additional \$237.60 per year.
- > In 2021, the maximum LEP can reach as high as \$684.80 per year, paid in addition to the Medicare plan premium and coverage.

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**Slide 49**

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**B318** All figures updated for 2021  
Best 31, 1/19/21

## Medicare Part C

- > Medicare Advantage (MA) plans (formerly “Medicare+ Choice).
  - Sold by private insurers and managed care companies contracted with CMS.
  - Combines both Part A & B and may also provides prescription drug plans (MA-PD).
  - May also provide other services, dental, vision, hearing aids, in-home support, meal benefit , fitness benefit and transportation.
- > Optional Choice: As of October 2020, 25 million Americans (40%) of Medicare enrollees chose a MA Plan.<sup>1</sup>



<https://www.medicare.gov/find-a-plan/questions/home.aspx>

Source: <sup>1</sup> CMS.gov Medicare Enrollment Dashboard; <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Dashboard/Medicare-Enrollment/Enrollment%20Dashboard.html>




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## Types of MA Plans

- > Medicare contracts with insurers to offer the following<sup>1</sup>:
  - Coordinated Care Plans. These plans have a network of preferred providers and include:
    - Health Maintenance Organizations (HMOs), some have a point-of-service (POS) benefit (draws the largest percentage of Medicare enrollment 15.2 million (61%) in 2020);
    - Preferred Provider Organizations (PPOs), local and regional;
  - Private Fee –for-Service (PFFS) ; and
  - Medical Savings Account (MSA) Plans
- > Certain MA plans can restrict enrollment eligibility to:
  - Individuals with special needs(such plans are known as Special Needs Plans (SNPs)
  - Employees and/or retirees and their dependents (such plans are known as employer group waiver plans (EGWPs or Employer/Union plans).

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## MA Plan Out-of-Pocket Costs in 2021

- > Part B premium \$148.50 (up from \$144.60 in 2020)
  - Some MA plans may pay all or part for the beneficiary and some may qualify for state assistance.
- > Average Monthly Premium for MA Plan
  - \$21 (down from \$23 in 2020, an 11% decrease). The lowest premium since 2007 down from an average of \$26.87 in 2019, a decrease of 14%.
- > Deductibles / co-insurance / co-payments
- > In 2021, the maximum out-of-pocket costs (“MOOP”) is \$7,550 for in-network plans and \$11,300 (both in-network and out-of-network) and many plans may have lower limits.

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## MA Plan Enrollment / Disenrollment

<b>Initial Enrollment Period (IEP)</b>	7 month period that starts 3 months before 65 <sup>th</sup> birthday and 3 months after the month of 65 <sup>th</sup> birthday.
<b>Fall Open (Annual) Enrollment Period (AEP)</b>	Between <b>October 15 and December 7</b> . Change from Original Medicare to a MA plan. Change from a MA plan back to Original Medicare. Switch from one MA plan to another MA plan. PDP. Changes take effect January 1.
<b>MA Disenrollment Period (MADP) Renamed MA-OEP</b>	Between <b>January 1 through March 31</b> you can leave MA plan and change to Original Medicare. Coverage begins the first month after leaving the MA plan.
<b>5-Star Special Election Period</b>	MA-PD are rated on a scale of 1 to 5 for overall quality and performance, with a 5-star rating being excellent. A plan that does not hold a 5-star rating can be switched for a 5-star plan during the SEP. Can only use once per calendar year. This period runs from December 8 to November 30 of every year.
<b>Special Election Period</b>	Special situations that may qualify to change, or opt out of a PDP: <ul style="list-style-type: none"> <li>If you move out of your plan's service area</li> <li>If the plan ends its contract with Medicare</li> <li>If you lose creditable coverage, or your plan is no longer considered creditable coverage</li> <li>If you live or move into an institution, such as a nursing home</li> <li>If you qualify for Extra Help.</li> </ul>

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## Medicare Supplement (Medigap) Policies

- > Sold by private insurance companies only to those enrolled in Original Medicare.
  - Must enroll and pay separate premium.
- > Pays all, or a portion, of Part A and Part B coinsurance and copayments.
- > Standardized by the federal government (OBRA 1990):
  - Identified by certain letters: A, B, C, D, F, G, K, L, M, and N (different plans in MA, MN and WI).
- > 14 million Medicare beneficiaries have purchased a Medigap policy (2018).<sup>1</sup>



www.medicare.gov/find-a-plan/questions/medigap-home.aspx?AspxAutoDetectCookieSupport=1

Source: <sup>1</sup>America's Health Insurance Plans (AHIP): [https://www.ahip.org/wp-content/uploads/2016/04/MedigapEnrollmentReport\\_Linked.pdf](https://www.ahip.org/wp-content/uploads/2016/04/MedigapEnrollmentReport_Linked.pdf)

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## Medigap Premium Ratings

- > **Attained-age rated** – the premium is based on current age (the age you have “attained”), so the premium goes up as you get older. They may be the least expensive at first, but they can eventually become the most expensive. Premiums may also go up because of inflation and other factors.
- > **Community-rated** – (also called “no age-rated”). Generally, the same monthly premium is charged to everyone who has the Medigap policy, regardless of age. Premiums may go up because of inflation and other factors, but not because of age.
- > **Issue-age rated** – (also called “entry age-rated”). The premiums are lower for people who buy at a younger age and won't change as they get older. Premiums may go up because of inflation and other factors, but not because of age.

**Note:** The cost of Medigap policies can vary widely. There can be big differences in the premiums that different insurance companies charge for exactly the same coverage.<sup>1</sup>

Source: <sup>1</sup>CMS: <https://www.medicare.gov/supplements-other-insurance/whats-medicare-supplement-insurance-medigap/medigap-costs/costs-of-medigap-policies>

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### Medigap Plans

Benefits	A	B	C	D	F*	G	K	L	M	N
Medicare Part A coinsurance and hospital costs (up to an additional 365 days after Medicare benefits are used)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Medicare Part B coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	\$20-\$50***
Blood (first 3 pints)	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Part A hospice care coinsurance or copayment	100%	100%	100%	100%	100%	100%	50%	75%	100%	100%
Skilled nursing facility care coinsurance			100%	100%	100%	100%	50%	75%	100%	100%
Medicare Part A deductible	100%	100%	100%	100%	100%	100%	50%	75%	50%	100%
Medicare Part B deductible			100%		100%					
Medicare Part B excess charges					100%	100%				
Foreign travel emergency (up to plan limits)				80%	80%	80%			80%	80%
		HD \$2,370			HD \$2,370	HD \$2,370		Out-of-pocket limit in 2021		\$319
							\$6,220	\$3,110		

\*Each insurance company decides which policies it wants to sell, although state laws might affect which ones they offer. Insurance companies that sell Medigap policies don't have to offer every plan. Must offer Plan A, if they offer any. Must also offer Plan C or Plan F (the Cadillac) if they offer any plan. Plan F and Plan G high deductible plan is \$2,370 in 2021. Plan F and G will no longer be available for sale as of January 1, 2020.

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### Medigap Policy Open Enrollment Period

**Open Enrollment Period (OEP)**

This 6 month period begins on the first day of the month you turn 65 or older and enrolled in Part B. Once started cannot be delayed or repeated. During Open Enrollment Period, an insurance company can't:

- Use medical underwriting;
- Refuse to sell any Medigap policy it offers;
- Charge more for a Medigap policy than they charge someone with no health problems;
- Delay coverage to start (except in certain circumstances)

Pre-existing Condition: Have at least 6 months of prior creditable coverage prior to Medigap effective date without more than a 63 day lapse, the insurance company cannot make you wait for coverage related to your pre-existing conditions.

**Note:** Be aware, that the insurer may charge a higher premium, if not enrolling during the OEP, and are not protected by a guaranteed issue right.

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**B319** OOP limit updated for 2021  
Best 31, 1/19/21



## Electronic Exam

- > Some states may require additional forms:
  - Disinterested Third-party Form
  - Personal Attestation Form
- > Exam will be available for 10 business days to complete.
- > Exam will be graded instantaneously (unlimited retakes)



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## Electronic Exam Link



<https://selfstudyce.brokered.net/virtual/>

**Invite Code: 41103**

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## Virtual Super CE – Step by Step

You must fill out the form below to access the final exam.

**Attendee Information:**

\* denotes required field

\* First Name:

\* Last Name:

*Note: First name when registering is optional, enter your name as it appears on the license. Otherwise, enter your name as it appears on your Drivers License or ID card.*

Business Email:

\* Invite Code:

*Approved by your Director or upon registering for the exam. Contact your Director if you do not have the Invite Code.*

After clicking "Submit" you will be shown any additional required paperwork for your selection and be able to launch the exam.

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**Virtual Super CE – Step by Step**

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**States With Monitor/Attestation Form**

AR	HI	MS	VA
CT	IN	MT	WV
DC	ME**	NC*	WY***
FL*	MI*	OH*	
GA	MO	OR	

States requiring a Third Party Monitor: \* States that require a Personal Attestation Form. \*\* ME no requirement if credit is under 16 hours. WY allows a family member as a Monitor. To receive CE credit the Form must be returned to BEST.

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**Thank You  
for attending the webinar**

<https://selfstudyce.brokered.net/virtual/>

**Access Code: 41103**

BEST: 800-345-5669      customerservice@brokered.net

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