

Nina

Hey, Marianne. It's so good to be here with you again. How are you?

Marianne

I'm great. I just got to see the Packers defeat the Cincinnati Bengals and in, in Cincinnati. And it was an amazing game. I call it the game of missed field goals, but you know, I'm a Packers fan and it was fantastic. How are you, Nina?

Nina

It sounds like so much fun. Oh, I'm just really enjoying the fall weather that we've been having and excited to be here. Great. So Marianne, I was reading an article not too long ago that said the average couple is going to need roughly \$300,000 to cover the cost of their health care and retirement because that number be true.

Marianne

Yeah, Nina. It is. And from my experience, uh, I think retirees are really looking for some relief with these high costs and they also want control over how to spend their healthcare dollars. And I also hear from retirees that they want some choice in the type of coverage that they opt for and they really want some help in making those decisions. If it is a big move, I can't tell you how many of my friends are turning 65 now and guess who they call me. So I get it. It's, it's complicated.

Nina

Yep. You know, I've heard that from people on my own family who are retired too. So what model would be the best for them? How do I know if they're better off in a group Medicare plan or them having the option to pick their own individual Medicare plans and perhaps most importantly, can you help me understand the differences between the two models, the group, Medicare and individual Medicare plans?

Marianne

Sure. Nina. And that really is the question. So let's break it down in today's episode, you know, I've had the experience with both models and typically under a group Medicare model retirees have just a limited number of options for medical and prescription drug coverage. And they don't have much choice about the cost of their plan. Most group Medicare plans are what I call one size fits all. Also, they typically don't have a choice about how to use whatever subsidy the employer or retirement system or plan sponsor gives them. It typically just covers part of the premium and is not available for out of pocket medical or drug costs. And finally, I think this is so important for retirees. They don't a choice of what kind of network is in their plan, nor do they have a choice of what drug formulary they have, which becomes so important as we get older.

Nina

Nut it doesn't make sense to my family members. When I tell them that these group Medicare plans with their large numbers of lives could be more expensive than just one individual plan. If I'm understanding you correctly, how would I better explain that to them?

Marianne

Well, Nina, that's what I always thought. Just like your family members. I always thought the group would be the most efficient and most affordable model. Um, but then I did the actual research and I found that these individual Medicare plans all across the country are far cheaper and surprisingly more comprehensive than what we see in group Medicare advantage plans. Think about this. If you have a benefit that you want to cover in a group Medicare plan, you're going to cover it for everybody, which means the cost of that gets spread across everybody. Well, maybe as a retiree, I don't want that particular coverage, but I don't get the ability to pick a plan that doesn't have that and would come with likely a lower premium.

Nina

Okay. I do get that, but how is it possible that an individual plan with just one person can be cheaper than a group plan?

Marianne

Well, it is because of retiree in one individual plan, really isn't alone, Nina. Instead they have enrolled in perhaps the largest risk pool. There is in our country with about 42 million retirees enrolled in individual Medicare products. And because everybody who comes into these plans has guaranteed issue. There's no adverse selection. Also. I should point out that right now, every day, 10,000 baby boomers are aging into Medicare. That's bringing younger lives into the pool every single day. And the other thing that I would point out about why this model of individual Medicare products is cheaper than a group Medicare plan is on the drug side. So I know when you have a group plan, the pharmaceutical subsidies and the rebates and those kinds of things, um, really those savings go to the plan sponsor and not the retiree. And so it becomes, this model becomes more expensive for the retiree.

Nina

So help me understand, you're talking about rebates and discounts offered by large group drug plans.

Marianne

That's right. Uh, in the group model, uh, rebates, savings, and discounted prices goes directly to the plan sponsor and may, but more often is not shared with a retiree. Whereas the retiree gets those savings at the point of sale in the individual marketplace with individual drug plans.

Nina

Okay. So do you have an example of what that pricing looks like in a group Medicare plan versus in the individual Medicare plan?

Marianne

Sure. So back when I was running a group Medicare advantage plan, our monthly premium was \$370 a month and it was going to go up the next year to 400. And as I look around the country, I see figures between \$275 a month and \$400 a month. I've even seen some in the \$500 a month. These are group Medicare advantage plans, yet individual Medicare advantage plans through a Medicare exchange or marketplace on average in the United States costs only \$33 a month. And there are plenty of \$0 a month, individual Medicare advantage plans available in most regions across the nation.

Nina

Okay. So \$0, wait a second here. Those \$0 premium plans. Those can't be very comprehensive. My family members would tell me that. It sounds way too. Good to be true.

Marianne

Yeah, that's what I thought too. And so let's, let's take a look at a typical one. I've been doing research on these and this is typically what I find. So first of all, these plans have no medical deductible and I was just talking to a plan sponsor the other day. And he told me their Medicare group plan has a \$500 medical deductible, so that doesn't exist in these \$0 plan premiums. Um, typically a visit to the office for a doctor, a primary care physician has no cost associated it to the retiree. And typically these plans don't have, co-insurance where you pay a percentage of whatever procedure you have. Uh, I've seen copays for emergency room of around \$90, urgent care, \$40. And if you go to a specialist \$30, but again, remember no copay. If you go to your primary care doctor or for a telehealth visit, these plans also come often with free gym membership and some of them have extra dollars for coverage of over the counter drugs. A number of them provide free diabetic supplies and services. Now there is a part of the plan that can become expensive and that's if you become hospitalized, but it's not a lot. I see a daily hospital deductible for the first one to six days in these plans, generally around \$250. But keep in mind, Nina, you have not paid a penny for your premium, so your costs are going to come if you're hospitalized. But in general, these plans are very comprehensive, very low, premium, and great coverage.

Nina

I know that you've talked about this in a previous podcast, that there are some other additional benefits in these Medicare advantage plans that don't often exist in group Medicare advantage plans. Is that, am I remembering correctly?

Marianne

That's true. Nina. I've already mentioned coverage of over the counter drugs in these individual plans, but there's also something called a part B premium gift back of what retirees pay towards their Medicare part B coverage.

Nina

Part B is their outpatient coverage.

Marianne

Yeah, that's right. It's a part of Medicare. It has a premium that all retirees have to pay. Um, and a number of these Medicare advantage plans in the individual marketplace actually give the retirees back a portion of their premium in their social security check, which is where it's typically deducted. Um, so that's real dollars in the retirees pocket. And I have not seen that in any group Medicare plans around the country. Now I mentioned free gym membership and routine chiropractic. You do sometimes see these benefits in the group setting. Um, but individual plans also go beyond that and they'll provide transportation back and forth to doctor's appointments meal kits after a hospital stay. And finally, we also see personal emergency response systems, fall prevention kits in these individual Medicare advantage plans, but we typically don't see them in the group settings. So that's a lot of added on benefits, many of them for \$0.

Nina

All right, now you've convinced me that these plans are pretty comprehensive and might even be more so than what we see in the group plan. You also convinced me that these are more affordable for the retire rates. Let me shift gears a little bit and let's talk about the savings we see for the plan sponsor.

Marianne

Sure. So, you know, on average, when you're running a group Medicare plan, you have something called the annual medical trend. That's your increase in costs year over year and in a group setting that could be anywhere from 6% to 10%. Um, we don't see that level of trend increase in the individual plans. Um, I've seen \$0 premium increases. I've seen two to 3% premium increases. The other thing is when an employer moves to this model of an individual Medicare marketplace or exchange, um, we also see employers saving about 25% on their OPEB liability, just announcing this move. It reduces that OPEB liability. Um, and at the same time, their overall retiree health care costs that they spend every year go down anywhere from 10% to even 40%. So the savings for this individual Medicare marketplace model are quite significant for the retiree and the plan sponsor.

Nina

Got it. So we've talked about individual Medicare advantage plans. What about those individual Medigap plans, plans affordable?

Marianne

Yeah. So Nina, what you need to know is these plans are structured differently. So in these plan, the model is you pay a higher premium, but you have very little, uh, out of pocket costs, uh, at the point of service. So let's look at a Medigap plan G this is the most comprehensive, uh, plan there is of Medigap plans available now. And it has a annual medical deductible of \$200, a little bit more for your outpatient expenses. Okay. Not hospital just outpatient after you pay that, then all of your medical expenses are covered at 100%. So it's really rich coverage and there's a variety of other types of Medigap plans. They might have a lower premium and have some cost sharing at the point of service, like a doctor copay or, or, or so forth. But these are very comprehensive plans. They, they don't have networks. So you have a great choice of whichever doctor you want to go to. Uh, it's just a different way. How do you want to pay for your healthcare? Do you want to pay a higher premium and have lower costs at the point of service? Or do you want no premium and have a little bit of costs at the point of service?

Nina

Okay. Yeah, that makes a whole lot of sense to me. Now you've also mentioned fairly good. That makes a whole lot of sense to me. You have mentioned fairly regularly that retirees want choice, explain how these individual plans provide that kind of choice for listeners

Marianne

Well, Nina, every retiree has different needs for healthcare coverage. Some retirees take very few drugs and they don't need a comprehensive drug plan. There are others who see a lot of different specialists and doctors, and they want to make sure all those doctors and specialists are in their network. So picking a plan that doesn't have network restrictions will be important to them. And the other thing that's really important is as we age, our healthcare needs change, I know that's certainly been true for me as I approach 65. So the kind of comprehensive coverage that I might want in my older years of life, I may not need in my first years of retirement.

Marianne

And the nice thing is if you have a Medicare individual plan every year, you get an annual Medicare open enrollment and you could pick a different plan, or if you want, certainly on the drug side, that's important as our drug utilization changes from year to year and sometimes these drug formularies can change. So being able to pick a plan that's best for you and checking to see if that plan is still a good one for you each year is really important. Function performed by any Medicare marketplace partner you might want to partner with.

Nina

Okay, now I've heard the terms, Medicare marketplace and Medicare exchange used. What is the difference between the two?

Marianne

So Nina, I use both terms. They're interchangeable. They mean the same thing. It's just a place where you can work with a vendor who helps you enroll in all the different plans that are out there.

Nina

Okay, great. Now, Marianne, you've also mentioned drug coverage. Can you talk more about how these individual drug plans work in individual Medicare marketplaces?

Marianne

I sure can. Nina, but that's the subject of our next podcast. How to make drug coverage affordable for retirees in the individual Medicare marketplace.

Nina

Oh, perfect. I can't wait. I hope our listeners will tune into the next episode. Well, until then. Thanks for listening.

Marianne

Hey, thanks for joining us, everyone. I'm Marianne stagger and I am still on my mission to save retiree health care. Have a great day.