

A photograph of a doctor in a white coat talking to an elderly patient. The patient is holding their head in their hands, appearing distressed. The image is overlaid with a semi-transparent teal filter.

10 Common and Costly Medicare Mistakes

The logo for Protective, featuring a stylized white arch or bridge shape above the word "Protective." in white text.

Protective.

When it comes to Medicare, **72% of people over age 50 wish they understood the topic better.**¹ Medicare is a key retirement decision, but it lacks support for seniors today, leaving many overwhelmed and at risk of making costly, often permanent mistakes.

Here are some of the most common Medicare mistakes made — take a moment to understand the detrimental impact just one mistake can have.

1 Believing Medicare covers long-term care.

Russ believed Medicare would cover his long-term care expenses, so he decided not to pay the premiums for his long-term care insurance.

Impact: One month after his coverage lapsed, Russ had a stroke and was transferred to a long-term care facility where he received help eating and bathing. **Just one year of care in an assisted living facility cost him \$43,000.²**





2

Not purchasing coverage beyond Parts A and B.

Hal enrolled in Medicare Part A and Part B but didn't sign up for any other Medicare coverage — like a Medicare supplement or Medicare Advantage plan. After all, he was healthy and didn't think he would use it.

Impact: Hal managed until he was diagnosed with cancer at age 76. **His six-week course of radiation therapy resulted in a \$51,000 out-of-pocket bill.**³

3 Believing zero-premium plans mean zero cost.

Karen didn't want to pay more than necessary for Medicare. As a result, she chose a zero-premium Medicare Advantage plan because she thought it meant zero cost.

Impact: She recently had a hip replacement that required rehabilitation and extensive follow-up care. **She was shocked to see medical bills piling up, totaling \$5,900.**⁴





4 Failing to review coverage annually.

Tracy takes an anti-insulin medication and didn't review her Medicare Advantage plan during the Open Enrollment Period.

Impact: In January, she was shocked to find out that her plan dropped this medication from its list of covered drugs. **Over the course of the next year, she paid a total of \$10,967 out-of-pocket to cover her medication costs.**⁵

5 Enrolling when you are eligible to delay.

Carol enrolled in Medicare at age 65 because she thought it was required to avoid enrollment penalties.

Impact: Despite enrolling in Medicare, she kept her husband's large employer group health plan. **By doing this, she overpaid for coverage she could never use by more than \$5,200* and lost her guaranteed issue right for a Medicare Supplement Policy.**

*over 20 months





6 Delaying enrollment when you should enroll.

John didn't enroll in Medicare at age 65 because he was still working and was covered by his employer's health care plan.

Impact: John works for an employer with fewer than 20 employees. As a result, he should've enrolled in Medicare Parts A and B to ensure he has a primary payer. Because he did not, **he must pay a \$17,408 health care bill for a recent abdominal surgery that Medicare would've paid had he enrolled.**⁶

7 Skipping enrollment if you're healthy.

Michael, a fitness trainer and Ironman athlete, skipped his Initial Enrollment Period because he still considered himself active and healthy.

Impact: At the age of 68, Michael fell while running and broke his hip. He racked up \$20,000 in medical bills, in addition to a permanent annual penalty for enrolling three years past age 65, which starts at \$534.60 annually and may increase.⁷





8

Not understanding primary payer rules.

Lynne lost her job at age 67 and qualified for a COBRA continuation plan. Because she thought her COBRA plan was the same coverage she had for years, she did not enroll in Medicare.

Impact: When Lynne developed pneumonia and was hospitalized, she found out that her COBRA plan wasn't considered a primary payer — meaning she paid a **\$7,282 hospitalization bill**. Plus, she'll pay a late enrollment penalty for life.⁸

9 Continuing HSA contributions while enrolled.

Maria, age 66, enrolled in Medicare Part A at age 65 because she thought she had to. All the while, she continued to contribute to her Health Savings Account (HSA).

Impact: Since turning 65, Maria contributed \$3,500 to her HSA. Consequently, **she had to remove the money from her account, which was subject to a 6% excise tax — or \$420. She also repaid the match HSA contribution made by her employer during that time.**⁹





10 Not understanding impacts of IRMAA.

Rich, age 68, enrolled in Medicare coverage at age 65. Two years ago, he converted a large IRA to a Roth IRA.

Impact: Rich's conversion significantly increased the amounts on his tax return that are used to calculate Medicare's Income-related Monthly Adjustment Amount (IRMAA). **As a result, he paid an extra \$433.50 per month¹⁰ — or \$5,202 — in Medicare premiums this year.¹¹**

Mistakes like these cost Americans more than \$6.4 billion annually.¹² But with the right preparation, they don't have to.

Start a Medicare conversation today!

- ¹ Nationwide Retirement Institute®. Health Care Insights from the 2018 Nationwide® Health Care and Long-term Care Consumer Survey.
- ² American Association for Long-Term Care Insurance, January 2019.
- ³ How Much Does Each Treatment Cost?: Radiation Therapy. www.asbestos.com/treatment/expenses.
- ⁴ A Dozen Facts About Medicare Advantage. KFF, November 13, 2018.
- ⁵ Medicare Plan Finder. Zip code 14228, Victoza full cost of drug: \$9,139. www.medicare.gov/plan-compare.
- ⁶ Tackling the Economic Burden of Postsurgical Complications. BioMedCentral, 2014.
- ⁷ Osteoporosis, Bone Fractures Cost Medicare \$6.3B. HealthLeaders Media, 2019.
- ⁸ Relative Clinical and Cost Burden of Community-Acquired Pneumonia Hospitalizations in Older Adults in the U.S. Vaccines, August 31, 2018.
- ⁹ HSA, WageWorks, 2019.
- ¹⁰ Roth IRA assets total \$850,000.

¹¹ Medicare Premiums: Rules for Higher Income Beneficiaries. www.SocialSecurity.gov. 2020.

¹² 65 Incorporated analysis of a sample of consultation clients and extrapolated out to the newly enrolled Medicare beneficiaries in 2016.

This material was developed in collaboration with 65 Incorporated[®], an industry leader in unbiased Medicare guidance. 65 Incorporated was founded by one of the nation's foremost Medicare experts, Diane J. Omdahl, RN, MS. For over 30 years, she has helped homecare agencies comply with everchanging Medicare regulations. Now she's using her expertise to help consumers and financial professionals with Medicare information and individualized guidance.

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