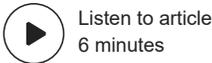


RETIREMENT

How to Decide Between Medicare and Medicare Advantage When You Turn 65

By Gail MarksJarvis Sept. 16, 2023 7:00 am ET



Medicare Advantage is advertising heavily but traditional Medicare plus supplemental coverage is better for many seniors.

Dreamstime

Each year, millions of Americans turn 65 and face a key decision that will affect their healthcare spending for the rest of their life: Medicare or Medicare Advantage.

Like many people approaching this birthday, Amy Gage, of St. Paul, Minn. was shocked when her mail filled day after day with sales pitches from Medicare-related insurance plans.

It was a jarring reminder that she was reaching the age she once considered old. She got over her shock and picked a moderately priced Blue Cross Blue Shield Medicare Advantage plan that offered doctors she trusts.

Now, at age 66 she has been shocked again—this time by a sudden barrage of ailments: osteoporosis, a deteriorating hand joint, and arthritis in her left toe. As a result, she's rethinking Medicare insurance, aware she'll be using it a lot more than she had planned.

"There's no way to put frosting on the cake," she said. "I'm starting to see my body deteriorate."

While her Medicare Advantage plan has been fine so far, she may switch to traditional Medicare plus a supplemental plan to get more freedom of doctors when open enrollment arrives in October.

Gage isn't alone. A lot of people don't fully digest the impact of their Medicare choice until they get sick. Many discover that the decision they made when spry at 65 excludes them from seeing the top doctors for serious conditions that pop up later.

“Choosing Medicare plans is complex and people don’t want to do it again once they’ve done it,” said Juliette Cubanski, deputy director of the KFF Program on Medicare Policy. “But people aren’t thinking about their future needs and only realize the limits of their (doctor and hospital) networks when they are confronted with a medical problem.”

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Changes in Drug Costs

Only 29% of Medicare enrollees re-examine their plans and only 10% switch during annual open enrollment

periods, according to KFF research. Switching gets even more complicated for people who want to exit a Medicare Advantage plan and enroll in traditional Medicare plus a supplemental Medigap insurance plan.

If you enroll in a Medigap plan at age 65 or whenever you first go on Medicare Part B, the insurer has to accept you without asking health questions. But once you pass this window, the insurer has a right to charge more to a retiree with health problems or even refuse coverage altogether.

Even needing a knee replacement can prevent a person from switching from Medicare Advantage to a Medigap policy, said Ari Parker, a Medicare educator with Chapter and author of “It’s Not That Complicated” Medicare guidebook.

Choosing wisely while you are young and healthy matters, said Harold Stankard, head of Fidelity Medicare Services, a unit of the financial services company. “If you’re not sick the savings are real” in Medicare Advantage plans which typically charge no or low premiums, he said. “But know the risks: Affluent people tend to buy a (Medigap) supplement for peace of mind.”

Melinda Caughill, co-founder of Medicare advisory 65 Incorporated, points to a former client who died of cancer at 70 after a long, unsuccessful struggle to get her Medicare Advantage plan to let her see the specialists who she thought could save her life.

When this woman was 65 “she looked young, felt young and you couldn’t imagine her getting sick,” recalls Caughill. So she didn’t get the Medigap Plan G, which Caughill recommended because patients have freedom to choose the best care at a fixed price. Instead of spending \$120 a month on Medigap premiums, Jean opted for a Medicare Advantage plan with a low monthly premium.

A couple of years later she was diagnosed with cancer and couldn’t get her Medicare Advantage plan insurance to authorize the treatments doctors were recommending. “She was weak from her disease and stressed by the endless calls and denials,” Caughill said.

Ultimately, the woman took what Caughill calls “the nuclear option.” She moved from Wisconsin to Illinois so she could get in a new insurance plan and see a top cancer doctor.

She took advantage of a quirk in Medicare rules: If you move away from your Medicare Advantage territory you can get Medigap insurance without underwriting—even if you are already ill. Her move came too late. She died shortly afterward and her ordeal isn’t unique, said Caughill.

Medicare Advantage plans limit healthcare usage by requiring patients to see certain doctors and get prior approvals from the insurance companies for treatments, medicines and procedures, according to KFF. If patients go to doctors out of a plan’s network, they must pick up most of the costs up to an out-of-pocket cap that could top \$10,000 a year.

Studies by Brown University assistant professor David Meyers found in 2021 that even Medicare Advantage plans with high ratings have narrow networks of doctors ranging from primary care to cardiologists and psychologists. And in a 2020 study of 2016 hospital admissions he found Medicare Advantage patients tended to go to average quality hospitals, rather than top or low-quality ones.

In 2022, the U.S. Office of Inspector General found that the process of requiring prior approvals for doctor-recommended care was too often putting patients at risk. Patients were missing time-sensitive care due to lengthy approval processes and too often were denied care doctors thought necessary. About 13% of the denials analyzed by the Inspector General were for treatment that traditional Medicare and Medigap plans would have covered.

Amid such delays, patients can drop Medicare Advantage and revert simply to traditional Medicare, which covers roughly 80% of medical expenses. But without a Medigap plan in addition to basic Medicare, patients can still get hit with big bills.

"We want to make it crystal clear to people," said Stankard. "You will be accepted into a Medicare supplement at the outset even if you are sick, but you may not be able to switch into it later."

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