



Why Joe Namath May be the Single Biggest Threat to Your Clients' Retirement Plans

By Melinda Caughill, CSA

The commercials are relentless. Cleverly nested between episodes of *Matlock* and *Golden Girls*, each ad features boomer-friendly celebrities like Joe Namath, Mike Ditka, and Jimmie "JJ" Walker breathlessly imploring viewers to find out if they're missing out on "important new Medicare benefits." And, to do so now "before it's too late!"

"Call the number on your screen now," urges Broadway Joe in one Medicare Advantage plan spot. "It's free!"

After all, "agents are standing by" to help them make one of the most pivotal financial decisions of their retirement...the kind of decision that can blindside their financial advisor and throw even the most carefully crafted retirement plan for a loss.

HOW IGNORING HEALTHCARE COSTS IN RETIREMENT CAN TURN INTO A FINANCIAL FUMBLE

The seniors these ads target often already have very good Medicare insurance. They are likely enrolled in Medicare Parts A and B with a Medigap policy (also known as a Medicare Supplement) and a Part D prescription drug plan. With this type of coverage, seniors can count on highly predictable healthcare costs. They pay monthly premiums for the Medigap policy and Part D plan but have few—if any—additional out-of-pocket costs for healthcare services.

In addition, this type of coverage does not have networks. The senior may see any provider who accepts

Medicare throughout the country, and, contrary to popular belief, 99% of providers accept Medicare. The medical providers are the ones that make the healthcare decisions, not the insurance company. If the doctor says the senior needs a service, they get it. No prior authorization from an insurance company is required.

But here's how the Medicare Advantage plans touted in those Medicare commercials can endanger a senior's financial health.

With Medicare Advantage, the predictable costs are gone, replaced by an unpredictable hodgepodge of copays and deductibles. Now whenever a senior uses healthcare services, they'll pay maybe \$20 here, \$45 there, and maybe \$320 per day for hospitalization for up to six days.

Plus, seniors with Medicare Advantage plans must be conscious of provider networks.

Networks can be especially problematic for people who travel (something many seniors tend to do—almost as much as going to doctor appointments!). If their journeys take them outside of the network, they cannot assume that they have coverage. If they do not have coverage but see a doctor anyway, they may end up paying the entire costs of the service.

Prior Authorization requirements are also commonplace with Medicare Advantage. In fact, 99% of Medicare Advantage plans now include Prior Authorization.

If seniors do not get Prior Authorization but utilize the healthcare services anyway, they will be required to pay 100% of the cost—regardless of any out-of-pocket spending limits. Spending limits only apply when plan members follow the rules of the Medicare Advantage insurance companies. Going out-of-network when not allowed or not getting prior authorization means the seniors will pay everything themselves.

All of these “little” unexpected healthcare expenses can add up to one giant and catastrophic hit to a senior's retirement savings.

NO INSTANT REPLAYS!

There's one more “little” thing that Joe Namath doesn't mention. When seniors switch coverage to Medicare Advantage, they may never be able to switch back to the coverage they had before. Some who try Medicare Advantage for the first time may qualify for a 12-month trial period, but not everyone does.

If they don't—or if they wait 12 months and one day want to switch back—they may not be able to get their Medigap policy back without going through medical underwriting, which gives the insurance companies an opportunity to deny the Medigap coverage they used to take for granted.

HAVING THE MEDICARE TALK WITH CLIENTS

The point is not that all Medicare Advantage plans—or celebrity spokesmen—are bad. The plans may be right for a limited group of seniors—say, those that don't mind the risk of unpredictable costs. The point is that Medicare options are often confusing and the consequences of just one mistake can be devastating. That's why it's so critical that advisors talk to their clients about Medicare. Advisors spend years helping clients craft and execute the perfect retirement investment strategy. One Medicare misstep can upend even the best laid plans, leaving nest eggs—and an advisor's assets under management—to quickly drain away to pay bills that people never expected to have.

Clients should be able to rely on their trusted financial advisor to help them with all the important decisions they have to make to achieve a secure retirement. That starts with an informed discussion of healthcare in retirement, which for most people is Medicare. And savvy advisors find this conversation can lead to a number of other important topics like long-term care and estate planning.

The information and support tools are out there, and advisors who tap into them are looking out for their clients' best interest and, by extension, their own. Don't punt to Joe Namath. Take the Medicare ball and run with it.



MELINDA CAUGHILL
CSA

Melinda is co-founder of i65, a provider of software tools that help advisors and individuals evaluate their Medicare options.

Visit www.i65.com for more information.