

MEDICARE AND MEDICARE SUPPLEMENT OVERVIEW



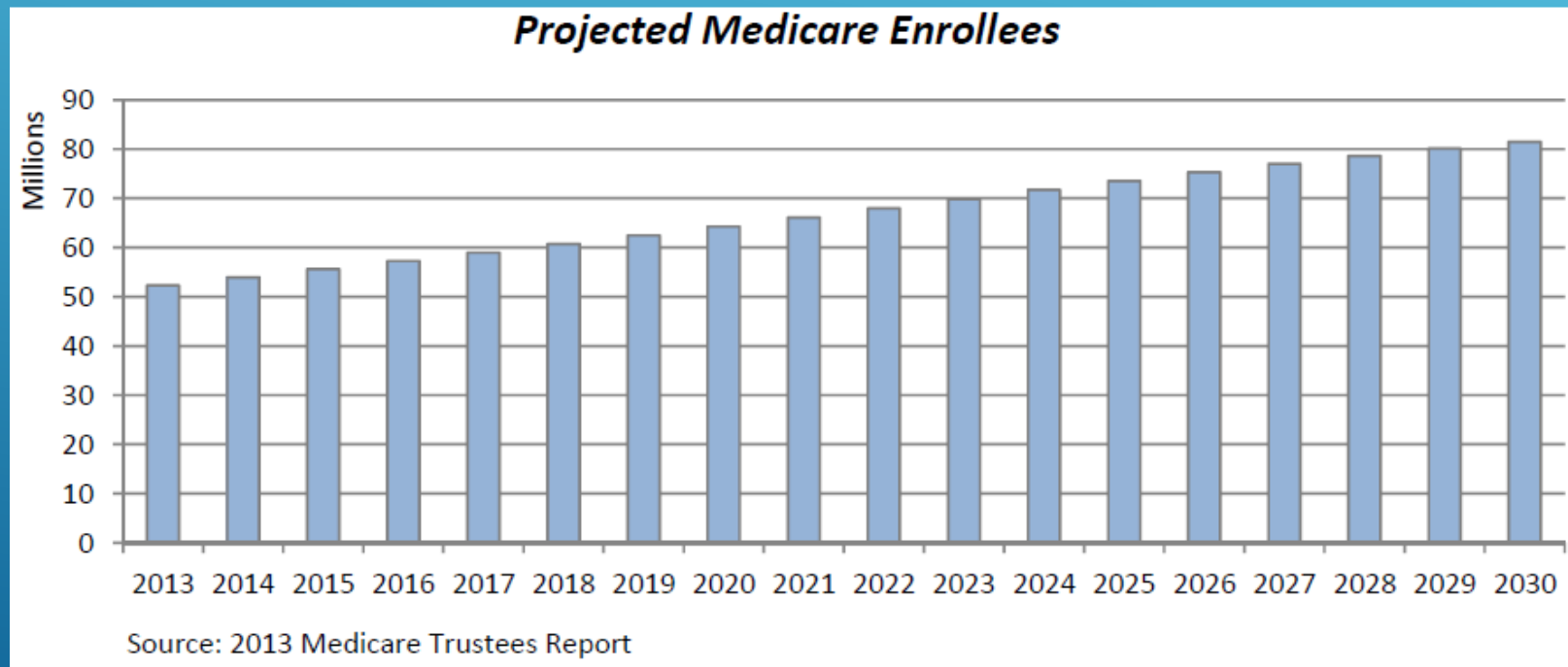
MEDICARE

WHAT IS MEDICARE

- ▶ Medicare is federally funded health insurance for people 65 and over or people who are on disability.
- ▶ Covers 80% of Medicare Approved Charges
- ▶ Example: If you break your arm and the doctor says it will cost \$1000 to fix. Medicare might say it should only cost \$800 to fix.
 - ▶ Medicare will only cover 80% of what Medicare approves. In this case they will only cover 80% of \$800, equaling \$640 that they will pay.
 - ▶ This leaves you with a bill of \$360 out of pocket.
- ▶ There are two parts of Medicare
 - ▶ Part A: Covers your hospital expenses
 - ▶ Part B: Covers your regular doctor expenses

MEDICARE PROJECTED ENROLLEES

- ▶ Baby Boomer Generation is dramatically increasing the number of Medicare beneficiaries



MEDICARE SUPPLEMENT



MEDICARE SUPPLEMENT

- ▶ May also be known as a Medigap policy
- ▶ Help pay some of the health care costs that Original Medicare doesn't cover
- ▶ They are sold by private insurance companies
- ▶ Every policy must follow federal and state law and are standardized so individuals can compare easily
 - ▶ **In most states¹, the plans are identified by letters A – N**
 - ▶ All plans offer the same basic benefits, but some offer additional benefits
 - ▶ *Note: Plans E, H, I and J are no longer available to buy; but if you already have one of these policies you may keep it*

¹Plans vary in MA, MN and WI

MEDICARE SUPPLEMENT

- ▶ Cost may vary by:
 - ▶ Insurance carrier
 - ▶ Where an individual lives
 - ▶ Plan selection
 - ▶ Tobacco and non tobacco
- ▶ Only cover one individual
- ▶ All plans are guaranteed renewable

MEDICARE SUPPLEMENT

- ▶ Can see any provider that accepts Medicare, no referrals needed
 - ▶ When a health care professional accepts Medicare Assignment they agree:
 - ▶ To be paid directly by Medicare,
 - ▶ To accept the payment amount Medicare approves, and
 - ▶ Not to bill you for more than the Medicare deductible and coinsurance
- ▶ Do not need to be certified through CMS and/or carrier to sell a Medicare supplement
 - ▶ Only a health license and state appointment is needed

Medicare Supplement Plans A - N

	Medicare Supplement Insurance (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%	100% **
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%	50%	75%	50%	100%
Medicare Part B deductible			100%		100%					
Medicare Part B excess charges					100%	100%				
Foreign travel emergency (up to plan limits)			100%	100%	100%	100%			100%	100%

Out-of-pocket limit in 2014	
\$4,940	\$2,470

* Plan F also offers a high-deductible plan in some states. If you choose this option, this means you must pay for Medicare-covered costs (coinsurance, copayments, deductibles) up to the deductible amount of \$2,140 in 2014 before your policy pays anything.

** Plan N pays 100% of the Part B coinsurance, except for a copayment of up to \$20 for some office visits and up to a \$50 copayment for emergency room visits that don't result in an inpatient admission.



PLAN F

- ▶ Plan F covers 100% of Medicare approved charges including excess charges.
- ▶ The senior is only responsible for paying the monthly premium.
- ▶ Plan F is sold 8 times out of 10.

PLAN G

- ▶ Plan G premium is always lower than a Plan F premium.
 - ▶ Side by side, Plan F and G are the same; except Plan G does not pay the Part B deductible of \$147
 - ▶ After the Part B deductible is met, Plan G works just like Plan F does
- ▶ Seize the Plan G opportunity when:
 - ▶ The annual premium difference between Plan F and G is more than the \$147 Part B deductible; and
 - ▶ The applicant is willing to pay the Part B deductible out of pocket



MEDICARE SUPPLEMENT PRICING

- ▶ Pricing elements may include:
 - ▶ Gender Rating
 - ▶ Tobacco / Non Tobacco
 - ▶ Area rating
 - ▶ Discounts (explained later)
 - ▶ Attained or Issue age
- ▶ Rate Adjustments
 - ▶ Help keep pace with rising Medicare claim trends and changes in annual deductibles and co-pays



OPEN ENROLLMENT PERIOD

- ▶ The best time to buy a Medicare supplement policy is during your open enrollment period
 - ▶ This 6-month period begins on the first day of the month in which you are:
 - ▶ Age 65 or older AND
 - ▶ Enrolled in Medicare Part B
 - ▶ During this open enrollment period, you:
 - ▶ May buy any Medicare supplement policy available in your state; even if you have health problems, for the same price as people with good health
 - ▶ Don't have to wait for coverage to start
- ▶ Pays full commission
- ▶ Takes 1-3 business days to issue the policy.



UNDERWRITTEN BUSINESS

- ▶ Underwritten business is the most common form of submitted applications.
- ▶ Anyone who is outside of open enrollment or Guarantee Issue falls in this category.
- ▶ The senior must answer a list of 12-15 health questions.
- ▶ Pays full commission.
- ▶ Takes 3-5 business days to issue the policy.



GUARANTEED ISSUE BUSINESS

- ▶ A senior is considered Guaranteed Issue when they receive a 63 day letter from their previous insurance carrier from loss of credible coverage.
 - ▶ The two most common scenarios are when a Medicare Advantage plan cancels coverage in a county, or when the senior is coming off of a employer provided group insurance plan.
- ▶ Our carriers pay a greatly reduced commission on this business.
 - ▶ MLIC: Pays a one time \$25
 - ▶ CSI: Pays 5%



COMPARING CARRIERS

- ▶ Although Medicare supplement plans are standardized, there are differences among carriers in terms of....
 - ▶ Premiums
 - ▶ Plans offered
 - ▶ Customer and Producer Service
 - ▶ Brand
 - ▶ Other: Value added benefits, discounts, etc.



AGENT COMPENSATION

HOW IT WORKS

- Commission is a percentage based on the annual premium of the policy paid to the writing agent by the insurance company.
- Example: Annual premium is \$1500 and the commission is 20%
- $1500 \times .20 =$
 - ▶ A commission of \$300



COMMISSION ADVANCING

- ▶ Commission advancing is selected during the contracting process.
- ▶ Advancing can be 6, 9, and 12 month advances.
- ▶ Advancing commission is when you sell a policy and you are advanced your commission up front based upon your selection in the contract.
- ▶ A lot of agents choose a 12 month advance



COMMISSION ADVANCING CONT.

- ▶ \$1500 *annual* premium
- ▶ 20% commission
 - ▶ $\$1500 \times .20 = \300 *annual* commission (12 Month advance)
 - ▶ $(\$300/12) \times 9 = \225 (9 month advance)
 - ▶ $(\$300/12) \times 6 = \150 (6 month advance)
 - ▶ $\$300/12 = \25 per month (As earned, or no advance)

COMMISSION ADVANCING CONT.

- ▶ With an advance comes the risk of charge backs.
- ▶ A charge back occurs when an agent is advanced commission and the policy is terminated before the advance duration is met.
- ▶ Example: I sell a policy and am advanced 12 months worth of commission at \$300. The senior, who pays monthly, drops the policy after only 6 months. The carrier charges me the remaining 6 months worth of commission, or \$150.
- ▶ Rule of thumb: The agent gets paid when the senior pays the premium.



RECRUITING 101

- ▶ When calling a prospective agent the objective is to get them to fill out our contract, not to just send them information.
- ▶ The first thing we want to find out is if they are selling Medicare Supplements.



TERMS/LINGO

- ▶ AEP- Annual Enrollment Period- A period every year from October through December that allows seniors to purchase Medicare Advantage plans without health questions.
- ▶ ANBP(Annual New Business Premium)- The total amount of premium an agent has in-force.
- ▶ Application- the forms that a senior completes to apply for a Medicare Supplement.
- ▶ Appointment- The process and forms that are completed by an agent to be eligible to sell any carrier.
- ▶ Book of business- All policies in-force for a carrier.
- ▶ Commission (Comp)- What the carrier pays to the agent.
- ▶ Effective- When the carrier will start coverage on a policy.
- ▶ Health Questions- A list of 15 questions on the application to help determine if the client is eligible for coverage.



TERMS/LINGO CONT.

- ▶ In-force- Policies that are currently paid for and effective.
- ▶ Issued- An application that has been approved by a carrier.
- ▶ NIPR- National Insurance Producer Registry.
- ▶ Non Resident State (Non Res)- A state where the agent doesn't live but has an active insurance license.
- ▶ Production Minimums- A set threshold for issued policies that an agent is required to meet.
- ▶ Proof of production- An outline of ANBP provided to us by an agent for higher commission.
- ▶ Rating- AM Best rating of the carrier.
- ▶ Renewals- What the carrier pays to the agent the following years.
- ▶ Resident State (Res)- The state in which an agent lives.
- ▶ State Fees- Amounts of money paid to the state for an appointment with a carrier.
- ▶ Subsidiary- A carrier creates a new company in order to form a new book of business.
- ▶ Vector- A debit against an agent from an insurance carrier.
- ▶ Writing number- a set of numbers issued by the carrier to identify the agent.

