MAINSTAY CAPITAL MANAGEMENT LLC

Funding Your Healthcare After Age 65

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General Motors announced the elimination of health care coverage for U.S. salaried retirees over age 65, effective January 1, 2009. This leaves these GM retirees (among retirees of many other companies) exposed to health care costs not covered by Medicare. These costs are referred to as Medicare gaps or "Medigaps."

The significant gaps in Medicare coverage include (for 2009):

- deductibles for Part A ($1,068 per benefit period for inpatient hospital care for the first 60 days) and Part B ($135 a year);
- costs of extended hospitalization under Part A ($267 per day for 61st through 90th day, $534 per day for the 91st through 150th day, full cost after the 150th day);
- coinsurance (20%) on doctors' services and outpatient care under Part B after the $135 deductible is satisfied;
- costs in excess of Medicare-approved charges - Medicare will pay only so much for specific medical services; if the retiree's doctor charges more than the Medicare limit, the retiree may have to pay the difference;
- most self-administered prescription drugs; and
- nursing home costs - Medicare generally limits payment for long-term care in a nursing home. Following a three-day stay in a hospital, if the individual enters a Medicare-approved skilled nursing facility within 30 days, the first 20 days are covered in full, and days 21-100 are covered after paying a $133.50/day deductible. Coverage terminates after day 100.

These costs can be significant. For example, an elderly individual with multiple chronic conditions (e.g., congestive heart failure and Parkinson's disease) can easily spend thousands of dollars per year on prescription medicines alone. These same individuals may be in and out of the hospital several times each year. If each visit represents a new benefit period, a new deductible is required for each. Deductibles and co-payments on Part B doctor visits can also quickly add up. Even more damaging, a serious illness or accident could put the individual in the hospital for a period in excess of covered days, requiring 100% payment of stratospheric hospital costs.

No sound retirement plan can ignore these potential costs.

GM salaried retirees, and other retirees facing the same challenge, now need to think about strategies for funding these excess health care costs after age 65. Strategies for filling gaps between actual health care costs and Medicare coverage include:

- the purchase of so-called Medigap insurance from private vendors;
- using Medicare Part C;
- if possible, maintain coverage through an employer-provided health insurance plan; and
- for low-income seniors, qualifying for state assistance in paying some or all Medicare costs (Medicaid).

Medigap insurance is designed to supplement Medicare's benefits by filling in some of what Medicare does not cover. A Medigap policy pays for Medicare-approved charges that are not paid by Medicare because of deductibles or coinsurance amounts for which the beneficiary is responsible. The cost of Medigap policies varies widely from plan to plan. Care must be taken in choosing the appropriate plan for a retiree's individual situation.

To discuss the impact of health care costs on your retirement income plan and the optimal solution for your personal situation, or to receive an in depth package concerning the changes in GM Salary Health Care, contact a Mainstay Capital Management Retirement Planning Specialist toll-free at **1-866-444-6246**.

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