PBS NEWSHOUR

Column: Why we need to save Medicare counseling from the federal chopping block

BY PHILIP MOELLER *April 5, 2017 at 5:39 PM EDT*

Under the Trump administration's budget proposal, SHIP's modest $52 million budget would be obliterated by $49 million, leaving the program with only $3 million. Photo by Mike Segar/Reuters

Editor's Note: Journalist Philip Moeller is here to provide the answers you need on aging and retirement. His weekly column, "Ask Phil," aims to help older Americans and their families by answering their health care and financial questions. Phil is the author of the new book, "Get What's Yours for Medicare," and co-author of "Get What's Yours: The Revised Secrets to Maxing Out Your Social Security." Send your questions to Phil.

The State Health Insurance Assistance Program (SHIP) once again finds its neck on the federal chopping block. SHIP provides free Medicare counseling from local folks who can talk about the many state and local rules that can affect how Medicare works in different communities.

Under the Trump administration's budget proposal, SHIP's modest $52 million budget would be obliterated by $49 million, leaving the program with only $3 million. I'd love to see the new spin doctors at the U.S. Office of Management and Budget (OMB) explain why they kept even $3 million. Maybe it's for legally mandated severance pay.

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The Medicare Rights Center (MRC), a nonprofit that also helps people with their Medicare needs, provided a summary of what SHIP does as it protested the proposed cut:

> *In 2015, SHIPs helped about 7 million people with Medicare sift through more than 20 prescription drug plans, 19 different choices of Medicare Advantage plans, and various Medigap supplemental insurance policies, all of which come with different premiums, provider networks, rules around coverage, and out-of-pocket costs.*

Here is OMB's explanation for its decision:

> *The State Health Insurance Assistance Program (SHIP) makes competitive grants to states to provide information and assistance to Medicare eligible individuals about health insurance coverage. This level [of funding] would eliminate all grants and leverage alternative sources for Medicare beneficiaries to obtain access to reliable information to better understand and manage benefits (e.g., 1-800-Medicare).*

Ah, 1-800-MEDICARE. I feel better already!

"Unfortunately, contractor-administered services like 1-800-MEDICARE cannot replace the essential, localized one-on-one assistance provided by SHIPs," the MRC said. "SHIPs are extremely efficient and volunteer driven, and SHIP grants are vital to ensure comprehensive counseling is available to people with Medicare and their families."

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SHIP has been threatened before by some congressional Republicans with the loss of funding, but this latest threat carries the weight of the White House.

I regularly recommend SHIP to help readers and only wish there was more money for such education efforts. I wrote an entire book about what consumers need to know about Medicare and had to leave out enough valuable information to fill two or three more books. I simply cannot understand why the government spends more than half a trillion dollars every year on Medicare services, but nearly nothing to help consumers understand and use these invaluable benefits.

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I know I am starting to sound like a broken record here, but if you have a phone, use it to call your representative. Better still, read more about other proposed federal cuts to senior programs. Then call.

I want to begin this week with a return to some Social Security basics. I continue to get many questions on these matters, and while I've answered them before, I hoped it might be helpful for new and returning readers to review them here. Let me know if there are Medicare or other Social Security basics that you would find useful for me to update.

Mary: I am confused. Even after reading your Social Security book and talking to local Social Security Administration personnel, I do not understand what I can do or cannot do.

I am 63 and divorced after almost 20 years of marriage, with no alimony. I still work full-time for a municipality and devote 12 percent of my pay to a pension. My ex is 74 and started collecting his Social Security at 62.

The Social Security Administration told me I must collect on my account first — approximately $400 a month — but that I cannot do this because I make too much money ($48,000).

A woman I work with was in the same situation as myself, but after she got on the telephone with the Social Security Administration, she started collecting immediately on her ex's earnings while still working full time. Furthermore, she was told she could have started collecting on her ex's earnings two years earlier! All done with a telephone conversation.

What am I missing here? And where should I go, who do I ask, and what do I ask? I live a very meager life because of lack of funds. I am caring for my adult son who suffers severe depression, and I keep getting turned down by government agencies for financial assistance, because again, I earn too much.

I will not live to be 80 or 90, my savings are almost depleted now, and I am one paycheck away from financial disaster. I am alive now, and if I can get a little more help, I'll be happy to just keep my head above water.

Phil Moeller: I am sorry you are having such a hard time. These rules are complicated, so let me walk through them to give you an idea of your options. You can find further details by going to the web pages that I've linked to.

Social Security has what are known as "deeming" rules. If you tried to file a claim for an ex-spousal benefit right now, the Social Security Administration would deem you to also be filing for any other benefit to which you are eligible. In your case that would be your own retirement benefit.

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However, as you found out, there is another Social Security Administration rule that is now preventing you from getting benefits. It's called the earnings test. At your age, it would reduce your benefits by $1 for every $2 you earn in excess of $16,920 this year. Since you earn more than $28,000 above this threshold, the test would wipe out your benefits.

The earnings test, however, is no longer applied to people once they reach what Social Security calls full retirement age. For you, this is 66 years of age. This means that any benefits you claim at that age will not be reduced by the earnings test.

In your case, full retirement age might also be significant for another reason.

Your note says you're now 63. In your case, the date you turned 62 is very important. If you celebrated your 62nd birthday on or before the beginning of 2016, you qualify for a Social Security claiming strategy that was eliminated last year by Congress for younger people.

If you were 62 by then and you can wait to claim benefits until age 66, you can file what's called a restricted application for just your ex-spousal benefit while letting your own retirement benefit grow by 8 percent a year until you turn 70. As it turns out, 66 is also the age at which your ex-spousal benefit would reach its maximum value.

This strategy only makes sense if your own retirement benefit is or would be greater if you file for just your ex-spousal benefit at age 66 while allowing your retirement benefit to grow. If it isn't, then you should just file for your ex-spousal benefit at age 66 and keep receiving it for the rest of your life.

In either event, it is important for you to figure out the amount of your ex-spousal benefit and how it compares with your own retirement benefit. I'm guessing from your note that your ex-spousal benefit is larger. You can open an online Social Security account to get access to details about your benefits, but you'll need Social Security's help to access your former husband's earnings record and find out about your ex-spousal benefit. I don't know if Social Security has already done this for you or not, and sometimes it can be a hassle to get this information.

This is complicated stuff, so read it over a few times if needed until it makes sense!

I know that delaying your Social Security could create serious financial problems, but I urge you to try and hold out until age 66. Your benefits will be much bigger, and they won't be affected by the earnings test.

If you can hold out, you should claim your ex-spousal benefit then. If delaying your retirement benefit until age 70 would allow it to grow to be larger than your ex-spousal benefit (and you are old enough to take advantage of the restricted application rule), you should file a restricted application at age 66 for just your ex-spousal benefit.

Then, at age 70, you would file for your own retirement benefit. Your monthly payment then would increase by the amount by which your retirement benefit exceeded your ex-spousal benefit. (This is because Social Security rules say that you can't collect the full value of two benefits at once, but just an amount that roughly equals the larger of the two benefits.)

If your ex-spousal benefit is always going to be the greater of the two, as I indicated, you should just claim that benefit at age 66 and keep it the rest of your life. Or, if you are not old enough to take advantage of the restricted application rule and you need benefits at age 66, you would just file then for the larger of either your ex-spousal or own retirement benefit.

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On another front, do you pay Social Security payroll taxes at work now? If so, this means you can receive your pension income plus any Social Security benefits you deserve. If not, your future pension income may reduce your Social Security benefits under what's called the Windfall Elimination Provision.

In terms of your son, is he disabled enough to qualify to collect Social Security Disability payments? These payments are not related to your income, but he would have had to work long enough at jobs where he paid Social Security payroll taxes to qualify for disability payments.

Alternatively, if he was disabled as a child and has never been able to work, he might have been eligible for what are called child-in-care benefits based on the earnings record of either you or your former husband — whichever earned more money. These benefits normally end when a child turns 18 or 19, but they can continue during the life of a disabled child and would even convert into disabled survivor benefits when the parent died. You would need medical confirmation of your son's disability, and this process can be long and complicated. But it might be a possibility.

I know this is a lot to absorb. I hope it helps.

Jean – New Hampshire: My 27-year-old daughter was on Social Security Disability, but for the last year has been off it, trying to make it on her own. She has a part-time job and bought marketplace insurance through Obamacare.

In the last month, she has been diagnosed with a very serious illness that may cause disability. This is a rare disease that is treated with off-label medicines. She needs to see specialists outside of her current state of New Hampshire. She has been offered Medicare, which could kick in, in July. She is trying to decide between her marketplace plan, which doesn't cover out-of-state visits, and Medicare, which does, but may not cover expensive, off-label medicines.

Phil Moeller: I'm sorry to hear about your daughter's medical problems. I hope things turn out well for her or as well as you might hope based on her condition.

If she must get care out of state and an exchange plan won't cover her, then I'd say Medicare is her only option.

Medicare has a very inclusive policy toward covering drugs, but of course the private insurers that provide Part D drug coverage are free to offer alternatives or, in some case, don't have to cover a drug or its equivalent at all.

So the first thing I'd do is use Medicare's Plan Finder online tool to look for the drugs she will need to take. If you can find any Medicare drug plans that accept them, that would argue in favor of taking Medicare.

If you can't find a Medicare plan that covers her medications, I'd go directly to the drug manufacturer(s) and see if they have payment assistance programs that can help you. Many of them do, but often these programs are not offered to people on Medicare.

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If that's the case, then you should determine if it makes any sense for her to self-insure for this care. This would mean getting an exchange plan, but handling this illness outside of the plan. In that event, you'd likely need to strike a deal with the doctor so that he or she agreed to bill you a reduced rate.

I wish I had more comforting options, but as you know, there are big holes in our health insurance system, and your daughter may have fallen into one of them.

I work a lot with non-profit agencies who help people with their Medicare needs. Two that I suggest you reach out to are the Medicare Rights Center and the Center for Medicare Advocacy.

Please feel free to ask me further questions if needed.

Paulette – Michigan: I have turned 65, am still working and have good insurance through my employer. I did not sign up for Medicare, as the Social Security office told me I didn't have to. I plan on working for another year or so. My tax man told me I may have to pay higher premiums if I wait to sign up. Should I sign up or can I avoid higher premiums?

Phil Moeller: I think your tax man is off base. He or she may be referring to the "hold harmless" provision of Social Security. The provision is complicated, so please bear with me.

People getting Social Security who sign up for Medicare must by law have their Medicare Part B premiums deducted from their Social Security payments. Also by law, Social Security premiums are not allowed to decline from one year to the next.

As a consequence, people receiving Social Security are protected from Medicare Part B premium increases should the rate of inflation be zero or so small that Social Security's annual cost of living adjustment, or COLA, do not cover projected increases in Part B premiums.

This has happened the past two years, created disparities between what existing and new Social Security beneficiaries pay for Part B. Many people have been protected and now pay about $109 a month for Part B. Newer enrollees, who were not held harmless (because they weren't yet getting Social Security) are paying $134 a month this year.

If we continue to have zero or low rates of inflation, there could be a modest benefit in locking in this $134 monthly rate. However, if COLAs increase, then Part B rates will be adjusted for everyone. This means that people now paying $109 would pay more, while those paying $134 would pay less. Eventually, everyone would once again pay the same amount for Part B.

By now, your head may be spinning! The point I'm laboring to make is that signing up now would produce at most a modest premium benefit, and even this benefit could disappear. Meanwhile, you'd be shelling out $134 a month for coverage you don't really need!

So if your current employer insurance is acceptable, I would advise you not to sign up for Medicare until you are near retirement.

For more perspectives on health care, view our continuing coverage of the American Health Care Act.

Philip Moeller
Phil Moeller is the author of "Get What's Yours for Medicare: Maximize Your Coverage, Minimize Your Costs" and the co-author of the updated edition of The New York Times bestseller "How to Get What's Yours: The Revised Secrets to Maxing Out Your Social Security," with Making Sen$e's Paul Solman and Larry Kotlikoff. On Twitter @PhilMoeller or via e-mail: medicarephil@gmail.com.

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