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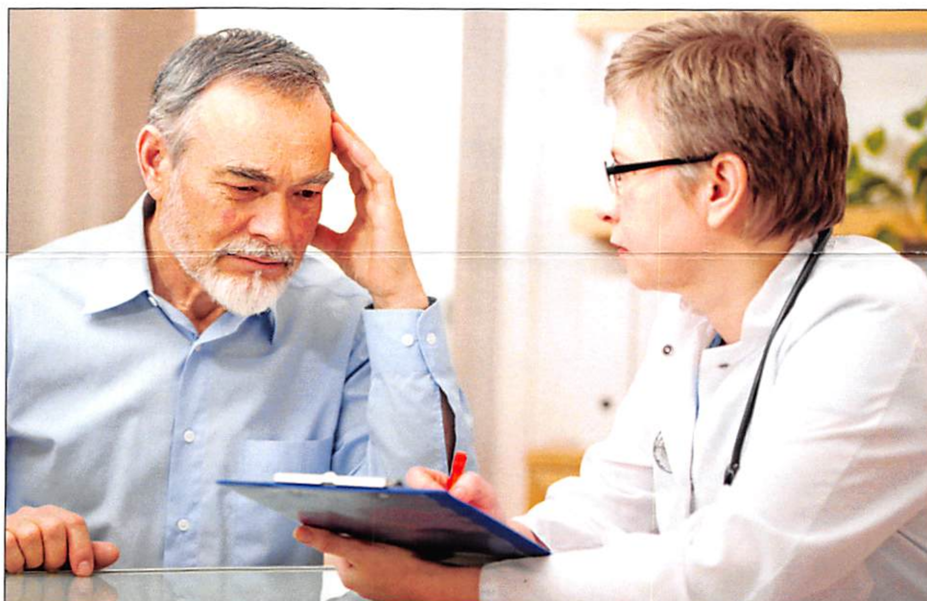
Avoid this new Medicare 'trap'

When Judy Hanttula came home from the hospital after surgery last November, her doctor's office called with bad news: Records showed that even though Judy had signed up for Original Medicare, she was nevertheless enrolled in a Medicare Advantage plan.

Original Medicare wouldn't pay for the surgery because she now had an Advantage plan, and the Advantage plan wouldn't pay for it because her doctor and hospital weren't in its network. So Judy was on the hook for more than $16,500.

After more than five hours of making phone calls, Judy discovered what had happened. Because she had individual coverage through Blue Cross Blue Shield before she became eligible for Medicare, the company had automatically signed her up for its own Medicare Advantage plan. Blue Cross had apparently notified Judy of this in a letter. But because Judy had already signed up for Original Medicare, and because she was being deluged with letters from health plans at the time, she ignored it, not realizing it was important.



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Can an insurance company legally do this – sign you up for a Medicare Advantage plan you don't want, and bump you out of a different one that you signed up for?

The answer, unfortunately, is often yes.

Before they become eligible for Medicare, most Americans are covered by a health plan run by a private insurance company. Many such insurers also operate Medicare Advantage plans, which are the privately run managed-care alternative to traditional Medicare. Under a little-known process authorized by the federal government, insurers

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Avoid this new 'trap' when signing up for Medicare

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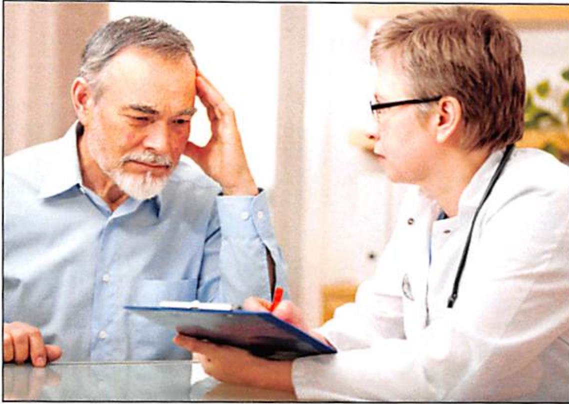
can often simply shift their beneficiaries who are turning 65 to their own Medicare Advantage plan.



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This process is called "seamless conversion," and all it requires is that the health plan obtain Medicare's approval and send a letter to the beneficiary explaining the new coverage. The coverage takes effect unless the beneficiary opts out within 60 days.

The idea is to preserve continuity for those who want to stay with the same company. But the problem is that many seniors are unaware that they have been signed up, in part due to the flood of mail they receive from insurers around age 65. A recent exposé by *Kaiser Health News* related the stories of a number of beneficiaries like Judy who had opted for Original Medicare and were shocked to learn that they had been enrolled in a Medicare Advantage plan instead.

Medicare officials won't disclose the full list of insurance companies that have sought or received approval to seamlessly convert their members to their own Medicare Advantage plans. But at least two very large insurers are already automatically enrolling their members in some parts of the country, and Humana, the nation's second largest Medicare Advantage provider, has asked for permission to begin auto-enrollment.

What this means is that, if you're nearing age 65 or have recently turned 65, you should check carefully into your Medicare status. In particular, you should be on the lookout for a notice from your previous insurer regarding automatically converting you to its Medicare Advantage plan – especially if you want to switch to a different form of coverage.

As for Judy, she eventually got herself removed from her unwanted Advantage plan, restored her traditional Medicare coverage, and got Medicare to cover her hospital bills. But it was a terrible ordeal, and it's worth taking steps to make sure something like this doesn't happen to you or someone in your family.

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Should you buy an annuity doubler for long-term care?

"Annuity doublers" are being touted as a new alternative to long-term care insurance. But are they a good idea?

Long-term care plans have become much more expensive lately, pricing many older people out of the market. As an alternative, some companies are offering annuities that have a "nursing home doubler." With this option, the amount of monthly annuity income you would normally receive is doubled during any period you're in a nursing home, which will help pay for care.

The term "doubler" can be misleading. Some policies only pay 50% extra – although others pay triple. In most cases the extra income lasts for up to five years, or until the annuity's cash value is exhausted.

The big advantage of doublers is that they're inexpensive, and in some cases they're offered free as part of the annuity package.

The low cost makes them attractive to many people, especially compared to the risk of paying high premiums for long-term care insurance and getting nothing in return if the person doesn't end up in a nursing home.

But there are drawbacks, too. One is that you can't get an annuity doubler unless you buy an annuity, and annuities don't make sense for everyone. Indeed, some annuity salespeople have been accused of using deceptive sales tactics in marketing these products to seniors. So you'll first want to make sure that an annuity is right for your situation.

Keep in mind that if an annuity starts paying double, this will deplete its cash value, and you'll have less to leave to your heirs. And if you purchase a joint annuity, the doubler will typically only cover one spouse's care.

More importantly, nursing homes are very expensive, and it's highly unlikely that a doubler by itself will pay all the costs – which means that all the extra funds it provides will go straight to the nursing home, rather than benefiting your family. There might be other alternatives to paying for long-term care that are more beneficial to you, and it's worth investigating them with your attorney.

Many older estate plans have an unnecessary trust

An estate planning technique that was very popular some years ago is still present in many people's wills, especially if they haven't reviewed their estate plan in a while. But this technique – called a "bypass trust" – might now actually *increase* taxes rather than decrease them for many people, as a result of changes in the law in the last few years. If you haven't reviewed your estate plan recently, now is a good time.

Not long ago, the federal estate tax affected even relatively small estates, and it was a big problem. One solution was to provide that, when the first spouse died, many assets would go into a trust. The trust would take care of the surviving spouse, and when he or she died, the assets would go to the children. The assets in the trust would escape, or "bypass," the estate tax.

Now, however, the federal estate tax only affects estates worth well over $5 million (and, if handled properly, couples worth more than $10 million). So in the vast majority of cases, these bypass trusts are no longer necessary.

And in fact, they might be a bad idea.

For example, if the surviving spouse's assets are tied up in the trust, the spouse might not have control over how they're invested and distributed. The trust might be required to file accountings and tax forms, which can be expensive and burdensome. And if the trust generates income that isn't passed on to the spouse right away, under current law it might be taxed at a much higher tax rate than if it wasn't in the trust.

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Yet another problem is that a bypass trust can cause a family to pay higher capital gains taxes. When the first spouse dies, if the surviving spouse inherits the assets outright, he or she gets a "step-up" in basis, meaning the spouse's basis for capital gains purposes is the value as of the date of death. But if the assets go into a trust, there's no step-up, and the basis is the value at the time of the original purchase. This difference can cause a big tax bite.

Bypass trusts aren't always bad – they can be useful for avoiding *state* estate taxes, and they sometimes serve other purposes that aren't tax-related. But if you have a bypass trust in an older will, it's worth having it reviewed and having your estate plan brought up-to-date.

Residents of care facilities can still vote – here's how

Voting is the foundation of any democratic system, but it isn't easy if you're in a long-term care facility. Residents of nursing, assisted living and other facilities face a number of challenges in voting, from registering to actually casting a ballot.

When you move into a nursing home or assisted living residence, your address changes, which means you'll probably need to re-register to vote based on your new address. You can register in person, by mail, or, in many cases, online.

You can often register in person at your local elections office or your local motor vehicle department office. For more information on where to register, go to: http://tinyurl.com/lw-where-to-register.

There's also a national voter registration application form with state-specific instructions that you can use to register by mail. Go to: http://tinyurl.com/lw-register-by-mail.

Also, most states offer online registration. See: http://tinyurl.com/lw-online-registration.

Once you're registered, you still need to physically cast your ballot. This can be difficult if you have trouble leaving your facility.

All states allow for absentee voting, but the requirements are different in each state. Some require an excuse, such as a physical disability. Many allow absentee voting for anyone who is at least 60 or 65 years old.

Some 23 states allow "mobile polling," which is supervised absentee voting conducted in a residential facility. You may need to contact your local elections office to request this. For more information, go to: http://tinyurl.com/lw-mobile-voting.

And 37 states also allow early voting, where you can visit an election office and vote in person on a schedule that works for you.

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How to protect against senior citizen financial abuse

Seniors who are dependent on others due to illness, disability or cognitive impairments may be susceptible to financial abuse and fraud. The culprits may be outside predators, hired caregivers, or in some cases even relatives.

If you or a family member is increasingly dependent, there are some simple but important steps you can take to reduce the chance of abuse.

The most important step is to have a trusted family member or friend be involved in the finances – visiting often, reviewing statements, and generally exercising oversight. The best defense against financial exploitation is having someone else around who can notice large checks, unusual ATM withdrawals, missing valuables, and so on.

It's a good idea to have such a person help with paying bills. The person can make sure the senior isn't paying bills that he or she shouldn't be (and can also make sure that legitimate bills don't slip through the cracks).

A number of credit cards are now available that allow another person to monitor the activity of the cardholder, and to limit both the amount spent and the types of expenditures. One of these is the True Link card.

It's also a good idea to limit outside solicitations. You can do this through the national Do Not Call registry (at www.donotcall.gov or 888-382-1222), a service such as Nomorobo that blocks robo-calls, and the Direct Marketing Association's website, which lets you limit the catalogues and credit card offers you receive in the mail (at www.dmachoice.org).

Setting up a joint account with a trusted relative allows the relative to monitor the account in real time, and take additional steps to protect the funds in the account.

Finally, talk to your lawyer about creating a power of attorney document and a revocable trust. These can offer protection against financial abuse while providing a number of other benefits as well.