

Emerald Spectrum Advisory

The September Newsletter

Emerald Spectrum Advisory

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Down the Donut Hole: The Medicare Coverage Gap

One of the most confusing Medicare provisions is the prescription drug coverage gap, often called the "donut hole." It may be clearer if you consider the gap within the annual "lifecycle" of Medicare Part D Prescription Drug Coverage. This also applies to drug coverage that is integrated into a Part C Medicare Advantage Plan.

Annual deductible. Prescription drug plans typically have an annual deductible not exceeding \$405 in 2018. Before reaching the deductible, you will pay the full cost of your prescriptions, although you may receive negotiated discounts.

Initial coverage period. After you meet the annual deductible, your plan will pay a portion of your prescription drug costs, and you will typically have a copayment or coinsurance amount. A 25% coinsurance amount is the standard coverage required by Medicare, but most plans have different levels or "tiers" of copayments or coinsurance for different types of drugs.

Coverage gap. When you and your plan combined have spent a specified amount on drugs for the year (\$3,750 in 2018), you enter

the coverage gap. In 2018, you pay 35% of your plan's price for covered brand-name prescription drugs and 44% of the price for generic drugs. The gap is closing over the next two years (see chart).

You remain in the coverage gap until you reach an annual out-of-pocket spending limit (\$5,000 in 2018). Spending that counts toward the limit includes your deductible, copay, and coinsurance; the manufacturer's discount on brand-name drugs in the coverage gap; and your out-of-pocket payments in the gap. It does not include your premiums, the amount the plan pays, or your payments for noncovered drugs.

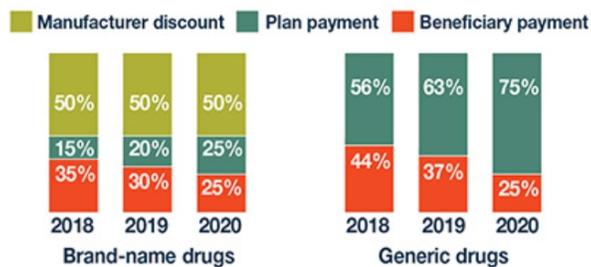
Catastrophic coverage. Once you have reached the out-of-pocket limit, you receive catastrophic coverage with much lower payments. In 2018, you would pay the greater of 5% of drug costs or \$3.35/\$8.35 for each generic and brand-name drug, respectively.

Some plans have more generous coverage in the gap. You may be able to avoid the coverage gap by using generic medicine, when appropriate, to lower your drug costs.

For more information, see Medicare.gov.

CLOSING THE GAP

Beginning in 2013, the Affordable Care Act required drug manufacturers to provide a 50% discount on brand-name drugs, and since then the percentage that beneficiaries must pay has been gradually reduced. By 2020, beneficiaries will pay no more than the standard 25% coinsurance amount for all covered drugs, effectively ending the coverage gap.



Source: Centers for Medicare & Medicaid Services, 2017

September 2018

Infographic: Working in Retirement
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Infographic: Working in Retirement

Do You Plan to Work in Retirement?

The 2018 Retirement Confidence Survey found that more than two-thirds of all workers surveyed expect that paid work will play a role as a source of retirement income. If you believe that working for pay will supplement at least some of your retirement income, consider the following facts.

1



More people are working beyond age 65

According to the Bureau of Labor Statistics, 37% of men and 28% of women between the ages of 65 and 69 were still in the workforce in 2017. In addition, 17% of men and 10% of women age 70 and older were still working.

2



Social Security imposes an "earnings limit"

If you plan to work and claim Social Security benefits before reaching your full retirement age (66 to 67, depending on year and month of birth), you will be subject to an earnings limit (\$17,040 in 2018). Above that limit, \$1 will be withheld from your benefit for every \$2 earned. In the year you reach full retirement age, you will lose \$1 for every \$3 earned above a higher limit (\$45,360 in 2018). Once you reach full retirement age, there is no reduction in benefits.

3



Income for older workers is on the rise

According to the U.S. Census Bureau, the average earnings for workers age 65 and older increased by 47.6% between 2000 and 2015, a far greater increase than that of any other age group.

The Financial Implications of a Chronic Illness



There's no such thing as a one-size-fits-all financial plan for someone with a chronic illness. Every condition is different, so your plan must be tailored to your needs and challenges, and reviewed periodically.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.

When you live with a chronic illness, you need to confront both the day-to-day and long-term financial implications of that illness. Talking openly about your health can be hard, but sharing your questions and challenges with those who can help you is extremely important, because recommendations can be better tailored to your needs. Every person with a chronic illness has unique issues, but here's a look at some topics you might need help with.

Money management

A budget is a useful tool for anyone, but it's especially valuable when you have a chronic illness, because it will serve as a foundation when planning for the future. Both your income and expenses may change if you're unable to work or your medical costs rise, and you may need to account for unique expenses related to your condition. Clearly seeing your overall financial picture can help you feel more in control.

Keeping good records is also important. For example, you may want to set up a system to help you track medical expenses and insurance claims. You may also want to prepare a list of instructions for others, such as a trusted friend or relative, that includes where to find important household and financial information in an emergency.

Another step you might want to take is simplifying your finances. For example, if you have numerous financial accounts, you could consolidate them to make it easier and quicker for you or a trusted advisor to manage. Setting up automatic bill payments or online banking can also help you keep your budget on track and ensure that you pay all bills on time.

Insurance

Reviewing your insurance coverage is essential. Read your health insurance policy and make sure you understand your copayments, deductibles, and the nuts and bolts of your coverage. In addition, find out if you have any disability coverage, and what terms and conditions apply.

You might assume that you can't purchase additional life insurance, but this isn't necessarily the case. It may depend on your condition or the type of life insurance you're seeking. Some policies will not require a medical exam or will offer guaranteed coverage. If you already have life insurance, find out if your policy includes accelerated (living) benefits. You'll also want to review beneficiary designations. If you're married, make sure that your spouse has adequate insurance coverage, too.

Investing

Having a chronic illness can affect your investment strategy. Your income, cash-flow requirements, and tolerance for risk may change, and your investment plan may need to be adjusted to account for both your short-term and long-term needs. You may need to keep more funds in a liquid account now (for example, to help meet day-to-day living expenses or use for home modifications, if necessary), and you'll want to thoroughly evaluate your long-term needs before making investment decisions. The course of your illness may be unpredictable, so your investment plan should remain flexible and be reviewed periodically.

Estate planning

You might think of estate planning only as something you do to get your affairs in order in the event of death, but estate planning tools can also help you manage your finances right now.

For example, a durable power of attorney can help protect your property in the event you become unable to handle financial matters. A durable power of attorney allows you to authorize someone else to act on your behalf, so he or she can do things like pay everyday expenses, collect benefits, watch over your investments, and file taxes.

A living trust (also known as a revocable or inter vivos trust) is a separate legal entity you create to own property, such as your home or investments. The trust is called a living trust because it's meant to function while you're alive. You control the property in the trust and, whenever you wish, can change the trust terms, transfer property in and out of the trust, or end the trust altogether. You name a co-trustee such as a financial institution or a loved one who can manage the assets if you're unable to do so. There are costs and ongoing expenses associated with the creation and maintenance of trusts.

You may want to have advance medical directives in place to let others know what medical treatment you would want, or that allow someone to make medical decisions for you, in the event you can't express your wishes yourself. Depending on what's allowed by your state, these directives may include a living will, a durable power of attorney for health care, and a Do Not Resuscitate order.

Review your plan regularly

As your health changes, your needs will change too. Make sure to regularly review and update your financial plan.

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Should I cut the cord on cable?

In the last few years, it's become common for consumers to ditch cable television in favor of streaming services and devices. Many

affordable streaming options are available, making it easier for consumers to give up cable without necessarily sacrificing their favorite shows. But there are some drawbacks to relying exclusively on streaming services for television viewing. Consider the following before you decide to cut the cord.

The most obvious benefit of cutting cable is the money you'll likely save each month. Compare what you spend on your monthly bill to how much of your cable subscription you actually use. Are you regularly watching all the channels you pay for, or do you watch only a few of them? Are the channels you watch worth what you pay each month? If not, it might make sense to cancel cable and switch to an alternative entertainment source.

You may decide to replace cable with a streaming service or device. In addition to being less expensive than cable, most services are user-friendly. You won't need to flip through hundreds of channels to find your favorite

shows, and as long as you have an Internet connection, you can view them on the go on your cell phone or tablet. Plus, streaming services typically let you stop and start month to month without termination fees.

But depending on your viewing preferences, a streaming service might not be the right option for you. There is often a delay in the online release of many television shows, which can be frustrating for dedicated viewers. And if you're a sports fan, you might be disappointed to learn that you won't have access to live sports coverage through most streaming services. Comprehensive sports packages are offered by some services, but they can be expensive and are not available in all regions.

Another disadvantage of switching to streaming is that you may need to subscribe to multiple packages or invest in special streaming devices to access the programs you want. You might also consider the cost of high-speed Internet — you won't be able to stream without a relatively fast Internet connection. Between multiple subscriptions and reliable Internet, the cost of streaming can add up quickly. Be sure to compare prices and take advantage of any free-trial offers.



I just received a large bill for a recent hospital visit. How can I check whether it's accurate?

In today's complex world of medical billing, you may have difficulty understanding exactly which procedures you're being

charged for, or what the billing codes on your hospital bill mean.

The first step in determining whether your bill is accurate is to know exactly what your insurance does and does not cover. Review your health plan's coverage brochure or contact your insurer to find out about your plan's coverage exclusions or limitations, expenses that are fully or partially covered by your plan, and the ramifications of using an out-of-network provider.

Another helpful tool is an explanation of benefits (EOB). The EOB will provide you with a variety of information, such as the dates and type of services provided, the amount that was billed by the medical provider to the insurance company, what the insurance company paid to the provider, and the amount that wasn't covered and for which you are responsible. Review your EOB and compare it to your medical bills. If you find any discrepancies,

contact your medical provider's billing department.

Unfortunately, errors are a common occurrence in the medical billing industry. As a result, it's always important to request an itemized bill, as opposed to just a summary of charges, from a medical provider. An itemized bill is critical when it comes to identifying billing errors because it will detail each medical procedure for which you are being charged. Once you've received your itemized bill, check to make sure that all of your identifying information (e.g., address, date of birth), dates of service, and insurance information are correct. In addition, you'll want to check for common billing errors, such as charges for duplicate procedures or incorrectly coded procedures.

If you find an error on your bill, contact the billing department of the medical provider to request a corrected insurance claim and/or bill. Be prepared to explain the mistake to the billing representative and provide copies of billing records that illustrate the billing error.