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# Legal Matters®

## Medicare is changing how it pays for medical equipment

**M**edicare is changing how it pays for certain types of medical equipment...and it's good to be aware of the changes, so you can make sure that what you buy will be covered by insurance.

The changes affect "durable" medical equipment, which means items you can use repeatedly as opposed to items meant for one-time use. Examples include wheelchairs, walkers, scooters, oxygen equipment, hospital beds, support mattresses, prostheses, orthotics, enteral nutrition devices, etc.

In the past, Medicare simply came up with a fixed amount that it would pay for each piece of equipment of this type. If a supplier accepted Medicare, it would have to charge no more than that amount, and typically Medicare would cover 80% of the cost.

Under the new plan, suppliers of these goods will be asked to submit competitive

bids. Medicare will then announce "winners" and "losers." Winners will be able to sell the equipment at the bid price and have it covered by Medicare. Losers won't be able to participate.

You can buy equipment from a "loser" supplier if you want, but you won't be reimbursed by Medicare. The supplier is required to tell you that it isn't covered by Medicare, and you'll have to sign a waiver form before you buy.

Initially, the new plan is being rolled out in nine areas: Cincinnati, Cleveland, Dallas, Kansas City, Miami, and Pittsburgh, plus Charlotte, N.C., Orlando, Fla., and San Bernardino, Calif.

Even people who don't live in these areas are affected, though, because if you happen to travel to one of those areas and you need to buy equipment there, you'll have to buy from a "winner" supplier or you won't be reimbursed by Medicare.

Soon, the program will be rolled out to 91 additional metropolitan areas around



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the country, and it will also apply to mail-order purchases. By 2016, almost the entire country will be covered by the program.

There are some advantages to the change. It may lower the cost of equipment,

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**A letter of instruction can give your heirs crucial information to help them tie up your affairs. Without it, they could easily miss important items, or become overwhelmed trying to sort through all the documents you've left behind.**

## A 'letter of instruction' can spare your heirs a lot of stress

Although it's important to have an updated estate plan, there's a lot of information your heirs need to know that doesn't necessarily fit into a will, trust, or other document. For instance: Where can your heirs find your insurance policies? How can they locate your bank accounts, and access your safe deposit box? How can they be sure they've accounted for all your assets?

The solution is a "letter of instruction," which can provide your heirs with guidance if you die or become incapacitated.

A letter of instruction isn't legally binding, but it can give your heirs crucial information to help them tie up your affairs. Without such a letter, it can be easy to miss important items, or become overwhelmed trying to sort through all the documents you've left behind.

The letter can be informal, and it doesn't have to follow any specific format. It's far better to write something than nothing, so don't worry that it has to be perfect.

Here are some good things to cover to get you started:

- A list of people to contact if you die, and of beneficiaries of your estate plan

- Where to find important documents, such as your will, insurance policies, financial statements, deeds, and birth certificate
- A list of assets, such as bank and investment accounts, insurance policies, real estate holdings, and military benefits
- Passwords for online accounts
- The location of any safe deposit boxes
- Contact information for lawyers, financial planners, brokers, tax preparers, and insurance agents
- A list of credit card accounts and other debts
- Organizations that should be notified in the event of your death (such as professional organizations or boards)
- Instructions for a funeral or memorial service
- How you want sentimental personal items to be distributed
- A personal message to family members

Once you write the letter, be sure to store it in an easily accessible place and to tell your family about it. A letter is of no value if your heirs don't know about it, or can't find it!

Also, it's a good idea to check the letter at least once a year to make sure it's up-to-date.

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## Senior cohousing: A new retirement alternative

Most seniors want to remain at home as long as possible, but with family often spread out all over the country, it isn't always easy to do so. "Senior cohousing," a new concept, allows older Americans to age at home in a supportive community.

Senior cohousing consists of a group of houses or condos that are individually owned by seniors and are clustered around a common area. The design usually includes a common house with guest rooms, a kitchen for group meals, and other common areas the residents agree on (such as a gym, media room, or art room). The residents pay a monthly maintenance fee, and meet regularly to make decisions as a group.

Cohousing can be beneficial for someone who is looking to downsize. The residents share amenities and common area maintenance costs, so expenses are reduced. The biggest benefit may be that the residents have complete control over how things are run – unlike at a continuing care retirement com-

munity, where decisions are usually ultimately up to someone else.

For instance, residents can decide whether to hire a gardener or a cook for the community, or even whether to have a nurse visit regularly.

While cohousing developments don't usually offer full nursing care, the neighborhood becomes a community where everyone knows one another and neighbors can help out if one resident becomes sick.

There are hundreds of multi-generational cohousing communities in the United States that welcome seniors, but senior-only cohousing is new. There are currently only a few senior-only cohousing projects in the country – in California, Colorado, New Mexico, and Virginia – but others are in the works.

You can learn more about cohousing from the Cohousing Association of the United States, at [www.cohousing.org](http://www.cohousing.org).

## How Social Security provides benefits for spouses

Social Security doesn't just pay retirement benefits to retired workers. In some circumstances, it also provides benefits to a worker's spouse, former spouse, or surviving spouse.

Here's a look at the ins and outs of spousal benefits. (But keep in mind that these are general rules, and how they apply to you could vary based on your specific circumstances.)

Once you reach age 62, assuming you've been married for at least 10 years, you can qualify for either (1) your own Social Security payments based on your earnings record, or (2) a "spousal benefit," which is a portion of what your spouse would be entitled to at full retirement age based on his or her earnings record.

You don't have to take either of these benefits at age 62. In fact, if you delay receiving them, you'll collect larger payments when you do start receiving them.

If you start receiving benefits at age 62, you'll automatically get the larger of the two payments – your own benefit or the spousal benefit.

If you wait until your full retirement age (which is 66 for people born between 1943 and 1954), you can choose between receiving your own benefit and the spousal benefit. At this point, the spousal benefit will be one-half of what your spouse would collect at full retirement age. Choosing the spousal benefit

may be wise, even if it's smaller than your own benefit. That's because you can further delay receiving your own benefit, which means that your own benefit payments will be even larger when you do start taking them.

You can't receive a spousal benefit until your spouse has applied for his or her own benefits. However, your spouse doesn't have to be actually *receiving* benefits – he or she can apply for benefits and then suspend them in order to build up delayed retirement credits.

If one spouse dies, the other spouse can apply for survivor's benefits, which are typically equal to the retirement benefits the deceased spouse would receive as of full retirement age. A surviving spouse can apply for survivor's benefits starting at age 60, although if the spouse applies before his or her own full retirement age, the benefits will be reduced.

If both spouses are receiving benefits at the time one spouse dies, the surviving spouse will continue to receive the larger of the two benefits – but not both.

A divorced spouse is generally entitled to benefits similar to those of a married spouse, as long as the marriage lasted at least 10 years. Further, a divorced spouse can receive benefits even if the "ex" hasn't applied for his or her own benefits – as long as the ex is *eligible* to apply for benefits.



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## *Medicare is changing how it pays for medical equipment*

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and it will be harder for seniors to accidentally buy expensive items that aren't covered by insurance, because they'll have to sign a waiver if they do so.

On the other hand, if you want your equipment covered by Medicare, the result could be that you'll have to go to a supplier that's miles away instead of one down the street, if the one down the street doesn't win the bidding. Also, if you need more than one piece of equipment, you might have to go to one supplier to get one and another supplier to get another, depending on who won the bidding for which item.

If you rent equipment, there are other rules. For

instance, once bidding starts in your area, if the company you're renting from doesn't win the bidding, then you might have to switch suppliers midstream.

If your supplier is a "loser," it can still choose to become a "grandfathered" supplier, which means you can stay with that supplier until the end of your rental period, after which you have to switch. If your supplier doesn't become a grandfathered supplier, then you'll have to switch right away, except you can't be required to return your old equipment until after your new equipment arrives.

These changes apply to Original Medicare. If you're in a Medicare Advantage plan, your plan will let you know about any changes in suppliers.



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Naming multiple agents is okay – but you need to be aware of the consequences if the agents ever disagree over what to do.

## Be careful if you plan to name more than one ‘agent’

A power of attorney and a health care proxy are essential parts of a good estate plan. A power of attorney appoints an agent to make financial decisions for you if you become incapacitated. A health care proxy appoints an agent to make medical decisions for you if you can't make them yourself.

The easiest – and in some ways, best – idea is to name one person as your agent for all purposes.

Sometimes, though, people want to name more than one agent. A person might not want to choose one child over another, or might want to spread the burden or allow one agent to act quickly if another is unavailable. In some cases, a senior might trust one person to make medical decisions but not to make wise financial decisions.

Naming multiple agents is okay – but you need to be aware of the consequences if the agents disagree.

For instance, suppose your health care proxy decides that you need 24-hour home care, but your financial agent refuses to pay for it because he or

she thinks a nursing home would be better. Or suppose your financial agents don't see eye-to-eye on an investment. If they can't agree, a court might have to decide.

If you really want to name multiple agents, it's good to pick people who get along and are likely to resolve any disagreements amicably. It's also good to provide detailed instructions about your preferences, so your agents will more likely be on the same page when they act on your behalf.

You might provide in your documents for a method of resolving disagreements between agents

It's good to clarify whether multiple agents can each act independently, or whether they must agree before any action can be taken. You might also consider having successor agents rather than multiple agents – for instance, Person A will be your agent, but if Person A is unavailable or doesn't want the responsibility anymore, then Person B will become your agent.

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