

# What Federal Employees Need to Know About Their Health Insurance and Medicare

**Federal employees have been paying the Medicare Part A (hospital insurance) payroll tax since Jan. 1, 1983. That means all federal employees when they become age 65 are eligible to enroll in Medicare Part A and other Medicare programs that will be discussed in this column.**

Medicare beneficiaries may enroll in "original" Medicare (Parts A and B) or choose to get their benefits from an array of Medicare Advantage (Part C) Plan options. Depending on where a federal employee or annuitant lives, Part C option may include Medicare Advantage plans that are approved by Medicare but run by private companies. Medicare Advantage plans offer Medicare Health Maintenance Organization (HMOs, Preferred Provider Organizations (PPOs), private Fee-For-Service (PFFS) plans, Medicare Special Needs Plans, and Medicare Medical Savings Account (MSA) plans.

There is also Medicare Part D which provides prescription drug benefits. Medicare enrollees are eligible to receive prescription drug coverage by enrolling in Medicare Part D.

Of the four parts to Medicare (Parts A, B, C and D), federal annuitants will likely benefit most by enrolling in Parts A and B. Part A (hospital insurance) - which is free to any federal employee who has worked for the federal government or in private industry since Jan. 1, 1983.

## **Medicare Part A (hospital insurance) helps pay for:**

- inpatient hospital care;
- critical access hospitals;
- some home health care; and
- hospice care.

## **Medicare Part B (medical insurance) - in which an enrollee pays a monthly premium (see below) helps pay for:**

- Doctor's services;
- Ambulance services;
- Outpatient hospital care;
- x-rays and laboratory tests;
- durable medical equipment and supplies;
- certain preventive care;
- other outpatient services;
- medical services such as physical and occupation therapy that is not covered by Part A; and
- effective Jan. 1, 2011, Medicare Part B will pay for annual well visits and preventive care services such as mammograms.

**But neither Medicare Part A nor B provides coverage for:**

- outpatient prescription drugs unless one is enrolled in a Part C plan that provides drug coverage or a Part D plan;
- custodial care - help with bathing dressing, toileting and eating, either at home or in a nursing home;
- dental care;
- routine foot care;
- routine eye care;
- health care while traveling or living outside the U.S. (except under limited circumstances);
- cosmetic surgery;
- some vaccinations; and
- orthopedic shoes.

Federal annuitants are eligible for Medicare when they become age 65. Certain disabled individuals and individuals with permanent kidney failure (or End Stage Renal Disease) are eligible for Part B before they become age 65. Part A is free - there is no monthly premium - for all employees who have been worked for the federal government for at least 10 years since Jan. 1, 1983.

Part B recipients must pay a monthly premium which is usually deducted from the recipient's monthly Social Security check. If an annuitant is not receiving a Social Security check, then arrangements can be made to have the monthly premium deducted from the annuitant's monthly CSRS or FERS annuity check. As is discussed below, the amount of the Part B monthly premium depends on the recipient's income; the higher one's income, the higher the Part B monthly premium.

Those individuals who want to enroll in Part C must first enroll in Parts A and B. Individuals who wish to enroll in Part D must be enrolled in Part A or Part B. The cost of any additional premium will vary depending on the Part C or Part D plan that is selected. As a result of the fact that most federal annuitants are not enrolling in Medicare Parts C and D, the rest of the column will discuss Parts A and B and their relationship with the Federal Employees Health Benefits (FEHB) plan.

In general, FEHB plans help pay for the same kind of expenses as Medicare. But the FEHB plans also provide coverage for emergency care outside the U.S. which Medicare does not provide. Medicare covers some orthopedic and prosthetic devices, durable medical equipment, home health care, limited chiropractic services, and some medical supplies which some FEHB plans may not cover or only partially cover. Those annuitants age 65 and over are encouraged to check their FEHB plan brochures in order to determine what is and what is not covered.

The question for many federal annuitants is: If the annuitant has FEHB coverage, why does the annuitant also need to enroll in Medicare Parts A and B? With respect to Part A, all federal annuitants and employees who have reached their 65th birthday and continue to work for the federal government should enroll in Part A around the time of their 65th birthday. This is because Part A: (1) for almost all employees and annuitants is free; and (2) will help cover some of the hospital costs not covered by a FEHB plan. This includes deductibles, coinsurance and charges that exceed the FEHB plan's allowable charges.

The following table summarizes what Part A will pay for during 2011.

<b>Payments by Medicare Part A (Primary) and FEHB (Secondary)</b>		
<b>Hospital Charge</b>	<b>Medicare Pays*</b>	<b>FEHB Pays</b>
Up to 60 days of semiprivate room and board, general nursing, and miscellaneous services and supplies	All but \$1,132	\$1,132
61 <sup>st</sup> through 90 <sup>th</sup> day	All but \$283 per day (30 days x 283 = \$8,490)	\$283 per day
60 reserve days (used once during a lifetime)	All but \$556 per day (60 days x \$556 = \$33,360)	\$556 per day
After reserve days are used, additional days	50	All charges (there may be some out-of-pocket charges in a nonmember hospital)

\*Table uses 2011 rates

Annuitants over age 65 need not enroll in Part B if they do not want to; an FEHB plan cannot require an enrollee to enroll in Part B. But there are advantages to enrolling in Part B, including:

- Coordination of benefits between Medicare and an annuitant's FEHB plan, resulting in reduced out-of-pocket costs for the annuitants.
- A FEHB plan will likely waive its co-payments, coinsurance and deductibles for services covered by Part B.
- If an annuitant is enrolled in a FEHB HMO, the annuitant may go outside of the HMO network for Part B services and receive reimbursement from Medicare (when Medicare is the primary payer).

There is a monthly premium for Part B that is determined annually by Medicare. Before 2006, the federal government generally funded about 75 percent of the total Part B premiums. Starting in 2007, higher income beneficiaries began to receive a reduced subsidy which was fully phased in by 2009.

The following table summarizes Part B premiums for 2011.

<b>If An Individual's Adjusted Gross Income During 2009 Was:</b>		
<b>Filed Individual Tax Return</b>	<b>Filed Joint Tax Return</b>	<b>2011 Monthly Payment/Person</b>
\$85,000 or below	\$170,000 or below	\$115.40
\$85,001 - \$107,000	\$170,001 - \$214,000	\$161.50
\$107,001 - \$160,000	\$214,001 - \$320,000	\$230.70
\$160,001 - \$214,000	\$320,001 - \$428,000	\$299.90
Above \$214,000	Above \$428,000	\$369.10

Annuitants should enroll in Parts A and B during the seven month period starting on the first day of the third month before the month that the annuitant becomes age 65 and ending at the last day of the third month after the month the annuitant becomes age 65. For example, if the annuitant becomes age 65 in February 2011, then the annuitant can enroll in Parts A and B during the period starting Nov. 1, 2010 and ending May 31, 2011. If an annuitant does not enroll in the initial enrollment period, then the annuitant will have to wait for the general enrollment period (January 1 through March 31 of each year) to enroll. Part B premiums will go up 10 percent for the 12 months that the annuitant could have had Part B but did not enroll. The penalty is permanent.

The only exception to enrolling in Part B is when an employee is age 65 or older and still an active federal employee. In that case the employee may sign up for Part B, generally within 8 months from the day that the employee or spouse retires.

Individuals enroll in Medicare through the Social Security Administration (SSA) at <http://www.ssa.gov/medicareonly> or by calling SSA at 1-800-772-1213.

FEHB plans are not one of the standard Medicare supplemental insurance policies known as Medigap or Medicare SELECT policies. But FEHB plans will supplement Medicare by paying for costs not covered by Medicare, such as the required deductible and coinsurance, and by providing additional benefits not provided under Medicare Part A and B, such as prescription drugs. That means that annuitants need not purchase a Medigap policy since FEHB and Medicare will coordinate benefits to provide comprehensive coverage for a wide range of medical expenses.

The following chart summarizes who pays first -- Medicare or the FEHB plan.

<b>A. When you - or your covered spouse - are age 65 or over and have Medicare and you.....</b>	<b>The primary payer for the</b>	
	<b>Medicare</b>	<b>The FEHB Plan</b>
1) Have FEHB coverage on your own as an active employee or through your spouse who is an active employee		X
2) Have FEHB coverage on your own as an annuitant or through your spouse who is an annuitant	X	
3) Are a reemployed annuitant with the Federal government and your position is excluded from the FEHB (your employing office will know if this is the case) and you are not covered under FEHB through your spouse under #1 above.	X	
4) Are a reemployed annuitant with the Federal government and your position is not excluded from the FEHB (your employing office will know if this is the case) and... You have FEHB coverage on your own or through your spouse who is also an active employee You have FEHB coverage through your spouse who is an annuitant		X
	X	
5) Are a Federal judge who retired under title 28, U.S.C., or a Tax Court judge who retired under Section 7447 of title 26, U.S.C.(or if your covered spouse is this type of judge) and you are not covered under FEHB through your spouse under #1 above	X	
6) Are enrolled in Part B only, regardless of your employment status	X for Part B services	X for other services
7) Are a former federal employee receiving Workers Compensation and the Office of Workers' Compensation Programs has determined that you are unable to return to duty.	X	

<b>B. When you or a covered family member.....</b>	<b>The primary payer for the individual with Medicare is....</b>	
	<b>Medicare</b>	<b>The FEHB Plan</b>
1) Have Medicare solely based on end state renal disease (ESRD) and..... <ul style="list-style-type: none"> <li>• It is within the first 30 months of eligibility for or entitlement to Medicare due to ESRD (30-month coordination period)</li> <li>• It is beyond the 30-month coordination period and you or a family member are still entitled to Medicare due to ESRD</li> </ul>		X
	X	
2) Become eligible for Medicare due to ESRD while already a Medicare beneficiary and..... <ul style="list-style-type: none"> <li>• This Plan was the primary payer before eligibility due to ESRD</li> <li>• Medicare was the primary payer before eligibility due to ESRD</li> </ul>		X for 30-month coordination period
	X	
3) Are a reemployed annuitant with the Federal government and your position is excluded from the FEHB (your employing office will know if this is the case) and you are not covered under FEHB through your spouse under #1 above.	X	
<b>C. When either you or a covered family member are eligible for Medicare solely due to disability and you ...</b>		
1) Have FEHB coverage on your own as an active employee or through a family member who is an active employee		X
2) Have FEHB coverage on your own as an annuitant or through a family member who is an annuitant	X	
<b>D. When you are covered under the FEHB Spouse Equity provision as a former spouse</b>	X	

Once Medicare becomes the primary payer, an annuitant may find that the lower cost FEHB plan is adequate for one's need. This is especially true if the annuitant is enrolled in a high option health insurance plan. This change from one FEHB plan to another plan may be made during FEHB open season or if before the FEHB open season, within 30 days before one becomes eligible for Medicare. The change to a less expensive plan can be outside of an FEHB open season because enrolling in Medicare is considered as a "life event".