All faculty need to be well versed on Medicare regulations and responsibilities. The six questions in this article frame the issues and provide valuable information to help faculty protect their future health benefits.

1. **Who Has To Apply For Medicare?**

EVERYBODY! Before turning age 65, District employees and retirees must apply for Medicare with SSA (Social Security Administration)—even if they are sure they don’t qualify! Failure to do so has severe ramifications, explained below.

Employees and retirees need to get a "determination" letter from CMS (Center of Medicare and Medicaid Services) indicating whether they are—or are not—eligible for Medicare benefits. Under Medicare regulations, failure to get a determination before the 65th birthday can result in financial surcharges and/or penalties. Further, the District’s retiree health plan for pre-1997 faculty requires all Medicare-eligible full-time employees—whether in active or retired status—and part-time faculty receiving District-paid health benefits to enroll in Medicare.

2. **When Are Faculty Notified To Enroll In Medicare?**

Medicare is a voluntary federal program, and employers are not allowed to require, or even encourage, employees to enroll. Upon retirement, during the employee's Exit Interview, Human Resources will advise employees of the requirements for retiree health benefits and Medicare enrollment.

The window to contact Social Security and apply for Medicare status is the three months preceding the 65th birthday. Because of wait time in getting appointments, it's best to apply early in the enrollment window. However, as long as one applies within the three months' timeframe, Medicare benefits will be retroactive to the first day of the 65th birthday month. The status letter is also important to those who are determined to be ineligible for Medicare; it will protect them from severe retroactive penalties if they later qualify for Medicare benefits, as through a spouse’s coverage. (See *Penalties* below.)

Employees and retirees participating in the District’s self-insured plans have the sole and complete responsibility for contacting CMS to get a determination of Medicare eligibility. For Kaiser enrollees, prior to the employee’s 65th birthday, Kaiser sends a packet of information on supplemental senior plan(s), e.g. Kaiser's Senior Advantage. Surprisingly enough, the information won’t mention Medicare, even though Medicare enrollment is necessary to join these plans.
3. What Are The Medicare Parts?

Part A: Hospitalization, skilled nursing, hospice; provided premium free after 40 quarters of Social Security (FICA) or Medicare contributions. After payment of the deductible, Part A generally covers all costs up to 60 days.

Part B: Physician’s services, outpatient hospital services, certain home health services, durable medical equipment and other items; this optional coverage requires a monthly premium. Some physicians do not accept Medicare patients.

Part C: A Medicare Advantage Plan that receives a subsidy from Medicare to provide parts A, B, D coverage to enrollees. People with parts A and B can choose to receive all of their health care services through a health maintenance organization (HMO), like Kaiser’s Senior Advantage, or a preferred provider organization (PPO), like UnitedHealthCare’s Secure Horizons. A Medicare Advantage Plan can be provided by an employer or purchased by an individual.

Part D: Prescription drugs; this optional coverage requires a monthly premium.

4. Who Is/Will Be Eligible For Medicare, Part A?

• Those who have paid into Social Security (FICA) for 40 quarters.
• Those who have paid into Medicare (1.45% contribution matched by employer)—a provision mandated in this District as of April 1, 1986.
• Those with a Medicare eligible spouse.
• Most CalSTRS members retired prior to June 1, 2003 are eligible for Medicare through STRS’s Medicare Premium Payment (MPP) program when turning 65. For those, STRS funds the full cost of this Medicare Part A premium; coverage is not extended to spouses. Under the MPP Program, beginning on July 1, 2001, the California State Teachers’ Retirement System (CalSTRS) agreed to “pick up” the Medicare Part A (hospitalization) premium for those eligible Defined Benefit (DB) Program members who were not qualified for premium-free Medicare Part A Benefits through their own employment or that of a spouse. The MPP Program initially covered DB Program members who retired prior to January 1, 2001. In 2002, the program was expanded to include those retiring prior to January 1, 2006 (later extended to January 1, 2012) but eligibility was limited to those retiring from a district that held, or was in the process of holding, a Medicare Division/Election prior to their effective date of retirement. The FHDA District’s Medicare election was held February 18-28, 2003. Therefore, faculty who retired between January 1, 2001 and February 18, 2003 are not eligible for premium-free Medicare coverage through the STRS program. A retiree or active employee not eligible for Medicare through the CalSTRS MPP Program, other employment, or a spouse must apply to the Center of Medicare and Medicaid Services (CMS) to get a determination letter proving ineligibility in the three month window prior to his or her 65th birthday.
• Faculty age 58 or older by February 28, 2003 (the date of the District election for the MPP program) AND retire prior to January 1, 2012. If you were 58 or older at the time of the election, you will be eligible for the CalSTRS MPP Program regardless of whether or not you elected to pay into Medicare.
• Faculty age 57 or younger by February 28, 2003 AND retire prior to January 1, 2012 AND elected to pay into Medicare during the District election. Under the MPP program, you will become Medicare eligible even if you pay into Medicare for fewer than 40 quarters.
• Non-working spouses could qualify if the retiree meets the requirements for Medicare benefits. Ex-spouses or surviving spouses who may otherwise not qualify on their own could qualify for Medicare by being the ex-dependent of a qualified beneficiary. In both situations, Medicare eligibility is based on a minimum age of 62 plus at least 10 years of marriage and a current unmarried status.
5. What Are The Penalties For Late Medicare Filing?

Late filing for Medicare Part A may result in a surcharge for twice the number of years of delay; this surcharge may be waived if the employee can prove that he or she has had continuing medical coverage.

However, Medicare Part B penalties are never waived. They are 10% per year for each year delayed. For example, Jill, who didn’t qualify for Medicare under her own social security number when she turned 65, didn't apply, and therefore did not receive a determination-of-status letter. Four years later, when her husband Jack turned 65, she became eligible and applied. To get Part B, she must pay the 2007 basic monthly premium ($93.50) plus a permanent 10% penalty for each year of delay (in this case, a 40% increase in cost, $37.40), increasing her monthly Medicare Premium Part B from the standard $93.50 to $130.90. And the 40% penalty will continue perpetually, so that if, in a future year, the basic Part B premium were $200, Jill would have to pay an additional $80 a month as a penalty. In 2010 the basic Medicare Part B premium was $96.40 for beneficiaries who have Social Security Administration withhold Medicare Part B. Note that District employment does not contribute to Social Security. For those not receiving social security, the basic premium in 2010 was $110.50. These premiums may be higher for single people earning in excess of $85,000 and for married couples earning over $170,000.

6. How Does Medicare Interact With The District’s Health Plans?

The answer to this question depends on a) a full-time faculty employee’s hire date and active or retiree status; or, b) whether a part-time faculty employee is enrolled in the District paid benefits program. A point of clarification: Article 19 faculty have retiree status; their service to the District is post-retirement employment.

For full-time faculty hired before July 1, 1997: FHDA is the primary insurer for active employees, regardless of their age. After retirement, for those eligible (see above, “Who is/will be eligible?”), Medicare becomes the primary medical insurance and FHDA becomes the secondary insurer; for those not eligible for Medicare, FHDA remains the primary coverage. However, if one becomes eligible for Medicare at a later date, through earning additional quarters or by a spouse/ex-spouse becoming eligible, Medicare will become the primary insurance.

Make no mistake about it: Article 23-Paid Benefits for Retired Employees requires employees to use Medicare if they are eligible for it. Benefits are provided “only in a manner that augments the benefits the employee or dependent could receive from Medicare even though the retired faculty employee or his or her eligible dependents fail to claim rights to Medicare benefits.” The District requires all retirees qualified for health benefits to furnish proof of Medicare eligibility by submitting the status letter from CMS when turning 65. Those who are not eligible for Medicare at age 65 will be required to submit a status letter each year thereafter through the annual retiree survey, as the retiree may become qualified for Medicare in subsequent years either through a new marriage or additional Social Security credits earned after retirement. Electronic advancements have increased the District’s ability to ensure that employees fulfill this requirement, and thus failure to comply will jeopardize the employee’s District-provided benefits.

Under the terms of Article 23, Medicare-eligible retired faculty are required to use in Medicare Part A and enroll in Part B. The District reimburses employees for the Part B premium cost—excluding any assessed penalties—for themselves and eligible dependents. Medicare eligible retirees insured under the Kaiser Medical Plan are required to participate in Kaiser’s Senior Advantage program. To do so, they enroll in Medicare Part C—see above, “Medicare: What are the parts?”—and assign their Medicare benefits directly to Kaiser; medical and drug benefits are then provided exclusively by Kaiser and are not available from any non-Kaiser providers.
The Kaiser’s Senior Advantage and the District’s self-insured plans (EPO and PPO) prohibit age 65 retirees from applying for individual drug coverage under Medicare Part D. Instead, Kaiser and the District apply for—and receive—the Medicare Part D subsidy to help defray the cost of retiree prescription coverage. Under Medicare regulations, these group plans are allowed to do so because their coverage is on average at least as good or better than the standard Medicare coverage. Since Kaiser and the District apply for re-certification and a Medicare Part D subsidy yearly, no penalty is incurred if the retiree loses the group coverage and later decides to enroll as an individual in Part D.

The District self-insured PPO plans currently receive a 28 percent federal subsidy for retiree drug costs under the Medicare Part D program. After deduction of expenses, the subsidy yields a net savings of 20 percent in the Medco prescription program. *Caveat emptor*: Enrolling in any Medicare Part D drug plan could potentially terminate the employee’s enrollment in the entire District-provided health plan, since it would be akin to “double-dipping” and invalidate the District’s ability to receive a Medicare Part D subsidy for that individual.

For full-time faculty hired after July 1, 1997: FHDA is the primary coverage for all active employee regardless of age. If an employee with 15 years of District service retires between age 55 and 65, *Article 23A* provides a bridge plan from retirement to Medicare eligibility at age 65. Under this plan, the employee receives a modest amount for medical costs per year (2.8 percent of the top faculty salary cell—in 2006-07, a maximum of $91,735—for the employee and an additional 2.8 percent for the spouse). In 2010-11, the annual dollar amount is $2736.30 and an equal amount for the spouse. The annual dollar amount is applied toward the cost of coverage under Kaiser or the PPO plans; the employee pays the remainder.

At age 65, when the District coverage terminates, the employee will be eligible for Medicare Part A (since this group has been paying into Social Security since hire date and will have accumulated 40 quarters). Once Medicare-eligible, the employee no longer has any further District coverage and may opt to purchase Medicare parts B, C, or D, and/or a medi-gap policy from a private insurer.

For part-time faculty: Effective 2007-08, Medicare-eligible part-time faculty can participate in the District’s paid health benefits program through Kaiser provided they meet the program qualifications. During the period of District coverage, employees will remain eligible for, but not use Medicare Part A benefits; Kaiser will cover all health and medical costs. Program participants must apply to SSA to delay Part B enrollment. When the employee is no longer covered by the District plan, the District will provide a “certificate of continued coverage,” and the employee can purchase Part B without penalty.

Part-time faculty who do not qualify for the District’s paid benefits program can use Medicare at age 65 (provided they are eligible) even if they continue in active status. The District does not provide a retiree health benefit plan for part-time faculty.