What All Faculty Need to Know About Medicare

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Important Disclaimer
This article attempts to explain several factors related to Medicare. The article does not address all possible situations, and at any time the rules may change through federal legislation. Because of the complexity and changing nature of Medicare rules, the information contained in this article should **not** be relied upon to make significant decisions. For the most up-to-date and accurate information, go to www.medicare.gov/.

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.)

Four months before your 65th birthday, CalPERS will send a letter titled "Important Information Concerning Health Coverage at Age 65." This notice contains information regarding the CalPERS Medicare enrollment requirements. You may remain enrolled in a CalPERS Basic (non-Medicare) health benefits plan until retirement. When you retire, you can choose to move to a CalPERS Medicare plan. The full cost of the plan will be deducted from your CalSTRS or CalPERS warrant. Eligible retirees hired before July 1, 1997 will have the employer portion of the plan cost reimbursed to them monthly via Electronic Funds Transfer (EFT). Medicare-eligible employees will also have their Medicare Part B costs reimbursed quarterly provided adequate proof of payment is submitted annually to the Office of Human Resources.

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.
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.

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 2023 basic monthly premium ($164.90) *plus a permanent 10% penalty for each year of delay* (in this case, a 40% increase in cost, $65.96), increasing her monthly Medicare Premium Part B from the standard $164.90 to $230.86. 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. These premiums may be higher for single people earning in excess of $97,000 and for married couples earning over $194,000.

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.

<u>For full-time faculty hired before July 1,1997</u>: 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.

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.

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 and who will be receiving a CalSTRS or CalPERS pension 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 toward the costs of health benefit coverage received through the CalPERS Health Program ($400 per month for the employee and an additional $400 per month for the spouse/domestic partner).

At age 65, the District coverage terminates. A $100 per month contribution towards the cost of Medicare Part B is available through the VEBA Trust Fund.