Employer Insurance & Medicare

Medicare Rights Center

- The Medicare Rights Center is a national, not-for-profit consumer service organization that works to ensure access to affordable health care for older adults and people with disabilities through:
  - Counseling and advocacy
  - Educational programs
  - Public policy initiatives

What we’ll cover today

- Medicare basics
- Eligibility and enrollment
- Coordination of benefits between Medicare and:
  - Current employer coverage
  - Retiree plans
  - COBRA coverage
- What to do when someone didn’t enroll in Medicare at the right time
Medicare Basics

Medicare

- Health insurance for people 65 and older and people with disabilities
- People of all income levels eligible
- Run by the government but can be provided by private companies
- Covers most medical services and beneficiary needs

Medicare and Medicaid

- Both began in 1965 as part of President Johnson’s “Great Society”
  - Older and low-income Americans were unable to buy private health insurance
  - Social insurance = shared risk and social safety net
- Medicare
  - Federal government program
  - Health care coverage for people 65 or older or have a severe disability
  - Eligibility is not based on income
- Medicaid
  - Different from Medicare
  - State and federal program
  - Eligibility based on income and usually assets
Parts of Medicare

- Medicare benefits are administered through three parts
  - **Part A** – Hospital/Inpatient Benefits
  - **Part B** – Doctors/Outpatient Benefits
  - **Part D** – Prescription Drug Benefit
    - (Added 2006)
- What happened to Part C?
  - Private health plans (HMOs, PPOs)
    - Way to get Parts A, B and D through one private plan
    - Not a separate benefit
    - Also called Medicare Advantage

Medicare Part A and B Coverage

- **Part A**
  - Inpatient hospital
  - Inpatient skilled nursing facility
  - Home health care
  - Hospice care
- **Part B**
  - Doctor services
  - Preventive care
  - Durable medical equipment (DME)
    - Such as wheelchairs, walkers, oxygen tanks
  - Home health care
  - X-rays, lab, ambulance services
  - Therapy services (PT/OT/ST)

Medicare Part A and B Costs

- **Part A**
  - No monthly premium for those with at least 10 years Social Security work history
  - Hospital deductible and copays
  - Most people must take Part A when eligible
- **Part B**
  - Monthly premium: $99.90 in 2012
    - Those with higher incomes ($85,000 individual; $170,000 couple) pay more
  - Annual deductible and 20% coinsurance for most doctor services
  - People may opt out of Part B when eligible
Part B premium based on income

- The monthly Part B premium is higher for individuals with income above $85,000 per year ($170,000 for couples).
- The income that counts is the adjusted gross income reported on their IRS tax return 2 years ago plus other forms of tax-exempt income.

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Transitioning into Medicare

- When becoming eligible for Medicare, it’s important to understand how Medicare will work with current insurance.
- Helps determine whether to take Medicare.
- Common scenarios:
  - People turn 65, are still working and have insurance from their employer.
  - People have insurance from a former job (retiree insurance, COBRA).
- Their current coverage may change when they become eligible for Medicare, whether they take Medicare or not.
- Each type of insurance works with Medicare differently (coordination of benefits). People should talk to their employer or benefits administrator.
Coordination of benefits

- Coordination of benefits is the sharing of costs by two or more health plans
- Depends on Medicare eligibility
  - Age
  - Disability
  - End-Stage Renal Disease (ESRD)
  - Coordination of benefits information in this presentation doesn't apply to those with ESRD
- Depends on the plan size

Important concepts

- Group Health Plans (GHPs)
- Enrollment Periods
- Current employer
- Former employer
- Primary insurance
- Secondary insurance

Medicare Eligibility and Enrollment
In this section

- Types of Medicare eligibility
  - People who have aged into Medicare (65 and older)
  - People who are eligible due to disability
  - People with End-Stage Renal Disease (ESRD)
  - People with Amyotrophic Lateral Sclerosis (ALS, or Lou Gehrig’s Disease)
- Medicare enrollment periods

Medicare eligibility – 65+

- People qualify for Medicare when they turn 65 if they:
  - Collect or qualify to collect Social Security or Railroad Retirement benefits
  - Or, if they don’t qualify for Social Security or Railroad Retirement, they must be a current U.S. resident and either:
    - A U.S. citizen
    - Or a permanent U.S. resident having lived in the U.S. for 5 years in a row

Medicare eligibility – under 65

- People under 65 are eligible for Medicare if:
  - They’ve been getting Social Security Disability Insurance (SSDI) or Railroad Disability Annuity checks for total disability for at least 24 months
  - No waiting period with Lou Gehrig’s Disease
  - Or, if they have End-Stage Renal Disease (kidney failure) and have enough work history

Note: SSDI isn’t health insurance. It’s monthly payments from the Social Security Administration to people who can’t work because of severe medical impairment.
Four ways to enroll in Medicare

- Automatic Enrollment
- Initial Enrollment Period
- General Enrollment Period
- Special Enrollment Period

Automatic enrollment

- People are automatically enrolled in Parts A and B if:
  - They have enrolled to receive Social Security benefits before turning 65
  - They have a disability and have been receiving SSDI for at least 24 months
  - They get SSDI because they have ALS
  - They get a package in the mail 3 months before coverage starts explaining how Medicare works
  - Explains the Part B premium
  - They get the option to decline Part B
  - Other people must actively enroll in Medicare

Initial Enrollment Period (IEP)

- The first chance to enroll in Medicare
  - If someone isn’t automatically enrolled, can actively sign up for Parts A, B and D
- 7-month period surrounding the month of eligibility for Medicare, including the 3 months before and the 3 months after their eligibility month
  - The eligibility month is either a person’s 65th birthday month or a person’s 25th month of SSDI
  - Enroll early for coverage to start the month they become eligible
General Enrollment Period (GEP)

- If someone misses their IEP, they can sign up for Medicare during the General Enrollment Period
- General Enrollment Period is Jan. 1 – Mar. 31 every year
  - Coverage starts July 1
- People who wait to enroll during the GEP and don’t have current employer insurance:
  - May have to pay a premium penalty for late enrollment into Part B
  - May have gaps in coverage

Part B Special Enrollment Period (SEP)

- Lets people enroll in Part B during these times:
  - Any time while in a group health plan based on their current employment or their spouse’s
  - And during the 8 months after employment ends or the group health coverage ends, whichever comes first
- To qualify for an SEP, a person must meet specific criteria
- Use the form CMS 40-B (Application for Enrollment in Medicare)

SEP criteria

Two criteria to be eligible for the Part B Special Enrollment Period:
1. Must have insurance from a current job (an employer group health plan from their job or their spouse’s job) or have had such insurance within the past 8 months
2. Must have been continuously covered since they became eligible for Medicare
  - Can have no more than 8 consecutive months of lapses in either Medicare or current employer coverage
Part A enrollment

- Premium-free Part A: Most people take it when eligible
- If receiving Social Security benefits, they’ll be automatically enrolled in Part A and can’t opt out
- People 65+ who qualify for premium-free Part A but don’t have it can enroll any time
  - Up to 6 months retroactive coverage
- People who must pay a premium for Part A can enroll during their IEP or during the annual GEP
  - Premium penalty for delayed enrollment

Case example

Mrs. P is 72 didn’t enroll in Part B because she has insurance through her husband’s retiree plan. Next month, this insurance will end. Will she be eligible for a special enrollment period for Part B when the retiree coverage ends?

a) Yes, because she had retiree coverage
b) Yes, because she is losing her insurance
c) No, because the coverage was through her husband’s job, not her own
d) No, because her husband had retiree coverage and this doesn’t qualify her for an SEP

Answer

D) No, because her husband had retiree coverage and this doesn’t qualify her for an SEP

People are only eligible for an 8-month special enrollment period for Part B if they have health insurance through their or their spouse’s current job. Mrs. P can apply for Medicare during the general enrollment period, but she may have to wait for coverage and have to pay a Part B premium penalty.
In this section

- Group Health Plans
  - Large group health plans
  - Small group health plans
  - Other employer-based plans
- Coordination of Medicare and current employer plan benefits
- Exceptions to group health plan rules
- In this section, we talk only about Group Health Plans from current employment (not retiree or COBRA)

Employer Group Health Plans

- A Group Health Plan (GHP) is a plan in which employers provide health benefits to current and former employees
- How Medicare coordinates with Group Health Plans depends on the size of the plan
- There are small and large GHPs
For small Group Health Plans, Medicare is primary, GHP is secondary.

What's considered a small GHP?
- Eligible for Medicare due to age: Small GHP is fewer than 20 employees at company where beneficiary or spouse works.
- Eligible for Medicare due to disability: Small GHP is fewer than 100 employees at the company where beneficiary or spouse works.

Medicare is primary for those eligible for Medicare due to disability and:
- Are covered by a GHP (theirs, their spouse’s or other family member’s) based on current employment.
- There are less than 100 employees in their company.

People with disabilities who receive Medicare and are employed at a company with less than 100 employees should:
- Stay in Part B because it’s their primary insurer.
- They may be able to keep their GHP as secondary.

Neither Medicare nor the GHP may be required to pay.
- If GHP learns of Medicare eligibility, it can stop paying primary and recoup payments.
- Part B SEP still applies.

Medicare primary/secondary status doesn’t change this.
Fewer than 100 employees – cont.

- After getting SSDI for 24 months, a person is automatically enrolled in Part A and Part B.
- If they turn down Part B:
  - They’ll have no primary insurance for outpatient care.
  - Neither Medicare nor the small GHP may be required to pay for your doctors’ visits and other medical services.
- Part B SEP may still apply:
  - Only eligible for the SEP if health coverage is from their or their spouse’s employer, not from another family member.

Exception

- Small employers (fewer than 20 or 100) don’t have to provide the same health insurance for people eligible for Medicare.
- Employers who have small GHPs may choose to keep paying primary after an employee becomes eligible for Medicare.
- If employer agrees to pay primary, the beneficiary may not need to enroll in Part B.
  - Important: Get written confirmation from the employer and GHP if they choose to pay primary when they don’t have to.

Large Group Health Plans

- For large Group Health Plans, GHP is primary, Medicare is secondary.
- What’s considered a large GHP?
  - Eligible for Medicare due to age:
    - A large GHP is 20 or more employees at company where beneficiary or spouse works.
  - Eligible for Medicare due to disability:
    - A large GHP is 100 or more employees at the company where beneficiary, spouse or other family member works.
Large GHPs for 65+: 20 or more employees

- GHP is primary
- If person has GHP from their or their spouse's current job, and the company has 20 or more employees, they don’t necessarily need to take Part B
- They get an SEP to enroll in Part B without penalty any time while still working and for 8 months after they stop working or lose coverage if they meet all the SEP criteria
- Remember: Someone must be currently working for this to apply

Large GHPs for people with disabilities: 100 or more employees

- GHP is primary for those eligible for Medicare due to disability and:
  - Covered by a GHP (theirs, their spouse’s or other family member’s) based on current employment
  - There are more than 100 employees
- They don’t need to take Part B unless they’re unsatisfied with current coverage
- Part B SEP applies
  - Can enroll in Part B without penalty any time while still working and for 8 months after retiring or losing coverage

Exception: Coverage from a family member

- Family member could be parent, child, domestic partner
- For those who qualify for Medicare due to a disability:
  - Primary / secondary rules apply to coverage from a family member’s job
  - Coverage from a family member may qualify the person for a Part B Special Enrollment Period only if it’s a large employer (100+ employees)
- For someone 65 or older, coverage from a family member (other than spouse) isn’t recognized
Medicare as secondary

- People can take Part B even if they have primary coverage from an employer
- If they take Part B, it pays as secondary insurer
- If a person drops employer insurance, Medicare Part B becomes primary if they’re enrolled in it

Coordination of benefits: Medicare and GHPs

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<th>Primary</th>
<th>Secondary</th>
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<td>Medicare</td>
<td>Employer</td>
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<td>Fewer than 20 employees*</td>
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<td>65+ and currently working</td>
<td>Employer</td>
<td>Medicare</td>
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<td>20 or more employees</td>
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<td>Disabled and currently working</td>
<td>Employer</td>
<td>Medicare</td>
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<td>100 or more employees</td>
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<td>Fewer than 100 employees*</td>
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* GHPs may choose to be primary regardless of eligibility for Medicare. Make sure to get this in writing.

How many employees are counted?

- Check with the insurer and employer (benefits administrator or human resources) to find out how many employees are counted as a part of the plan
- Some employees may be off site
- Sometimes companies with fewer employees come together and create a multi-employer plan
How other employer-based plans coordinate with Medicare

- **Multi-employer group health plans**
  - Some health plans (like union plans) are available to multiple employers.
  - The size of the largest employer within the multi-group plan determines the size of the plan for all enrollees.

- **Self-employed people**
  - A plan is considered a Group Health Plan if it is available to at least one other employee.
  - GHPs for a self-employed person are often secondary to Medicare, so recipients usually need Parts A and B to pay primary.

How other employer-based plans coordinate with Medicare – cont.

- **Health Savings Accounts (HSAs)**
  - HSAs are accounts that let people to pay medical bills with pre-tax dollars they set aside.
  - People with Medicare aren't allowed to contribute money to an HSA.
    - If they do, they may be assessed tax penalties.
    - But they can use money in their HSA.
  - Can only contribute if not enrolled in Part A or B.

Disability Policies

- Someone is usually considered currently employed during their first 6 months on employer disability benefits.
  - This is generally considered short-term disability.
- During this time:
  - The person isn’t incurring a Part B premium penalty.
  - They still have an SEP if covered by the employer’s GHP.
- After 6 months on employer disability benefits, someone should generally take Part B unless their employer explicitly states their long-term disability policy doesn’t require the beneficiary to take Part B.
  - Get this information in writing.
- **Note:** Employer disability benefits are different from SSDI.
Recap: Should someone take Part B?

- Whether a person should enroll in Part B if they have current employer insurance depends on:
  - How many employees work at their or their spouse’s (or other family members’) company
  - If Medicare should be primary or secondary
- Remember: There may be consequences to not taking Part B when first eligible

Medicare and Retiree Insurance

In this section

- Types of retiree insurance
- Coordination of Medicare and retiree insurance
  - The information in the section applies to retirees with coverage from a former job (where they’re no longer working)
Medicare and retiree insurance

- Retiree insurance is health insurance employers provide to former employees who have retired
- Retiree insurance always pays secondary to Medicare

Retiree insurance – cont.

- Many retiree plans require members to sign up for Parts A and B to have full coverage
- Although Medicare is primary, it may be beneficial to keep retiree coverage as secondary:
  - It can act as supplemental insurance and fill gaps in Medicare coverage
  - It may cover services that Medicare doesn’t cover (such as routine vision and/or dental)
- Check with the HR department or benefits administrator to find out how a retiree plan will work with Medicare

Should a person with retiree insurance take Part B?

- Yes, because retiree coverage is secondary
  - If retiree plan is paying primary, it may be because it’s not aware of the person’s Medicare eligibility
  - It can stop paying primary at any time and recoup primary payments it made in error
- Without Part B, the beneficiary has no primary health coverage
  - Exception: Federal Employee Health Benefits
- To avoid a premium penalty, a person must take Part B within 8 months of retiring
  - During their Part B SEP
Other types of retiree insurance

- TRICARE for Life
  - For military retirees and dependents
  - Must take Medicare (Medicare is primary)
  - Other types of TRICARE work differently with Medicare

- Department of Veterans Affairs (VA) benefits
  - Can have both Medicare and VA, but they don’t coordinate
  - VA only covers care at VA facilities; Medicare pays for care at other facilities

Other types of retiree insurance- cont.

- Federal Employee Health Benefits Program
  - Different types of plans (HMOs, fee-for-service)
  - Medicare is primary for those who take Medicare
  - FEHB pays primary for those who don’t take Medicare
  - Depending upon their plan, some persons choose to turn down Part B
  - However, Part B premium penalty applies for delayed enrollment

Medicare and COBRA
In this section

- How COBRA coverage works
- Coordination of Medicare and COBRA coverage
  - Can a person with Part B also have COBRA coverage?

COBRA

- COBRA stands for Consolidated Omnibus Budget Reconciliation Act
- COBRA is a federal law that lets certain employees, their spouses and their dependents keep Group Health Plan coverage for 18 to 36 months after they leave a job or lose coverage for certain other reasons, as long as they pay the full cost of the premium
- COBRA only applies to large employers (20 or more employees)

Medicare and COBRA

- COBRA is always secondary to Medicare
- COBRA is not health insurance from a current employer
- It doesn’t qualify someone for a Part B SEP
  - Someone with COBRA should enroll in Part B within 8 months of losing their current employer GHP
  - If a person doesn’t enroll within 8 months, they’ll most likely have to pay a premium penalty for late enrollment and have to wait until the General Enrollment Period (Jan. 1 – Mar. 31) to enroll
Should a person with COBRA take Part B?

- Yes – Medicare is primary
  - If a person has COBRA and Part A, COBRA may recoup payments if the person doesn't have Part B, since Medicare should be primary
  - People won't have a Part B premium penalty if they enroll within 8 months after they stop working (during SEP)
- Whether someone can have both COBRA and Medicare depends on which they had first
  - If someone has COBRA first and enrolls in Medicare, COBRA can end. Their spouse and dependents may be able to stay on COBRA for up to 36 months.
  - If someone has Medicare first, they can sign up for COBRA and have both; COBRA will be secondary
- COBRA premiums are expensive
  - It's often more cost effective to enroll in Medicare with Medigap and Part D after losing employer coverage

Case example

Mr. W has Medicare and recently became eligible for COBRA. Mr. W enrolled in COBRA. Which insurance is Mr. W's primary insurance?

1. COBRA
2. Medicare

Answer

2.) Medicare is Mr. W's primary insurance.

   COBRA is always secondary to Medicare. Since Mr. W has both COBRA and Medicare, Medicare will pay first on any claims and COBRA will pay second.
When Someone Didn’t Enroll at the Right Time

In this section

- Consequences of not enrolling in Part B at the right time
- What someone can do if they didn’t enroll on time
- What people should do if they want to decline Part B

Consequences of not enrolling

- People who don’t enroll in Part B when they should may face these problems:
  - Premium penalties
  - Their existing coverage may not pay for care
  - May have to pay the full cost of health care they get
  - A plan may recoup payments it paid when Medicare should have
- Someone may have to wait until the next General Enrollment Period to enroll in Part B which will delay their Medicare coverage
Premium penalties

- 10% Part B premium penalty for each 12-month period that someone delayed enrollment in Part B when they didn’t have insurance through a current employer
- Penalty is in addition to the monthly Part B premium
  - Part B premium is $99.90 in 2012
  - Goes up when the Part B premium goes up
- Must be paid every month as long as the person has Medicare
- The premium penalty is erased when…
  - Medicare eligibility changes (for example, when a disabled beneficiary turns 65 and becomes eligible due to age)
  - Someone enrolls in a Medicare Savings Program (MSP)

What to do when someone didn’t enroll

When Medicare is primary and the person didn’t enroll:

- Enroll in Part B as soon as possible
  - Find out if they’re eligible for an SEP
  - If not, enroll in Medicare during the next General Enrollment Period (Jan. 1 - Mar. 31 of every year with coverage beginning July 1 of that year)

Other strategies

- Equitable Relief
  - Federal law lets people request “relief” from the Social Security Administration in the form of immediate or retroactive Medicare enrollment and/or elimination of Part B premium penalty
  - Must show failure to enroll was “unintentional, inadvertent, or erroneous” and the result of “error, misrepresentation, or inaction of a Federal employee or any person authorized by the Federal government to act in its behalf”
- Medicare Savings Programs (MSPs)
  - Let people to enroll in Part B outside of the GEP and erase premium penalties
If someone wants to decline Part B

- Some people can decline Part B without penalty
- People thinking about declining Part B should:
  - Talk to the Social Security Administration about the consequences of turning down Part B
  - Talk with their insurer and employer to confirm that their plan will pay primary to Medicare. Get it in writing.
- Keep a record of these calls (date, time, representative name, information relayed)

For more information and help

- Local State Health Insurance Assistance Program (SHIP)
- Medicare
  - 800-MEDICARE (800-633-4227)
  - Medicare Coordination of Benefits Contractor: 800-999-1118
  - www.medicare.gov
- Social Security Administration
  - 800-772-1213
- Medicare Rights Center
  - 800-333-4114
  - Medicare Interactive (See next slide)

Medicare Interactive

- Medicare Interactive
  - www.medicareinteractive.org
- Web based information system developed by Medicare Rights to be used as a counseling tool to help people with Medicare.
  - Easy to navigate
  - Clear, simple language
  - Answers to Medicare questions and questions about related topics, for example: “How do I choose between a Medicare private health plan (HMO, PPO or PFFS) and Original Medicare?”
  - State-specific information for all 50 states. (Find what programs each state offers and their income and asset limits.)
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<td>- Both written presentations and webinars</td>
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