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## Employer Insurance & Medicare

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### 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

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### 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

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# Medicare Basics

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- ## 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
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- ## 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
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## 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

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## 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)

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## 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: \$115.40 in 2011
    - Most pay \$96.40 or \$110.50
    - 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

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## 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

Annual Income		2011 monthly Part B premium
Individuals	Couples	
Equal to or below \$85,000	Equal to or below \$170,000	\$96.40, \$110.50 or \$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

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## Coordination of Medicare Benefits

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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.

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## 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

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## Important concepts

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

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## Medicare Eligibility and Enrollment

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## 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

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## 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

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## 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.

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## Four ways to enroll in Medicare

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

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## 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

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## 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 65<sup>th</sup> birthday month or a person's 25<sup>th</sup> month of SSDI
  - Enroll early for coverage to start the month they become eligible

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## 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

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## 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)

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## 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

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## 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

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## 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

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## 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.

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# Medicare and Current Employer Insurance

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**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)

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**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

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## Small Group Health Plans

- ❖ 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

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## Small GHPs for 65+: Fewer than 20 employees

- ❖ Medicare is primary and employer plan can act as secondary
- ❖ If a person has GHP from their or their spouse's current job, and the company has fewer than 20 employees, they should usually enroll in Part B
- ❖ Because Medicare is primary, they may have no health coverage if they decline Part B
  - Neither Medicare nor the GHP may be required to pay
  - If GHP pays primary, it may not know the person is eligible for Medicare
  - 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

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## Small GHPs for people with disabilities: Fewer than 100 employees

- ❖ 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

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### 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

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### 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

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### 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 more than 20 employees at company where beneficiary or spouse works
  - Eligible for Medicare due to disability
    - A large GHP is more than 100 employees at the company where beneficiary, spouse or other family member works

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**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

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**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

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**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

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### 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

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### Coordination of benefits: Medicare and GHPs

Conditions	Primary	Secondary
<b>65+ and currently working Fewer than 20 employees*</b>	Medicare	Employer
<b>65 + and currently working 20 or more employees</b>	Employer	Medicare
<b>Disabled and currently working 100 or more employees</b>	Employer	Medicare
<b>Disabled and currently working Fewer than 100 employees*</b>	Medicare	Employer

\* GHPs may choose to be primary regardless of eligibility for Medicare. Make sure to get this in writing.

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### 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

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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 people are often secondary to Medicare, so recipients usually need Parts A and B to pay primary

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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

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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

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**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

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**Medicare and Retiree Insurance**

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**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)

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## Medicare and retiree insurance

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

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## 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

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## 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

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## Other types of retiree insurance

### ❖ TRICARE for Life

- For military retirees and dependants
- 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

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## 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

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## Medicare and COBRA

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## In this section

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

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## 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)

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## 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

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### 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 dependants 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

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### 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

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### 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.

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## When Someone Didn't Enroll at the Right Time

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### 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

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### 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

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## 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 \$115.40 in 2011
  - 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)

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## 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)

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## 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

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## 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)

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## 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](http://www.medicare.gov)
- ❖ Social Security Administration
  - 800-772-1213
- ❖ Medicare Rights Center
  - 800-333-4114
  - Medicare Interactive (See next slide)

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## Medicare Interactive

- ❖ Medicare Interactive
  - [www.medicareinteractive.org](http://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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## Medicare Rights University (MRU)

### ❖ Medicare Rights University

- [www.medicarerightsuniversity.org](http://www.medicarerightsuniversity.org)

### ❖ Online resource for both people with Medicare and professionals

- Based on the research of Medicare Rights experts
- Both written presentations and webinars
- Covers a variety of Medicare topics
- Easy to navigate
- Subscription based

○ Register for monthly, bi-annual or yearly subscriptions to MRU

○ Please contact Scarlet Watts ([swatts@medicarerights.org](mailto:swatts@medicarerights.org)) for more information about subscribing

Please visit [MRU](#) for a look inside our [course offerings!](#)

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