

# California State Social Security Administrator Program

## SSSAP Bulletin No. 6 – October 2013

### MEDICARE ENROLLMENT; IMPORTANT DATES

#### What is Medicare?

Medicare is our country's federal health insurance program for individuals age 65 or older (Certain disabled individuals younger than age 65 can also qualify for Medicare). Medicare helps with the cost of health care, but does not cover all medical expenses, or the cost of most long-term care.

Medicare coverage was added to Social Security coverage in 1965. As such, individuals paying contributions to Social Security (currently 6.2% on earnings up to \$113,700) also pay contributions to Medicare (1.45% on all earnings). For both types of coverage, you generally must have accumulated 40 credits<sup>1</sup> in order to be eligible for benefits<sup>2</sup>.

Employees hired on or after April 1, 1986 are mandatorily covered by Medicare, even if they do not have Social Security coverage. A number of individuals are, therefore, covered by Medicare, without being covered by Social Security. Some public employers may also voluntarily contract for "Medicare Only" coverage for their pre-1986 hires who have remained continuously in employment.

There are four different parts of Medicare coverage:

- **Part A (Hospital Insurance):** Helps pay for (1) inpatient care in hospitals; (2) skilled nursing facility care following a hospital stay; (3) some home health care, and (4) some hospice care. Part A is **premium-free** for most eligible people.
- **Part B (Medical Insurance):** Helps pay for (1) Services from doctors and other health care providers, (2) Outpatient care, (3) Home health care, (4) Durable medical equipment, (5) Some preventive services. There is generally a monthly premium<sup>3</sup> for Part B.

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<sup>1</sup> Individuals age 65 or over who are not qualified for premium-free Medicare, but have at least 30 quarters of coverage (QCs), are eligible for a reduction in the amount of their Medicare premium; see: <https://secure.ssa.gov/poms.nsf/lnx/0600801134>

<sup>2</sup> For more information, see: <http://www.calpers.ca.gov/eip-docs/employer/program-services/federal/bulletin-4.pdf>

<sup>3</sup> The standard monthly Medicare Part B premium for medical insurance in 2013 is \$104.90. Individuals with income above \$85,000 and married couples with incomes above \$170,000 pay premiums that amount to 35, 50, 65 or 80 percent of the total cost of coverage. (See: <http://www.medicare.gov/your-medicare-costs/part-b-costs/part-b-costs.html> )

- **Part C (Medicare Advantage - MA):** Part C plans offer additional or supplemental care and services through a network of providers (such as HMOs, Point of Service plans, Preferred Provider Organizations [PPOs] or Religious and Fraternal orders). Members must be enrolled in both Part A and Part B to qualify for MA. MA frequently includes prescription drug coverage.
- **Part D (Prescription drug coverage):** Helps cover the cost of prescription drugs.

Generally, Medicare is available for persons, or spouses (including divorced spouses) who have at least the minimum 40 credits to qualify for coverage<sup>4</sup>, and who are age 65 or older.<sup>5</sup> (Persons who receive Social Security disability benefits may also qualify.<sup>6</sup>)

### **Initial Enrollment Period [IEP]: Automatic, and Non-Automatic Enrollment**

The 7-month “Initial Enrollment Period” begins three months before you turn 65, includes the month you turn 65, and includes the three months after you turn 65.<sup>7</sup>

If you are already receiving Social Security benefits (e.g., because you took the “Early Retirement” option<sup>8</sup>; or because you are receiving Social Security disability benefits<sup>9</sup>), you should **automatically be enrolled** in Part A and Part B, starting the first day of the month you turn 65 (early retirement option) or the 24<sup>th</sup> month of having been entitled to Social Security disability benefits.<sup>10</sup> Your Medicare card will be mailed to you three months before your 65<sup>th</sup> birthday, or the month your coverage starts.

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<sup>4</sup> Persons who do not meet the minimum requirements may sign up for Part A coverage during designated enrollment periods, if they also have Part B or are eligible for Part B enrollment and file an enrollment request which will entitle them to Part B, and meet the citizenship and residency requirements. **This Part A coverage is not premium-free, and requires payment of a monthly premium**, which was \$441 in 2013 (<http://www.medicare.gov/your-medicare-costs/part-a-costs/part-a-costs.html>). There is also a “late enrollment penalty,” if an individual does not sign up for it when first eligible; this penalty is 10% of the monthly premium, and this penalty continues for twice the number of years the person didn’t sign up for Part A.

<sup>5</sup> Persons less than age 65 who have certain disabilities may also qualify; e.g., persons with End-Stage Renal Disease (ESRD; permanent kidney failure, requiring dialysis or a kidney transplant), or persons with amyotrophic lateral sclerosis (Lou Gehrig’s disease).

<sup>6</sup> Note that eligibility for CalPERS disability retirement is **not** the same as being qualified for Social Security disability retirement; the Social Security requirements are often stricter than CalPERS requirements.

<sup>7</sup> The IEP can be later than age 65 for persons who first meet the citizenship/residency requirements after age 65.

<sup>8</sup> See: [http://www.socialsecurity.gov/OACT/quickcalc/early\\_late.html](http://www.socialsecurity.gov/OACT/quickcalc/early_late.html)

<sup>9</sup> If you are receiving disability benefits, Medicare is effective 2 years (24 months) after your month of entitlement. See: <http://www.ssa.gov/pubs/EN-05-10043.pdf> [page 6].

<sup>10</sup> Or the first day of the *prior* month, if your birthday is on the 1<sup>st</sup> of the month.

**However, you have the option of declining Part B coverage (which requires payment of a monthly premium).** If you wish to decline automatic Part B coverage, follow the instructions that come with the card, and return the card.

If you will not be automatically enrolled (e.g., you are still working; or you are retired from CalPERS, but **not** retired from Social Security) you should sign up for Medicare three months before your 65<sup>th</sup> birthday<sup>11</sup>. You can sign up online at Social Security's website: [www.socialsecurity.gov](http://www.socialsecurity.gov).<sup>12</sup>

If you do not sign up during this Initial Enrollment Period, you can sign up during the General Enrollment Period (see below); however, you will more than likely be subject to a **Late Enrollment Penalty**, and your coverage will be delayed. The Late Enrollment Penalty<sup>13</sup> increases your monthly Part B premium 10% for each full 12-month period you were eligible for, but did not enroll in, Part B.

### **General Enrollment Period**

If you do not enroll in Medicare Part B during your Initial Enrollment Period, you have another chance each year to sign up during the General Enrollment Period from January 1 through March 31. If you sign up during the General Enrollment Period, your coverage begins on July 1 of that year. For not having enrolled when first eligible, all General Enrollment Period applicants will be subject to a **Late Enrollment Penalty**.

EXCEPTION: You can sign up for Part B without penalty, if you have health coverage based on your or your spouse's current employment. Once this employment ends, however, you have 8 months (whether or not you choose COBRA<sup>14</sup>) to sign up for Part B; see **Special Enrollment Period**, below.

### **Special Enrollment Period [SEP]**

If you are age 65 or older, and you or your spouse are still working and you are covered under a group health plan based on that current employment, you may not need to apply for Medicare Part B at age 65. You may qualify for a "Special Enrollment Period" (SEP) that will let you sign up later for Part B:

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<sup>11</sup> Even if your "Full Retirement Age" is not 65—e.g., it is 66, 67, etc.— you should typically sign up for Medicare at age 65, or else you may be subject to a Late Enrollment Penalty.

<sup>12</sup> This process takes only a few minutes; there are no forms to sign, and usually no documentation is required. In most cases, you'll simply receive your Medicare card in the mail.

<sup>13</sup> <http://www.medicare.gov/your-medicare-costs/part-b-costs/penalty/part-b-late-enrollment-penalty.html>

<sup>14</sup> COBRA (Consolidated Omnibus Budget Reconciliation Act); federal legislation that allows the continuation of health coverage to family members who lost their eligibility for coverage as dependents on or after August 1, 1986, for specified reasons (e.g., divorce or legal separation). See: <http://www.calpers.ca.gov/eip-docs/about/pubs/member/forms/cobra-election-form-retirees.pdf>

- During any month you remain covered under the group health plan and your, or your spouse's, current employment continues; or
- In the eight-month period that begins with the month after your group health plan coverage or the current employment it is based on ends, whichever comes first.

**Exception:** If your group health plan coverage or the employment it is based on ends during your initial enrollment period for Medicare Part B, you do not qualify for a SEP. Your initial enrollment period starts three months before the month you attain age 65 and ends three months after the month you turn 65.

- If your group health plan coverage is based on severance or retirement pay and the job your coverage is based on ended in the last eight months.

Note: COBRA and retiree health plans aren't considered "coverage based on current employment." If you have that type of coverage, you will not be eligible for a SEP when it ends. To avoid paying a higher premium, make sure you sign up for Medicare when you are first eligible.

People who receive Social Security disability benefits and are covered under a group health plan from either their own or a family member's current employment also have a Special Enrollment Period and premium rights similar to those for workers age 65 or older.

If you are qualified for a Special Enrollment Period but don't sign up during this eligibility period, you won't be able to enroll until the next General Enrollment Period, and may be subject to the Late Enrollment Penalty.

### **Medicare Advantage [MA] Plan**

If you are retired from CalPERS and are enrolled in a CalPERS basic health plan (and are eligible for premium-free Medicare Part A), you must enroll in Medicare Part A and B at age 65 to continue your CalPERS health coverage. Your health coverage should be changed to a Medicare Advantage plan<sup>15</sup> at age 65.

Your premiums to the CalPERS basic health plan will normally decrease, since Medicare becomes the "primary insurer" for many health services. Your CalPERS Medicare Advantage health plan will cover many of the benefits and costs that Medicare does not cover; contact CalPERS if you have any questions about specific coverage.

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<sup>15</sup> These are similar to what are known as "Medigap" policies; when you are enrolled in a Medicare Advantage plan, you cannot enroll in a "Medigap" plan—which, however, would largely cover the same benefits (e.g., extra days in the hospital after you have already used the number of days that Medicare covers) that the Medicare Advantage plan would cover.

If you do not change to a Medicare Advantage Plan at age 65, **your CalPERS basic health plan will be canceled unless/until you enroll in Medicare.**<sup>16</sup>

### **Medi-Cal**

The California Medical Assistance Program (Medi-Cal or MediCal) is the program serving low-income families, seniors, persons with disabilities, children in foster care, pregnant women, and certain low-income adults. For contact information about the Medicaid program, see <http://www.medi-cal.ca.gov/contact.asp>

### **EXAMPLES:**

1. A 60-year old retires from CalPERS, and has CalPERS health coverage. Later, she/he retires from Social Security at her/his “Full Retirement Age” of 66.

This individual should apply for Medicare three months before turning age 65. The individual’s CalPERS health coverage should be changed to a Medicare Advantage plan at age 65. The individual should apply separately for Social Security retirement when they are ready.

2. A 60-year old retires from CalPERS, and has CalPERS health coverage. Later, she/he takes “Early Retirement” from Social Security at age 62.

Since the individual will already be retired from Social Security upon turning age 65, she/he should be automatically enrolled in Medicare. The individual’s CalPERS health coverage should be changed to a Medicare Advantage plan at age 65.

3. A 60-year old retires from CalPERS, but does **not** have CalPERS health coverage. Later, she/he retires from Social Security at her/his “Full Retirement Age” of 66.

This individual should apply for Medicare three months before turning age 65. (The person may wish to consider supplementary health insurance plans; e.g., “Medigap,” or “Medicare Advantage” plans.) The individual should apply separately for Social Security retirement, when they are ready.

4. A 66-year old was working for a CalPERS-covered employer, and did not sign up for Medicare at age 65, since she/he was still enrolled in a group health insurance plan. However, this employment has now been terminated.

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<sup>16</sup> Government Code section 22844, California Code of Regulations section 599.517; see: [http://www.calpers.ca.gov/index.jsp?bc=/employer/faqs/health/medicare/understanding-sponsored-medicare.xml#Deferred\\_Enrollment\\_in\\_Medicare\\_Part\\_B](http://www.calpers.ca.gov/index.jsp?bc=/employer/faqs/health/medicare/understanding-sponsored-medicare.xml#Deferred_Enrollment_in_Medicare_Part_B) and <http://www.calpers.ca.gov/index.jsp?bc=/member/health/medicare/keeping-you-covered.xml&pst=ACT&pca=ST>

This individual should sign up for Medicare during the 8-month “Special Enrollment Period” that begins the month after this employment ends; otherwise, the individual can sign up during the January 1 through March 31 “General Enrollment Period,” but will be subject to the Late Enrollment Penalty, and coverage will not be effective until July 1<sup>st</sup>.

### **FOR MORE INFORMATION**

- Official website of the Social Security Administration (SSA): <http://ssa.gov/>
- General information about Medicare: <http://www.socialsecurity.gov/pgm/medicare.htm>
- Official U.S. government site for Medicare: <http://www.medicare.gov/>
- “Medicare & You” publication: <http://www.medicare.gov/pubs/pdf/10050.pdf>
- SSA Publication No. 05-10043: <http://www.socialsecurity.gov/pubs/EN-05-10043.pdf>
- CalPERS website information about Medicare, and coordinated health plans: <http://www.calpers.ca.gov/index.jsp?bc=/employer/faqs/health/medicare/understanding-sponsored-medicare.xml>