

# Medicare



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**T**his column updates a column from January 2015. The NALC Retirement Department regularly receives requests for information about Medicare, usually from retirees who are about to reach age 65. Often, the questions are focused on whether to enroll in Part B. This column presents some basic information about Medicare.

## What is Medicare?

Medicare is a national social insurance program that provides medical health insurance to Americans age 65 and older who have worked and paid into the system. It was enacted in 1966, recognizing that retired older people use more medical care than younger employed people, so insurance premiums related to the risk for older people need to be high, but incomes in retirement are low, thus making coverage difficult for all but the wealthy. The idea is that workers pre-pay for insurance for sickness and injury in old age when they are young and able to work, and then are assured of receiving benefits when they are older and no longer working. Some people will pay in more than they receive back and others will get back more than they paid in, but this is how all forms of insurance work, public and private.

## Who is eligible?

Retired and working people who are age 65 or older and are U.S. citizens (or have been permanent legal residents for five continuous years), if they or their spouse have paid Medicare taxes for at least 10 years.

## What coverage does it provide?

Medicare has four parts. Part A is hospital insurance. Part B is medical insurance. Part C is a public supplement option. Part D is prescription drug insurance.

## What are the benefits?

Part A covers inpatient hospital stays, including semiprivate room, food and tests. Generally, the maximum hospital length of stay covered by Part A is 90 days. It also covers brief stays for rehabilitation or convalescence in a skilled nursing facility, where certain criteria are met. The maximum skilled nursing facility length of stay covered by Part A is 100 days. Part A also covers hospice care for terminally ill persons with less than six months to live.

Part B medical coverage includes physician and nursing care, laboratory and diagnostic tests, vaccinations, outpatient hospital procedures and similar services. It also includes durable medical equipment such as crutches, walkers and wheelchairs, as well as prosthetic devices.

Part C plans are offered by private health insurance com-

panies that have been approved by Medicare. Known as Medicare Advantage plans, they offer supplemental insurance that helps pay for co-pays and deductibles that are associated with certain Part A and Part B benefits.

Part D plans are designed and administered by private health insurance companies, are approved and regulated by Medicare, and provide prescription coverage. Some of the plans are standalone prescription plans, and some are associated with Medicare Advantage Part C plans. Each plan chooses which drugs are covered, and the level of coverage.

Plans are free to choose not to cover some drugs at all.

## What does it cost?

There are no premiums for Part A. Retired letter carriers (as well as those still working at age 65) already have paid for Part A coverage through the payroll tax of 1.45 percent of basic salary paid during their work years.

Medicare has announced the premiums for Part B in 2017. The standard Part B premium will be \$134 per month. If you receive Social Security, the premium will be less—\$109 per month on average. If your annual income is higher than \$85,000 filing singly or \$170,000 filing jointly, premiums are higher.

Part C and D premiums vary widely depending on the plan(s) chosen.

## What if I already have FEHB coverage?

Most retired NALC members carry their Federal Employees Health Benefit (FEHB) coverage into retirement. For those who maintain FEHB coverage, there generally is no need for Medicare Parts C and D. The FEHB coverage already provides the supplemental insurance that Parts C and D are designed and intended to provide.

Since Part A coverage is provided at age 65 with no premium cost, and since retirees already have paid for the coverage through the 1.45 percent payroll tax throughout their work years, there is no apparent reason not to sign up for Part A at age 65.

The question of whether to elect Part B is more complicated. Essentially, the retiree weighs the cost of premiums versus the value of the coverage. The cost, as noted above, is \$109 or \$134 per month (depending on whether you receive Social Security, but higher if your income is very high). The value of the coverage is measured by at least two factors: the cost of your FEHB coverage co-pays and deductibles, and the probability that you will need extensive medical care in your remaining lifetime.

When a retiree has both FEHB and Medicare Part B coverage and obtains medical treatment, outpatient hospital care, durable medical equipment, etc., Medicare is the primary payer, and pays in accordance with its fee schedule, minus certain deductibles and co-pays. The FEHB plan is the secondary payer, and pays for the amount of the deductibles and co-pays.

For most retired letter carriers, electing Medicare Part B is a wise choice. This is because medical issues tend to increase with age, and because the out-of-pocket cost for medical treatment is generally zero if a retiree has both FEHB and Medicare Part B coverage.