

Deciding on Medicare



Dan
Toth

The NALC Retirement Department regularly receives requests for information about Medicare, usually from retirees who are about to reach age 65. Often, the questions focus on whether to enroll in Part B. This column presents an update from a January 2017 column and provides 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. Enacted in 1966, it recognizes 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 while they are young and able to work, 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, both public and private.

Who is eligible?—Generally, people who are age 65 or older and are U.S. citizens (or have been permanent legal residents for five continuous years) are eligible for Medicare. Those with less than 10 full years of Social Security taxes may face increased premiums.

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 in-patient 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, provided 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 companies that contract with Medicare. Known as Medicare Advantage plans, they provide all of your Part A and Part B benefits. Medicare Advantage Plans may offer extra coverage, such as vision, hearing, dental, and/or health and wellness programs. Most include Medicare prescription drug coverage (Part D).

Part D plans are designed and administered by private health insurance companies, 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, as well as the level of coverage.

What does it cost?—There are no premiums for Part A for most people, as they or their spouses have contributed enough Medicare taxes over their career. 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. Those with less than 40 quarters can buy into Part A, but the premium is often cost-prohibitive.

The standard Medicare premium for Part B in 2019 is \$135.50 per month. If annual income in 2017 was higher than \$85,000 for an individual filing or \$170,000 for a joint filing, premiums are higher.

Premiums for Parts C and D vary widely depending on the plan(s).

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 to most with no premium, 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 \$135.50 per month (depending on your income, as stated above). 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. That is because medical issues tend to increase with age, and because the out-of-pocket cost for medical treatment generally is zero if a retiree has both FEHB and Medicare Part B coverage.