

MEDICARE BASICS (INCLUDING COORDINATION WITH FEHB)

The answers to the frequently asked questions below will get you up to speed with the basics of Medicare, including how to coordinate your Medicare benefits with your plan with the Federal Employee Health Benefits (FEHB) program.

Q Should I sign up for Medicare if I already have an FEHB plan?

A Medicare has four parts: A, B, C and D.

With rare exceptions, there is no premium for Medicare Part A, which covers hospitalization. So, there is no reason not to sign up for Part A as soon as you reach 65. When you are retired, FEHB plans become your secondary insurer, covering portions not paid for by Medicare.

Medicare Part B covers doctors, medical equipment, tests and other services and suppliers. But because you pay a monthly premium for Part B (in 2020 it is \$144.60 per person, per month in most cases, but can go up to \$491.60 per person, per month, depending on your income), there are pros and cons to signing up. Once you are signed up for Medicare Part B, FEHB plans become a “wraparound” policy that pays some or all the portion not paid by Medicare. Signing up for Part B is the Medicare question of greatest concern and financial impact for most AFSA members. See additional information below.

With Medicare Part C (Medicare Advantage), you pay at least the premium for Part B (in most cases, a bit more) to a private insurer in exchange for lower cost-sharing on Part B expenses and sometimes additional benefits (e.g., vision, dental, podiatry). Few FEHB enrollees sign up for Part C. If you decide to try Part C, do not drop FEHB plan (once terminated, you can never regain your FEHB benefit). Instead, when you fill out your SF 2809, suspend your FEHB plan. You then keep the option of changing back to an FEHB plan during the next Open Season or when you have a Qualifying Life Event (QLE).

Medicare Part D covers prescription drugs. Benefits vary by plan; premiums increase as your income increases. However, FEHB plans have such good drug coverage that few FEHB enrollees benefit by paying for Part D (unless a low income qualifies you for financial help under Part D).

Weighing the pros and cons of enrolling in Medicare can get complicated. An expert is Paula Jakub, CEO of the American Foreign Service Protective Association (AFSPA), which administers the FEHB Foreign Service Benefit Plan. Ms. Jakub made a presentation on this topic at AFSA that can be viewed at www.afsa.org/video. Please note that AFSPA is unaffiliated with AFSA.

Q Does it make sense to have both FEHB and Medicare Part B coverage?

A Part B covers doctors, medical equipment, tests and other services and suppliers. Run the numbers by reviewing your out-of-pocket (OOP) health expenses over the last few years under FEHB. Then calculate your OOP including Medicare B premiums, but deducting expenses that FEHB, as secondary insurer, would cover. In 2020, an enrollee pays a monthly premium of

\$144.60 if their Modified Adjusted Gross Income (MAGI) is \$87,000 or below for a single return, or \$174,000 or below for a joint return. Premiums rise with higher MAGIs. (For details, go to www.medicare.gov, click on “Your Medicare Costs,” and then on “Part B.”) As secondary insurer, FEHB usually covers the 20 percent of the Medicare-approved amount that Part B does not cover. Thus, you may wish to switch your FEHB plan from a high option to a lower, basic option to reduce premiums (but first make sure your FEHB plan provides that same or a similar level of coordinated benefits for both options). A high option may still be worth paying for to get better drug coverage, a wider choice of physicians, and better cost-sharing.

Q When do I sign up for Part B, and how do I pay the premium?

A You can enroll in Part B during a seven-month period, which includes the three months before and the three months after the month you turn 65, at www.medicare.gov or by calling (800) 772-1213. (The signup can be deferred if you are still covered by FEHB as a working employee, but not if you have officially retired and continued your FEHB policy as an annuitant.)

Medicare will then pay its share of the bill directly to the doctor and forward the claim electronically to your FEHB plan. If your doctor does not accept Medicare assignment, he/she is still required to file a Medicare claim for you. If you have paid for the services, Medicare will then pay its share of the bill directly to you. Again, if your doctor fails to submit a claim, you should file Form CMS 1490S. Be aware that Medicare does not electronically send completely denied claims to FEHB plans. In that case, contact your FEHB plan and follow their instructions to make sure that your FEHB plan receives the documents it needs to act, such as bills for services and Medicare notices of rejection.

Q Will FEHB pay for my annual physical and non-Medicare-covered services?

A Medicare covers an initial physical examination – a one-time “Welcome to Medicare” physical exam – within six months of enrollment but does not cover annual physicals. FEHB plans are required to provide benefits for an annual physical at no cost sharing if you use a network provider. Check your brochure to see what additional services your FEHB plan will pay for.

More Questions? See “Medicare” at www.afsa.org/retirement-services, visit www.medicare.gov, or contact AFSA’s Retirement Benefits Counselor Dolores Brown at brown@afsa.org or (202) 944-5510.