# FEHB and Medicare

Working for America

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

# Message from the President

*“We’ll keep our commitment to Medicare to better the lives of the American seniors for generations to come.”*

***- George W. Bush***

# Message from the Director

*“Better integration of the FEHB program and Medicare is an ongoing Administration goal.”*

***- Kay Coles James***

# Program Introduction

- FEHB Law enacted September 28, 1959
- The Federal Employees Health Benefits Act (FEHBA) became effective 1st pay period that began on or after July 1, 1960
- 190 health plan choices in the FEHB Program
- Administered by OPM
  - Fee For Service – PPO
  - HMO
  - POS
  - Consumer Driven
  - High Deductible Health Plan/Health Savings Account or Health Reimbursement Account (Annuitants)

# Program Introduction

- Over 4 million enrollees
  - 2.2 million employees
  - 1.8 million retirees, surviving spouses, other dependents
- Over 8 million lives
- $24.8 billion in annual premiums
- FEHB eligibility: all Federal employees unless position is excluded by law or regulation

# Primary Payer
# FEHB or Medicare?

- Medicare coordinates with other health plan carriers (FEHB or non FEHB plans)
- Secondary health plans apply COB after Medicare payment is complete
- Medicare laws and regulations determine primary and secondary payers
- Medicare and FEHB – COB maximum payment is not greater than 100%

# Medicare & FEHB Primary Payer Chart

| You or spouse has Medicare and FEHB and you: | The Primary Payer is: |
|---|---|
| …have FEHB as an active employee or spouse | FEHB |
| …have FEHB as an active annuitant or spouse | Medicare |
| …are a reemployed annuitant | FEHB |
| …are enrolled in Part B only | Medicare, for Part B services; FEHB for other services |
| …are receiving Workers' Compensation | Medicare |

# Medicare-TRICARE

- TRICARE for Life – effective 10/01/2001
- Eligible members – retired military and retired reservist, spouses and former spouses
- TRICARE for Life health care coverage is free except for prescription drug copayments
- TRICARE for Life members must be enrolled in Medicare part B
  - Medicare – primary payer
  - TRICARE for Life – secondary payer

# Medicare-TRICARE
# Who pays first?

- To join TRICARE for Life, you must enroll in Medicare Part B
- Medicare will be the primary payer for TRICARE for Life enrollees
- TRICARE for Life is secondary

# Resources

- State Health Insurance program (SHIP)
  - Funded by Center for Medicare & Medicaid to States
  - Support, counsel, & assists Medicare members in their state
  - Contact through State Department for Aging or Eldercare Locator at 1 (800) 677-1116
- OPM's FEHB Website

  http://www.opm.gov/insure/health/medicare/index.asp
- OPM's FEHB Guide for Annuitants

  http://www.opm.gov/insure/04/guides/70-9.pdf
- OPM's Health Plan Brochures (select plan)

# Resources

- OPM's FEHB web site

  http://www.opm.gov/insure/health/medicare/index.asp

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- FEHB Health Plan Brochure – selected plan

# Resources
# Medicare Publications

- Publications on website http://www.medicare.gov

or by calling

1 (800) MEDICARE

*** written in English & Spanish, some in Chinese

Additional assistance for those who help

Medicare beneficiaries

On-line National Medicare Training

http://www.cms.hhs.gov/partnerships/tools/materials/medicaretraining/default.htm

# Medicare Program Core Characteristics

*Eligibility*:

- Part A - Entitlement
- Part B - Voluntary

*Covers*:

- nearly all of the nation's elderly, based on receipt of Social Security benefits.
- disabled workers who receive Social Security Disability Insurance (SSDI).
- individuals with kidney failure (End Stage Renal Disease [ESRD]).
- individuals with Amyotrophic Lateral Sclerosis (ALS)

*Spending:*

$272 billion in outlays in FY 2003

# Medicare Program Core Characteristics

- Benefits modeled after 1960's private insurance policies.
- Strong programmatic and administrative ties to Social Security.
- Program administered through many business partners, including -
  - private insurance companies that process and pay claims
  - states
  - other contractors
- Statute is prescriptive.
- Most beneficiaries have supplemental insurance such as:
  - employer-sponsored retiree coverage
  - individually-purchased Medigap
  - military retiree coverage
  - Medicaid

# Part A Eligibility

Medicare Part A is available without premium if:

**You are 65 or older and either**:

- You or your spouse receive benefits under the Social Security or Railroad Retirement systems (or could receive benefits if you applied); **or**
- You or your spouse had Medicare-covered government employment

**You are under 65 and either**:

- You have been a disabled beneficiary under Social Security or RRB for more than 24 months;
- You have end-stage renal disease and need continuing dialysis or a kidney transplant; **or**
- You have ALS

# Part A Eligibility and Federal Workers

Federal employees are covered by premium-free Medicare Part A age 65 if they:

- were employed on January 1, 1983 (P.L. 97-248), **or**,
- have 10 years of ANY Medicare-covered employment (Federal or non-Federal, **or**
- Have a spouse who is eligible for Medicare Part A.

# Part B Eligibility

You can receive Part B if:

- You are receiving Part A **or**,
- You are over 65 and a resident of the US as a citizen
- or a legally admitted alien who has continuously resided in the U.S. for 5 years

# Part B Enrollment

- Medicare Part B is a voluntary program
- Automatic enrollment in Part B at age 65 with application for Social Security at age 62

  To defer enrollment, you must **decline** coverage
- Actual enrollment otherwise required
- Initial Enrollment Period - 7-month period that begins 3 months before you turn 65
- General Enrollment Period - 1/1 to 3/31 each year, with coverage effective 7/1

# Part B Premium Surcharge

Part B Late Enrollment Surcharge –

- equal to additional 10% of basic Part B premium for each 12 months you could have enrolled but did not
- no time limit on surcharge
- exception for late enrollment due to employer based coverage

# Deferring Part B Enrollment without Surcharge

- Employment based Coverage – as
  - worker,
  - spouse, **or**
  - disabled family member
- Special Enrollment Period
  - when employment-based coverage is still effective with deferred effective date, **or**
  - within 8 months of the date that coverage ends.
- No Part B Surcharge

# Paying Your Part B Premiums

- Part B premiums can be withheld from:
  - Social Security Benefits,
  - Civil Service annuity benefits, or
- Payments can be made:
  - quarterly to the Center for Medicare and Medicaid Services (CMS),
  - Medicare's Easy Pay Option

# Medicare Part A

Medicare Part A helps cover:

- inpatient care in hospitals
- critical access hospitals
- skilled nursing facilities
- hospice care
- some home health care
- blood

# Medicare Part B Medical Insurance

Helps pay for

- doctors
- outpatient hospital/ambulatory surgery
- physical and occupational therapists
- lab tests/Xrays/MRIs
- preventive services
- ambulance
- durable medical equipment

# Original Medicare

- The original Medicare plan is a traditional pay-per-visit arrangement.
- You can go to any doctor, hospital or other health care provider who accepts Medicare.

# What do you pay in the original Medicare Plan?

First,

You pay an amount for your health care each year (deductible) before Medicare pays its part.

Then,

Medicare pays its share and you pay your share (coinsurance)

# Assignment

- An agreement between Medicare and provider
  - Provider agrees to accept Medicare-approved amount as payment in full
  - You pay coinsurance and deductible
- If assignment not accepted
  - Charges often higher
  - You pay more
  - Limit on the amount your doctor can bill you
- Call 1-800-MEDICARE (1-800-633-4227) or www.medicare.gov for participating physician and supplier directories

# What if my Doctor doesn't Participate?

- Some doctors don't accept assignment 100% of the time; they may except on case-by-case basis.

- If a doctor does not accept assignment, **you** are responsible for the bill. However the charges are limited for covered services and the doctor's reimbursement from Medicare is lower.

# The Legal Limit

- Doctors can charge up to 115% of the Medicare-approved amount.
- This limit applies to certain services of suppliers.
- Doctors can be fined if they charge more than the Medicare-approved amount.
- Medicare and FEHB FFS cover everything up to the 115% limit.

# Assignment - how does it work?

| | | |
|---|---|---|
| Your physician's charge: | | $ 270 |
| Medicare approved amount | | 260 |
| *Medicare deductible* | | *-100* |
| Balance | | 160 |
| Medicare pays (80%) | | -128 |
| *Coinsurance Liability (20%)* | | $ *32* |
| *You owe ($100 + 20%)* | *$ 132* | |
| FEHBP FFS pays up to | $ 132 | |
| Medicare's payment | 128 | |
| Physician receives | $ 260 | |

# What if Assignment is Not Accepted

| | | |
|---|---|---|
| Limiting Charge (115% of approved amount) | | $ 284.05 |
| Medicare approved amount (95% of approved amount for Pars) | - | 247.00 |
| *Liability above approved amount* | | *37.05* |
| | | |
| Medicare approved amount | | 247.00 |
| *Medicare deductible* | - | *100.00* |
| Balance | | 147.00 |
| Medicare pays (80%) | | 117.60 |
| *Coinsurance liability (20%)* | | *$ 29.40* |
| *You owe ($37.05 + $100 + 20%)* | *$166.45* | |

| | | |
|---|---|---|
| FEHB FFS pays up to | $ | 166.45 |
| Medicare's payment | | 117.60 |
| Physician receives | $ | 284.05 |

Federal Employees Health Benefits (FEHB) and Medicare

# Private Contracts

- If your doctor asks you to sign a "private contract," you agree to be responsible for the total charge.
- Medicare will not pay anything.
- FEHB plan will not pay anymore than they would have paid if Medicare had made payment.
- You pay the rest.
- You lose Medicare protections & appeals process.
- The doctor cannot participate with Medicare for any patient for 2 years.

# Example: Private Contract

| | | |
|---|---|---|
| Private contract charge | | $ 1000 |
| Medicare-approved amount | | 475 |
| *Liability above approved amount* | | *$ 525* |
| Medicare approved amount | | $ 475 |
| *Annual Medicare deductible* | | *-100* |
| **Balance** | | $ 375 |
| Medicare pays | | 0 |
| *Coinsurance Liability (20%)* | | *$ 75* |
| *Remaining Balance* | | *$300* |
| You owe ($525+$100+20%+$300) | $ 1000 | |
| FEHB pays (20% + $100) | 175 | |
| You pay | $ 825 | |
| Physician receives | $ 1000 | |

# Supplemental Plans to Medicare

To help cover the costs Medicare does not cover, you can:

- keep or get employer health coverage
- check to see if you qualify for State assistance
- enroll in a Medicare Advantage option, if there is one in your area or
- buy a Medigap Policy

# Medicare Advantage

- Private Plan option previously called Medicare + Choice
- Beneficiaries can receive all Medicare services through a private plan
- May receive additional benefits (e.g. prescription drugs)
- May have to pay additional plan premium
- Must be enrolled in both Part A and Part B
- Some Medicare Advantage plans are also FEHBP plans

# Current Medicare Advantage Options

- Medicare Coordinated Care Plans
  - HMOs and PPOs
  - May be limited to plan providers
- Private Fee-for-Service Plans
  - Private insurance companies
  - Receive care from any provider willing to accept plan payment
- 153 Medicare Advantage plans with 4.6 million enrollees

# Things to Remember About FEHB Suspension

- If you lose coverage under Medicare Advantage *involuntarily*, you can reenroll in FEHBP immediately
- If you *voluntarily* disenroll from your Medicare Advantage plan, you must wait until next open season to reenroll in FEHBP
- If you want to *voluntarily* disenroll from Medicare Advantage, it is not sufficient to re-enroll in FEHB, you must also affirmatively disenroll from Medicare Advantage

# Things to Remember About Disenrolling From Medicare Advantage

- You do not return to Original Medicare until the effective date of your disenrollment (usually the first day of the following month) not the day of your disenrollment
- Until your disenrollment is effective you can only get Medicare coverage from your Medicare Advantage plan
- If Medicare is primary, and you receive unauthorized out-of-plan services in the period before you return to Original Medicare, FEHB FFS plans will still only pay their supplemental amounts. This is true even if you move out of the Medicare Advantage plan's service area.

# What is a “Medicare Gap”?

- Medicare cost-sharing such as the hospital deductible and the 20% Part B coinsurance
- Extra billing by non-participating physicians
- Items or services not covered by Medicare such as prescription drugs

# FEHB Fills Most of the Gaps!!!!

- FEHB plans fill most of the gaps in Medicare for services covered by the FEHB plans.
- FEHB coverage is a "cheap" Medigap policy with excellent drug benefits.
- Gaps Closed + Waivers

In addition to filling most of the gaps, some FEHB plans waive some of their cost-sharing for their Medicare-eligible enrollees.

They do not, however, generally waive cost sharing for **PRESCRIPTION DRUGS.**

# What is Coordination of Benefits?

- Two or more health plans cover the same person
- Each plan may have it's own definition of coordinating benefits (COB)
- Primary – pays first
- Secondary – may pay for additional coverage – depending on the extent of benefits coverage
- FEHB Program, COB applies to Fee-for-service Plans (PPO) and Medicare
- No COB with Medicare and HMO or POS plans

# Medicare and FEHB… Do I Need Medicare part B?

Everyone who is eligible for premium-free Medicare Part A should take it.

**But** what about Part B?

Do I need Part B if I am enrolled in an FEHB Fee-For-Service (FFS) plan or an HMO plan ?

# FEHB Fee-For-Service Plans

- If you are no longer working and you belong to a FFS plan, Medicare Part B is a good choice.
- Medicare Part B and FFS plans combine to provide almost complete coverage for all medical expenses.
- FFS plans continue to pay primary for benefits like prescription drugs that are not covered by Medicare at this (at this time).

# Prescription Drugs

- Coverage for prescription drugs under Medicare is currently very limited.
- Before 2000, FEHB FFS plans waived prescription drug deductibles and co-payments for Medicare eligible enrollees.
- Due to high costs of drugs, FFS plans stopped waivers in 2000-2001.

# Prescription Drugs

- Even with co-payments, FEHB provides cost-effective prescription coverage for Medicare-eligible enrollees.
- Drugs prolong life and enhance the quality of life for older people.
- Technology makes more drugs and more costly drugs available.

# HMO Plans

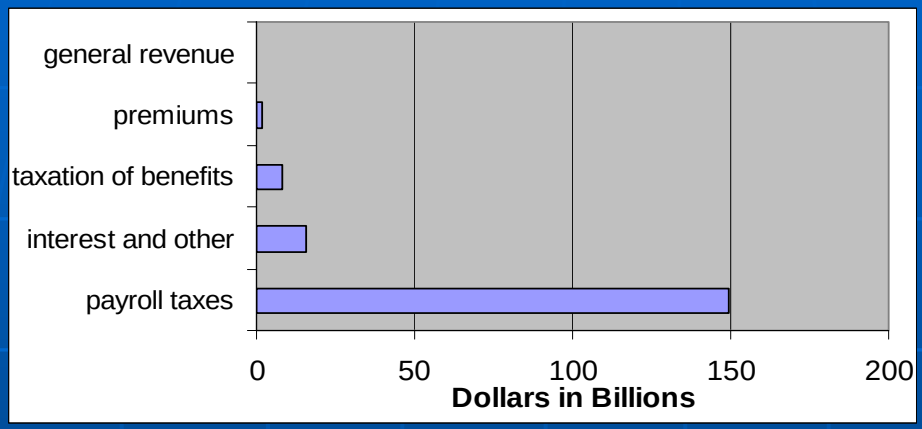
- HMO enrollees may not need Medicare Part B.
- HMOs provide most medical services for small co-payments.
- HMO enrollees may not recover the cost of Part B expenses in terms of benefits received.

# HMOs

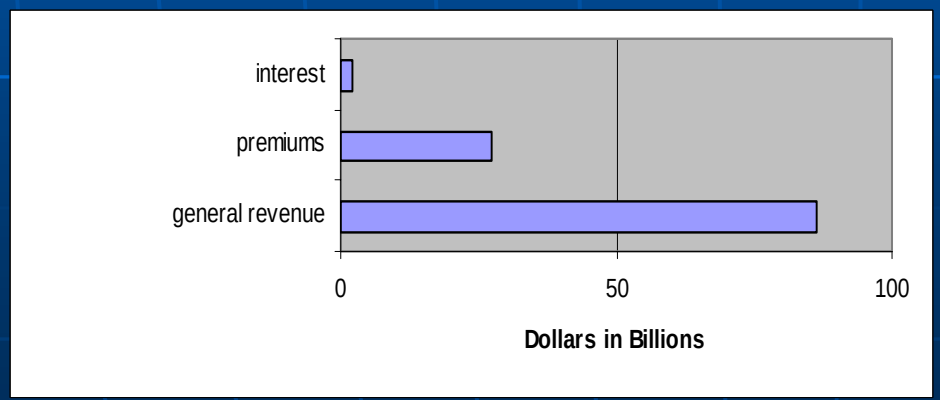
However, if you are retired and you belong to an HMO, you may want to consider Part B:

- Pays for costs involved with seeing outside doctors.
- Pays for costs for non-emergency care in the U.S. if you travel a lot.
- It's required for Medicare Advantage and TRICARE for Life
- As a "hedge" against your HMO leaving FEHB if you have no other HMO options

# Medicare Trust Fund Income, 2003




Hospital Insurance Trust Fund (Part A) Income $175.8 billion




Supplementary Medicare Insurance Trust Fund (Part B) $115.8 billion

# The Medicare Trust Funds Face a Significant Gap Between Income and Expenditures