Government Executive

Making Sense of the Medicare Mess

By Tammy Flanagan

November 3, 2016

Making decisions about insurance coverage is a very important part of retirement planning. In particular, federal retirees have a lot of concerns about Medicare and their coverage under the Federal Employees Health Benefits Program. Those questions are particularly important this time of year, with FEHBP open season just days away.

As members of the Baby Boom generation continue to retire in large numbers, many federal retirees — and even many active employees — are nearing age 65 and will need to think about adding Medicare to their health insurance coverage. How much will it cost and is it necessary?

One big question involves Medicare Part B, which helps cover the cost of doctors' services and outpatient care. Many employees and retirees wonder they need to add Part B coverage, since most of them continue their FEHBP coverage into retirement.

That question is complicated by concerns about the premium increase for Part B in 2017. That is still a mystery as we wait for Congress to come back in session until after the election to find out whether legislators will take action to prevent looming increases from going into effect.

For the many federal retirees who do not have Medicare withheld from a Social Security benefit, what is now a $1,258-per-year question could turn into a $1,788-per-year question. The premium for 2017 could go as high as $149 per month, up from the $104.83 that most Medicare beneficiaries currently pay. (The 3 million new beneficiaries who enrolled in 2016, along with those who are not protected by a provision that keeps the premium from increasing if there is no cost of living adjustment, pay $121.80 a month.)

This new premiums were announced earlier this year in the Medicare Trustees report. The trustees estimate that average Part B payments will need to increase 22 percent next year to to make up the difference between premiums collected and Part B costs. Some high-income folks could see premiums as high as $475 per month.

Earlier this year, the National Active and Retired Federal Employees Association joined with 74 other organizations in urging Congress to take action to prevent the premium hikes from taking effect. In it, they decried the effects of the "hold harmless" provision in federal law, which protects Social Security recipients from higher Medicare premiums — but only if the Part B premium is being withheld from a Social Security benefit and the individual is not subject to the higher Medicare premiums for upper-income retirees.

In a letter to lawmakers, the groups said: "As it did in 2015, Congress should make it a priority to shield people with Medicare from the unintended consequences resulting from the application of the hold harmless provision. No beneficiary should be forced to pay more than they otherwise would simply because some beneficiaries are afforded critical protections against reductions in their Social Security checks. We urge Congress to act accordingly and swiftly following the announcement of the 2017 COLA."

Last year, the news wasn't as dire, because there was no cost of living increase for retirees, and the hold harmless provision prevailed for the majority of Medicare beneficiaries. This year, we'll have to wait and see what Congress does in a lame-duck session.

The broader question, of course, is whether Part B is even necessary for federal employees. There is no simple answer, unfortunately. It seems that with Part B premiums on the rise (and health insurance in general becoming more expensive), the decision is coming down to dollars and cents. In next week's column, I'll take a closer look at some of the questions I've been getting recently about Part B. The answers may help you reach a decision about adding Part B to your future health coverage.

In the meantime, remember that almost all federal retirees (and employees) who are 65 or older qualify for the hospital part of Medicare, known as Part A. It is covered by the payroll tax and is only going to provide a benefit when a doctor admits you for an overnight stay in the hospital.

If you're retired and your health insurance premium is being deducted from your retirement benefit, then Medicare would be the primary payer for your inpatient hospitalization and your FEHBP plan would be secondary. If you have your FEHBP premium deducted from your salary as a current employee, then Medicare would be secondary to the FEHBP plan.

Information about coordinating Medicare and FEHB can be found in Section 9 of every FEHBP plan brochure. You will be automatically enrolled in Medicare Part A if you are receiving a Social Security benefit at age 65. Otherwise, you can enroll online at the Social Security website.

Photo: Flickr user Adrian Clark

By Tammy Flanagan

November 3, 2016

http://www.govexec.com/pay-benefits/retirement-planning/2016/11/making-sense-medicare-mess/132911/