



CALIFORNIA HEALTH ADVOCATES

## Retiree Plans

Some Medicare beneficiaries have health care benefits through retiree plans from their former employers and unions. This fact sheet discusses retiree health care benefits, types of plans offered and how those plans may coordinate with Medicare. If you have both a retiree plan with health care benefits and Medicare, it is important to know how your plan works, and whether it coordinates with Medicare. If you are covered by a retiree plan but not yet eligible for Medicare, your retiree plan costs and benefits may change when you become Medicare eligible.

**Note:** If you are in the Federal Employee Health Benefit (FEHB) Program and become eligible for Medicare, you may consider whether or not to enroll in Medicare, especially Part B. Learn about your FEHB plan benefits and if there are advantages to enrolling in Medicare. For more information, go to <http://opm.gov/insure/health/medicare/index.asp>.

**Note:** If you have group health benefits through the California Public Employees' Retirement System (CalPERS) and become eligible for Medicare or already have Medicare, you may receive the CalPERS Medicare Enrollment Guide. This Guide explains how CalPERS and Medicare work together and your plan options. Contact CalPERS for the Guide. For more information: call 1-888-CalPERS (1-888-225-7377) or write CalPERS at P.O. Box 942714, Sacramento, CA 94229-2714.

Employers and unions are not required to offer retiree plans. Those who offer them do so at their own discretion; there are no standard or minimum requirements retiree plans must meet. Thus, retiree plan benefit designs vary widely.

For instance, certain retiree plans:

- Provide comprehensive health plans with little out-of-pocket expense.

- Have annual deductibles and copayments for covered services.
- Include an annual out-of-pocket limit after which the plan pays a higher percentage of your costs.
- Contain the same benefits as active employees. When someone has Medicare, the Medicare cost-sharing is simply subtracted from the retiree plan benefits.
- Require the retiree to pay for some or all of the premium.
- Only offer one health care plan for all retirees while other plans may offer several choices.

## Types of Plans & How They Coordinate With Medicare

There are generally 3 types of retiree plans:

- Fee-for-service plans;
- Medicare Advantage (MA) plans; and
- Managed care plans that are not Medicare Advantage plans.

Employers or unions may only enroll retirees who are eligible for Medicare in MA plans. There is no such requirement in managed care plans that are not MA plans. Some retiree plans also offer prescription drug coverage (see below).

### Fee-for-Service Plans

If you have a fee-for-service retiree plan, it serves as your secondary coverage and pays only after Medicare has paid. Some of these plans will not pay for any services until the plan's annual out-of-pocket limit or deductible is met. Other plans pay a percentage of your health care expenses, after taking into account what Medicare has paid.

## Medicare Advantage (MA) Plans

Some employers and unions provide their retiree benefits through Medicare Advantage (MA) plans. Retirees must be eligible for Medicare to enroll in an MA plan, and receive their Medicare benefits through the plan. There are many types of MA plans, such as:

- MA HMOs (Health Maintenance Organizations);
- MA PPOs (Preferred Provider Organizations);
- MA PFFS (Private Fee-For-Service) plans; and
- MA MSAs (Medical Savings Accounts).

HMOs generally require you to use the providers in their network (except for emergency care and urgent care received outside your service area). Most HMOs ask new members to choose a primary care physician. If you need to see a specialist, you need a referral from your primary care physician and/or approval from the plan. If you go outside the HMO network or fail to meet other requirements, the plan may not pay for your care. Contact the plan to learn how it works before you see a provider outside the HMO network.

PPOs encourage you to use doctors and other providers in their network. You may go to providers outside the network for covered services, but the copayment is usually higher than if you go to a network provider. Some PPOs may have a deductible that you must meet before the plan will pay for your care.

MA group PFFS plans do not have provider networks, and enrollees may go to any doctor or hospital in the U.S. that is eligible to be paid by Medicare and is willing to accept the group PFFS plan's terms of payment.

An MA MSA has 2 components: a high deductible health plan and a savings account. When you enroll, a certain amount is deposited into the savings account. You may use the money in the savings account for medical expenses and to meet your deductible. You must meet the deductible before the health plan will pay for benefits covered by Medicare Part A and Part B.

The names of employer- or union-sponsored MA plans offered to their retirees may be the same as individual Medicare Advantage plans, but the benefits and the costs may be different. For more information about Medicare Advantage plans in general, please see our fact sheet "Medicare Advantage Plans: An Overview" at [cahealthadvocates.org](http://cahealthadvocates.org).

**Note:** The Centers for Medicare and Medicaid Services (CMS) is the federal agency that administers Medicare, including the Medicare Advantage program. As mentioned above, there are no standard or minimum requirements that employers and unions have to meet in designing retiree plan benefits. However, if an employer or union contracts with Medicare or a Medicare Advantage plan to offer retiree benefits to Medicare beneficiaries, the employer or union agrees to offer at least the benefits in Original Medicare. For more info on Original Medicare, see our fact sheet "Original Medicare: an Overview" at [cahealthadvocates.org](http://cahealthadvocates.org).

**Note:** If you have a Health Savings Account or other consumer-directed health care plan through an employer, be sure to check with your benefits administrator to determine how you can use that plan when you become eligible for Medicare.

## Managed Care Plans

Employers and unions may also contract directly with managed care plans (such as HMOs and PPOs) that are not Medicare Advantage Organizations to provide health care services. HMOs generally have the same rules as MA HMOs requiring you to use network providers except for emergency and urgent care. PPOs also have network providers but allow you to use providers outside the network at a higher copayment and may have a deductible like MA PPOs.

**Note:** If your retiree HMO or PPO plan is a Medicare Advantage (MA) plan, you must receive all your Medicare benefits through your MA plan. If it is not with an MA plan, you may be able to use your Medicare, which is fee-for-service, outside of your HMO or PPO. However,

you may be responsible for paying your Medicare coinsurance and/or deductibles. For example, if you see a provider outside the HMO network for a Medicare-covered service, Medicare may cover the service, but your HMO or PPO most likely will not cover your Medicare deductible or coinsurance costs. Contact your plan administrator and ask if and how the plan works with Medicare.

### Prescription Drug Benefits

Some retiree plans include prescription drug coverage. If your retiree plan has creditable coverage (meaning it is as good as or better than the standard Medicare Part D benefit), you may not need to enroll in a Medicare Part D prescription drug plan. For more information about Medicare Part D, please see our fact sheet “Medicare Part D: An Overview” at [cahealthadvocates.org](http://cahealthadvocates.org).

Retiree plans that do provide drug coverage must send their Medicare-eligible members a written notice each year to inform them if the prescription drug coverage is creditable.

Some retiree plans with prescription drug benefits have their own arrangement with Medicare and their written notice warns their members not to enroll in a separate Part D plan. If a member enrolls in a Part D plan, he/she risks losing all his/her retiree health benefits.

Other retiree plans may send you a notice requiring you to join a Medicare Part D plan so that the retiree plan can supplement your Part D coverage. Check with your plan to be sure you know what prescription drug coverage it offers (if any), whether you need to join a Medicare Part D plan, and what the consequences are if you do join a Part D plan.

## What You Should Know About Your Retiree Plan

Since retiree plan designs vary widely, it is important to know what benefits your plan provides, how your plan works, and if and how it coordinates with Medicare. Be sure to find out whom you can call if your benefits change or if

you have problems getting your benefits paid. Here are some questions you may want to ask your employer, the administrator of your health plan, or a union representative:

- Does this retiree plan coordinate with Medicare? If so, how?
- Do I have a choice of retiree plans, or is there only one plan? If I do have a choice, when can I exercise it?
- What type of plan do I have? Is it fee-for-service that supplements Original Medicare; an HMO, PPO, group PFFS plan; or other?
- Is the plan offered through a Medicare Advantage Organization (MAO)?
- Does this retiree plan include prescription drug benefits? If yes, is this plan’s drug coverage ‘creditable’ (as good as or better than the standard Medicare Part D benefit)? Do I need to join a Medicare Part D plan?
- Do I need to meet any deductibles before benefits will be paid? If so, does the deductible apply to all or some of the plan’s benefits?
- Is there a separate deductible for prescription drugs?
- Will the plan pay differently after I have paid a certain amount of expenses each year?
- Does the plan pay for services Medicare does not cover, such as dental care, eyeglasses, or hearing aids?
- Is there an annual cap or lifetime dollar limit on benefits the plan will pay? What will the plan pay after I have reached that limit?
- Is there a separate out-of-pocket limit for prescription drugs?
- Will the plan pay for my care if I move out of the geographic area?
- If I move, will I be required to change plans or is it optional?
- If I have to change plans after I move, how much time do I have to do so?
- Will my spouse be covered under this plan if I leave the plan, even if he/she is younger than age 65?
- Will my spouse still be covered if I die? If so, for how long?

Employers, unions, or companies that administer retiree benefits usually notify people of any changes to their health plan prior to an open enrollment period that typically lasts for about a month each year. In general, this is the period when you can switch to another plan, if you have that option.

Since retiree benefits are offered at an employer's or union's discretion, employers and unions can change the plan benefits or costs at any time. Employers and unions can also decide to drop all health benefits or only those benefits for retirees. You should ask what your choices would be if any of these things were to happen. If you lose your retiree plan or your benefits are significantly reduced, you may have a guaranteed right to buy a Medigap policy. For more information, see our fact sheet "Supplementing Medicare: Your Rights to Purchase a Medigap Plan" at [cahealthadvocates.org](http://cahealthadvocates.org).

###

This fact sheet contains general information and should not be relied upon to make individual decisions. If you would like to discuss your specific situation, call the Health Insurance Counseling and Advocacy Program (HICAP). HICAP provides free and objective information and counseling on Medicare and can help you understand your specific rights and health care options. You can call **1-800-434-0222** to make an appointment at the HICAP office nearest you.