

The Big Health Insurance Question

By Tammy Flanagan

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Turning 65? If you are like most federal retirees and employees, you might be feeling confused and unsure of how Medicare will work with your Federal Employee's Health Benefits Program coverage. This is a topic that always gets a lot of questions and some debate during my pre-retirement seminars.

Most people will agree that enrolling in Medicare Part A (hospital insurance), is the right thing to do. After all, there is no premium for anyone who has paid the 1.45 percent Medicare tax. Part A is also available to the spouse of someone who has qualified.

The bigger question involves Medicare Part B (health insurance) -- specifically, whether you need it if you already have FEHBP. Here are some of the reasons I've heard for not wanting to enroll in Part B.

My FEHBP has served me well and will continue to cover me even after I turn 65.

Part B is expensive.

My FEHBP plan does not lower its premium when Medicare becomes my primary coverage.

Since FEHBP has catastrophic protection, the worst that can happen if I don't enroll in Part B is that I may have to pay \$5,000 out of pocket (or whatever the catastrophic cap is for my FEHBP plan).

These are all valid points. For someone who is relatively healthy, I can definitely see the argument against Part B enrollment. It is expensive. The 2014 premium is \$104.90 per person per month. If you are a wealthier 65-year-old, the premium goes up based on your adjusted gross income.

It's also true that your FEHBP plan can't drop you if you choose not to enroll in Medicare. And FEHBP plans charge the same premium whether Medicare is your primary health insurance coverage or not. Finally, it is also a fact that all FEHBP health plans have catastrophic out of pocket maximums which sets a limit on the maximum expenses you will have to pay.

Reasons to Enroll

Based on the above information, there's a strong argument against Part B enrollment. But it isn't that simple. Here are some reasons to reconsider enrolling in Part B:

You may be in excellent health now, what about later? If you decide to enroll in Part B after you are retired and over age 65, there is a 10 percent late enrollment surcharge on the premium for every 12 months that you delay your enrollment. If you miss your initial enrollment at 65, you can only enroll in Medicare during the annual general enrollment period from January through March (with coverage effective in July). There is a special enrollment available for people who are covered by health insurance of a current employee (your own or your spouse who is still employed). The special enrollment is available any time you have coverage based on current employment. You may sign up for Part B with no penalty as long as you enroll within eight months of when the current employment health coverage ends. Many FEHBP plans provide a variety of incentives to persuade you to enroll in both Medicare A and B. When Medicare is

your primary insurance, many FEHBP plans will waive their deductibles, copayments and coinsurance for services that are covered by both Medicare and the plan. You can find this information by looking at Section 9 of your [plan brochure](#).

Also, did you know that there are expenses that are not included in the catastrophic protection of your FEHBP plan? For example, under Blue Cross/Blue Shield's Standard Option, your 35 percent coinsurance for outpatient care by a non-member facility or hospital is outside of these limits. Also, expenses above the maximum benefit limitations are not included.

You can save money by choosing a less expensive FEHBP plan when Medicare becomes your primary insurance. In some cases, you can save as much as the premium for Medicare Part B when you change FEHBP plans.

No Easy Decision

After studying Medicare and FEHBP for many years, I will be the first to admit this isn't an easy decision. However, when you consider that the reason why you have health insurance is to avoid the catastrophic expense of an illness or accident, it makes sense that you might need additional protection at a time in your life when your health is in greater jeopardy of failing.

It would be so much easier if FEHBP plans would provide supplemental Medicare plans that would require Medicare enrollment to participate. There are currently no FEHBP plans that provide this type of supplemental plan at a lower cost to FEHBP enrollees. Under the military plan, Tricare for Life, it is required that enrollees show proof of enrollment in Medicare A and B before obtaining coverage.

There is one FEHBP plan that helps with the Part B premium -- the MHBP standard option plan will pay up to \$125 of the monthly premium. Once enrolled, MHBP will no longer waive your deductibles, copayments and coinsurance, which would make this program more attractive to individuals who are still enjoying excellent health and who want to avoid the late enrollment penalty for Part B. The only catch is that your share of the premium for MHBP standard option (non-postal) is \$209.13 per month for self-only coverage and \$505.65 per month for self and family coverage, making it one of the highest-priced plans in FEHBP.

Medicare Majority

According to the Office of Personnel Management, about 990,000 retirees are enrolled in Part B. This represents the majority of the Medicare eligible retirees. They signed up for one or more of the following reasons:

They thought it was required.

Their friends and neighbors did.

They studied the benefits of enrollment and thought it was a good value.

They realized that if there comes a time in their lives when they begin to schedule their social life around their doctor visits, it will be nice to have to pay premiums for Medicare and FEHBP while avoiding many of the other out of pocket expenses required when treating multiple chronic illnesses.

In the end, as it says in every FEHBP plan brochure, "the decision to enroll in Medicare is yours."

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