



CALIFORNIA HEALTH ADVOCATES

Retiree Plans

Some employers and unions offer health care benefits to their retirees, some even to spouses of retirees. This fact sheet discusses retiree health care benefits, types of plans offered and how those plans may coordinate with Medicare. If you have both retiree health 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. Before you make any changes in coverage, go to

<https://www.opm.gov/healthcare-insurance/healthcare/medicare/>.

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 Medicare Enrollment Guide. Before you make any changes in coverage, call 1-888-CalPERS (1-888-225-7377) or visit the CalPERS website at calpers.ca.gov.

Employers and unions are not required to offer retiree health benefits. 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 may:

- 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.

Most retiree health benefits become secondary when you become eligible for Medicare. Employers may even terminate benefits when you become eligible for Medicare.

Caution: Any information in this fact sheet about health benefit plans offered by employers under federal law may change with Congressional action. CHA fact sheets will be updated following any changes to federal law.

Types of Plans & How They Coordinate With Medicare

Employers and unions offer retiree health benefits in different ways:

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

Some retiree plans also offer prescription drug coverage (see below).

Fee-for-Service Plans

If you retired before becoming eligible for Medicare and have a fee-for-service retiree plan, it can serve as your primary coverage. But if you are eligible for Medicare, the retiree benefits are secondary, paying only after Medicare has paid. Some of these plans may have a deductible and pay benefits after the deductible is met. Other plans may 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 employer or union sponsored MA plan, and receive their Medicare benefits through the plan. There are different types of MA plans, such as:

- MA HMOs (Health Maintenance Organizations);
- MA PPOs (Preferred Provider Organizations); and

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 Overview of Medicare Advantage Plans section at cahealthadvocates.org/medicare-advantage/.

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, employers or unions that contract with Medicare or a Medicare Advantage plan to offer retiree benefits offer at least the benefits in Original Medicare. For more information on Original Medicare, see our

Medicare Basics section at cahealthadvocates.org/the-basics/.

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 the HMO or PPO plan is not an MA plan, contact your plan administrator and ask if and how the plan works with Medicare. Medicare is primary to retiree coverage, but retiree benefits - how and what it covers - are specific to each employer or union.

Private Exchanges

More employers are transitioning their retirees to private exchanges. Instead of offering a group health plan, former employers offer a defined contribution (like a voucher or a Health Reimbursement Account (HRA)) toward a plan that a retiree chooses from a private exchange. Plans in the private exchange may include Medicare Advantage, Part D and/or Medigap plans. Available plans may be from a single insurer or multiple insurers. For example, instead of Group Plan X for its retirees, Company A contracts with Private Exchange M to offer several plans. Retiree Joe may choose any of these plans from the private exchange and use the defined contribution from Company A to pay or reimburse some or all the cost.

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 section, Prescription Drug Coverage: An Overview at cahealthadvocates.org/prescription-drugs/.

Retiree plans that 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 have a choice, when and how can I exercise it?
- What type of plan do I have? Is it fee-for-service that supplements Original Medicare; an HMO, PPO; 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? If I do join a Part D plan, what happens to my benefits?
- 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?
- 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 or the state?
- 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 become eligible for Medicare?
- Will my spouse still be covered if I die? If so, for how long?

Employers, unions, or companies that administer retiree benefits 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 for those who have Medicare or for all 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 Overview of Medigap Policies section at <https://cahealthadvocates.org/medigap/>.

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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.

Note: Online access to all 35+ CHA fact sheets on Medicare and related topics is available for an annual subscription. See <https://cahealthadvocates.org/fact-sheets/>.