

## Reviewing Health Insurance Options At Retirement

At retirement there are many different options for health insurance. How do you decide which insurance program or health plan is best for you?

The PERS Health Insurance Program is available to all PERS retirees and dependents who meet the eligibility criteria. PERS retirees who are Medicare eligible and have eight or more years of PERS service may be eligible for a \$60 monthly subsidy toward the costs of a Medicare supplemental plan if they enroll in a PERS sponsored health plan.

However, the PERS Health Insurance Program **may not be the best option** if you are retiring before you and your spouse are eligible for Medicare. Doing some information gathering may take time, but will be very helpful in making your decision about health insurance at retirement. The options available to Oregon public employees at retirement are discussed below.

*Note:* Medicare eligibility occurs at age 65, or if you should become disabled prior to age 65 Medicare coverage becomes effective 24 months after the date your disability has been approved by the Social Security Administration. (*See note below*).

### **Four points to consider when deciding which health insurance option to choose at retirement:**

- 1) Consider the **cost** of the various plan options available to you compared to the **benefits** offered. Insurance premiums can vary significantly, however, most often the premiums vary due to differing levels of benefits provided under the plan. Keep in mind that the cost of any health plan **will increase annually**.
- 2) Decide what type of health plan works best for you and your family. You may prefer a managed care plan, or a preferred provider organization (PPO) type plan may work better for your family. Also, where you live will determine the plan or plans you are eligible for. Managed care plans or preferred provider plans work through specific networks of physicians and hospitals and usually have limited geographic coverage areas.
- 3) Be sure to check how long the plan option you choose will be available to you and/or your family members and what your options would be if (*or when*) that coverage terminates. (Example, if you are considering insurance through your spouse's employer plan, does that plan cover children who are in college?)
- 4) Understand the options available through the PERS Health Insurance Program. Non-Medicare eligible retirees usually find better coverage at a lower cost by remaining insured through their employer plans following retirement. Even though the PERS health insurance program is available to all eligible PERS retirees and dependents, the PERS non-Medicare plans may not offer benefits comparable to your employer retiree plans.

**Note:** At the time you or your spouse becomes Medicare eligible is when you most likely will seek enrollment in the PERS Health Insurance Program.

## **Insurance for Retirees Not Yet Medicare Eligible**

There are generally five options available for Oregon public employees who are not yet eligible for Medicare Benefits:

1) Oregon Revised Statute 243.303 requires Oregon public employer to make their group insurance plans available to retirees and dependents until the retiree or dependent is Medicare eligible. These plans typically offer comprehensive benefits and rates similar or equal to those available to active employees, and are usually the most ideal option for retirees. These plans are only available at retirement, and retirees who do not choose this option at retirement are not allowed to enroll in the employer plans at a later time. Check with your current employer prior to retirement for information about this option.

2) COBRA coverage is offered to employees any time their insurance coverage as an employee is terminating. At retirement continuation of coverage under COBRA is available through COBRA for 18 months for the retiree, spouse and/or dependents. Check with your employer benefits office for the COBRA premium cost, and compare that cost to your insurance options under the retiree program noted under [1] above. If you choose coverage under COBRA, remember to plan for health insurance coverage at the termination of your COBRA, because COBRA coverage will terminate at the end of 18 months.

3) Portability plans may also be available for retirees who are not Medicare eligible and are terminating from employer group coverage. There are specific rules of eligibility for these plans. Portability plans are offered by the health plans covering employees, and information is available by contacting your current health insurance carrier. Portability plans typically offered are a Low-Option Plan, and a High-Option plan. You will have higher out-of-pocket costs in the Low-Option plan, but a lower monthly premium.

4) As a retiree, you may be eligible to enroll in your spouse's employer sponsored health plan. This could be a good option for you as the employer may cover the additional premium as an employee benefit. Check with your spouse's employer for eligibility requirements, but also consider your options for insurance if your spouse should quit working and/or loses his/her coverage due to some unexpected event. (Your spouse's employer plan will have COBRA coverage available. In the event of layoff, COBRA coverage extends for up to 29 months.)

5) Individual insurance plans are also available through most health insurance carriers. These policies are issued directly to an individual, and the premiums are age rated. Applicants may be rejected due to pre-existing medical conditions.

## **Insurance at time of Medicare Eligibility**

PERS is usually the best option for Medicare eligible retirees and dependents if they are enrolled in Medicare Parts A & B or becoming eligible soon. A PERS retiree who 1) has eight or more years of PERS service, 2) is eligible for and enrolled in Medicare, and 3) enrolls in a PERS sponsored health plan will receive a premium subsidy of up to \$60 per month.

**Note: Medicare eligibility is generally the last opportunity to enroll into the PERS health insurance program for PERS retirees and/or dependents.**

If you are entitled to Social Security benefits, you and your spouse become entitled to Medicare the first day of the calendar month in which you turn 65 years old. If your birthday falls on the first day of the month, you will be entitled to Medicare the first of the previous month. Normally Medicare information is sent approximately three (3) months prior to your birthday. You can also become entitled to Medicare due to an early disability. In this event, coverage will occur 24 months from the date your disability began as determined by the Social Security Administration. There are two parts to Medicare:

- Medicare Part A is the benefit you are automatically entitled to and the cost for Part A is covered entirely by Medicare. Under traditional Medicare, Part A pays for all of in-patient hospital services. There is a deductible if you are admitted to the hospital, which is now \$912.00 (2005).
- Medicare Part B is optional, but is required for you to purchase any Medicare supplement plan. It is also required to enroll in any Medicare supplement program through PERS. The ONLY time it would be beneficial to delay enrollment in Medicare Part B is if you continue to work past age 65, or are covered under a spouse's employer group plan and he/she is still employed. This can be tricky, so always check with Social Security before opting out of Part B. There is a premium cost to enroll in Part B Medicare that will be deducted directly out of your monthly Social Security check. The monthly premium for 2005 is \$78.20. Medicare Part B covers outpatient services, such as doctor visits, labs, diagnostics and x-rays. There is a \$110.00 annual deductible (2005).
- Under traditional Medicare you can see any licensed provider that accepts Medicare anywhere in the United States. The rules related to managed care do not apply as there is no service area limitations, and you can see a specialist without seeing a primary care provider first or obtaining a referral. This plan works well for those who travel or retirees who are accustomed to directing their own health care without getting referrals to see a specialist for care.
- Medicare Advantage plans are managed care plans. Medicare Advantage plans have a designated service area. Members must live in the health plan's service area, and use the plan's contracted physicians and facilities. You must select a primary care physician and obtain a referral for most specialist care. Instead of an annual deductible there are co-payments for certain services. Generally only urgent and emergency care is covered if you are outside of the health plan's service area. These plans work well for members who do not travel extensively or are accustomed to working through their primary care physician before seeking specialist care.

### **Frequently Asked Questions**

**Q: I am a retired public employee, but am currently working in the private sector and covered under the employer group plan. Can I enroll in PERS if something should happen to my employment?**

A: Yes, as a PERS retiree you are eligible to enroll at any time if you have had at least 24 months of continuous employer sponsored group coverage. This can be a combination of ANY group coverage, public or private employers. You can even be covered under a spouse's employer plan, as long as there is no lapse in coverage within the 24 months prior to enrolling in PERS.

**Q: My spouse will be Medicare eligible before me and will no longer be able to stay on my retiree plan. Can my spouse enroll in PERS if I stay on the retiree plan?**

A: Yes, your spouse may enroll in PERS while you stay on the retiree plan. The reverse is also true. If you, as the retiree will be Medicare eligible before your spouse, the spouse will generally stay on the retiree plan and you would enroll under a PERS Health Insurance Program plan. Then, when the spouse becomes entitled to Medicare, he/she would enroll as a dependent under the retiree's plan.

**Q: Both my spouse and I are PERS retirees with more than 8 years of service each. Would we enroll under separate accounts to take advantage of the RHIA \$60.00 subsidy that PERS contributes toward the monthly health insurance premium?**

A: Yes, if both are PERS retirees you would have to enroll under your own social security number in order for each of you to receive the \$60.00 subsidy each month.

**Q: I am presently covered under a PERS Health Insurance Program plan but will be going back to work. Can I take advantage of my new employer insurance and drop my PERS health insurance coverage? Will I be eligible to re-enroll in a PERS health insurance plan when I quit work?**

A: Yes, you can join an employer group plan, regardless of whether it is a PERS or non-PERS employer if you return to work and later enroll with the PERS Health Insurance Program when your employment ceases, as long as there is no lapse in coverage.

**Q: Are there any pre-existing conditions or any underwriting or health examinations I must be aware of before I enroll in the PERS Health Insurance Program?**

A: No, there are no pre-existing condition limitations when you enroll in the PERS health plans. There are some restrictions when enrolling in the Medicare Advantage plans if you have End Stage Renal Disease (ESRD). While ESRD is not an excluded condition, it may affect your ability to enroll in a Medicare Advantage plan.

There are no underwriting requirements or medical examinations for any of the PERS sponsored plans. Premiums also are not age rated, so any increase in premiums over the years applies to all participants equally, and are not adjusted just for a newly attained age.

**Q: I am eligible for Veteran's benefits, but my spouse is not. May my spouse enroll in PERS at any time, even if I choose not to enroll?**

A: The only time the spouse of a PERS retiree is eligible to enroll without the retiree is at the spouse becomes eligible for Medicare. The spouse may be enrolled in the PERS Health Insurance Program while the retiree retains other group coverage.

**Q: Is COBRA considered employer group coverage?**

A: Yes, COBRA is an extension of the employer group benefits that the employee may purchase for up to 18 months after separation from employment.

**Q: Why would I enroll in COBRA for 18 months and then later enroll in the PERS Health Insurance Program? Shouldn't I enroll directly in my public employer's retiree health insurance plan?**

A: The answer to your questions in most situations is yes. However, some retirees choose COBRA for some period of time following retirement because it allows them to exercise a benefit or option that might not be available through the employer's retiree option. Generally, public employees choose enrollment in COBRA if they are separating from the employer due to termination of employment, layoff, etc., rather than retiring from your public employer. If you are retiring, you should check into your retiree plan available through your public employer before choosing COBRA, as the retiree coverage will cover you and/or your spouse until Medicare eligibility.

**Q: When I retire from public employment I will continue with the early retiree plan available for retirees under 65 years of age through my employer. Can I enroll in the PERS health insurance dental plan only and retain my medical coverage with my previous public employer?**

A: No, you must be enrolled in a PERS sponsored medical plan to be eligible for dental coverage.

**Q: Are PERS employees working for school districts, city, and county employers considered "state of Oregon retirees"? Are they eligible for the RHIPA subsidy if they are not Medicare eligible?**

A: No, only employees who are retiring from state agencies are eligible for the RHIPA subsidy. Also, the RHIPA subsidy is only available if you are enrolled in a PERS sponsored plan. Examples of a state agency are: Oregon Dept. of Transportation (ODOT), Dept. of Motor Vehicles (DMV), Dept. of Veteran's Affairs, and Oregon Dept. of Fish & Wildlife.

**Q: I am eligible for the RHIA subsidy available to PERS retirees who have 8 or more years of service and are eligible for Medicare Part A and B. Can I use this subsidy in a non-PERS Health Insurance Program plan?**

A: No, you must be enrolled in a PERS sponsored plan to be eligible to receive the RHIA subsidy. For details on the subsidy programs see page 10 and 11 in the 2003 PERS Health Insurance Program Member Handbook and Benefit Guide.