# Medicare: Part B and COVID-19 updates

Dan Toth

**I've written previously about** Medicare, providing an overview of Parts A, B, C and D in the August 2018 retirement column of *The Postal Record*. This article will discuss Medicare Part B and provide some Medicare updates regarding COVID-19.

Medicare Part B medical coverage includes physician and nursing care, laboratory and diagnostic tests, vaccinations, outpatient hospital procedures and similar services. It also includes durable medical equipment such as crutches, walkers and wheelchairs, as well as prosthetic devices.

Retirees will be faced with a decision at age 65 to decide if they want to enroll in Medicare Part B. When you're first eligible for Medicare, you have a seven-month initial enrollment period. You can sign up during the seven-month period that begins three months before the month you turn 65 (including your birth month), and ends three months after the month you turn 65. If your initial enrollment period ends, you may have a chance to sign up during a special enrollment period if you or your spouse (or family member if you're disabled) is working, and if you're covered by a group health plan through that employer or your union. If you are eligible, the eight-month special enrollment period starts the month after the employment ends or the month after group health insurance based on current employments ends (whichever comes first).

**The reason there is so much emphasis on the enroll**ment period is the late enrollment penalty associated with Part B. A late enrollment penalty will increase the monthly premium 10 percent for each 12-month period you could have had Part B but did not sign up. This late enrollment penalty is not temporary and very quickly becomes cost-prohibitive.

The standard Part B premium for 2021 is $148.50 per month. This reflects an increase of $3.90 over the 2020 standard premium. The premium will be higher if your yearly income in 2019 exceeds a certain amount, and the premium continues to grow at certain income thresholds. If your 2019 yearly income was more than $88,000 under an individual tax return, or more than $176,000 under a joint tax return, the premium will be increased above the standard of $148.50 for 2021.

Now that we understand the standard cost of Part B, let's look at an example of the late enrollment penalty to understand its impact. Let's say I retired at age 62 and became eligible for Part B at 65. I decide I'm healthy, have good health insurance and don't need Part B. A few years later, I'm now age 70 and have had a few minor health issues. Although I have good health insurance, my out-of-pocket costs have started to add up and now I'm interested in Part B. But because I'm now five years past my initial enrollment period, I would be facing a 50 percent premium increase over the standard premium. A 50 percent increase over the 2021 premium would amount to a monthly premium of approximately $223. The longer you wait, the less likely you are to be able to afford the premium, especially on a fixed income.

**Most retirees elect to continue their Federal Employees** Health Benefit (FEHB) plan and also enroll in Part B when eligible. For retirees, your FEHB plan becomes a secondary payer and Part B becomes the primary (this is not the case for active federal employees). This means that Part B will first pay in accordance with its fee schedule, minus certain deductibles and co-pays. Then the FEHB plan pays for the deductibles and co-pays (however, some FEHB fee-for-service plans—for instance, those that are not high-option—do not always cover the cost for deductibles and co-pays; therefore, check a plan's brochure for how it coordinates benefits with Medicare Part B). With this combination, out-of-pocket costs for medical treatment generally become zero. Signing up for Part B does not affect the premium of your FEHB plan.

**Medicare can be used to cover some expenses related** to the coronavirus. Medicare Part B covers the lab test for COVID-19, and you pay no out-of-pocket costs. Part B also covers a COVID-19 antibody test at no cost to you. Additionally, Medicare states that vaccines will be covered.

Part A (hospital insurance) covers inpatient hospital care when all of these factors apply: you're admitted to the hospital as an inpatient after an official doctor's order, the order says that you need inpatient hospital care to treat your illness or injury, the hospital accepts Medicare, and in certain cases, the utilization review committee of the hospital approves your stay while you're in the hospital.

**Making health care decisions, especially when it in**volves multiple plans, can be complex and intimidating. But the time and effort to analyze the costs and benefits of your options is vital to a long and healthy retirement. I encourage everyone to research and take the time necessary to make a sound decision suited to your needs. Be sure to visit medicare.gov for premiums, benefits and other information regarding Medicare, as well as researching how your FEHB plan interacts with Part B.

# Postal reform and Medicare integration

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**The Postal Service Reform Act** of 2022 (PSRA), which passed with strong bipartisan support in both the House and the Senate, puts the Postal Service back on a track of financial stability by repealing the onerous pre-funding mandate established by the Postal Accountability and Enhancement Act of 2006. The PSRA will save the Postal Service billions of dollars every year. This piece of legislation is an incredible achievement, and credit goes to the rank-and-file letter carriers who got the message out to co-workers and the public through discussions and writing to publications, and of course for advocating to their representatives. I sincerely thank all of you for your role to restore the Postal Service and protect our jobs.

The Medicare integration component of the PSRA has raised many questions from our current retirees. The PSRA will restructure the Federal Employees Health Benefit (FEHB) program to create postal-only versions to account for the integration of Medicare. All the major plans now available to participants—Blue Cross Blue Shield, NALC HBP, Kaiser, etc.—would continue to be offered to postal employees and retirees as a postal-only version of their FEHB plans within FEHB. This will allow these postal-only plans to account for the coordination of benefits provided through Medicare and increase the efficiency of such a system.

The reason it makes sense to create postal-only plans within FEHB and to maximize Medicare participation is that it will reduce health care costs for both the Postal Service and postal participants in the federal insurance program. Because Medicare is the first-payer insurer for its enrollees, the costs covered by postal-only FEHB plans will be reduced, thereby reducing costs for postal employees. This also would reduce the Postal Service's health care expenses by hundreds of millions of dollars annually, and reduce its future liability for retiree health benefits by approximately $40 billion.

**Annuitants and active employees who retire before** Jan. 1, 2025, and any active employee at least 64 years of age as of Jan. 1, 2025, will get to decide whether they want to enroll in Medicare (or not) when they become eligible. Current annuitants who did not enroll in Medicare Part B when first eligible will get a one-time opportunity to enroll without facing the 10 percent-per-year late enrollment penalty (see the January 2021 retirement column for more information regarding the late enrollment penalty). Generally, this late enrollment penalty is so severe that after a few years it becomes unaffordable. For those annuitants who did not enroll in Part B when first eligible, this will be a tremendous opportunity to reconsider Medicare Part B when the one-time opportunity arrives. The special enrollment will be a six-month period beginning on April 1, 2024.

Future annuitants retiring after Jan. 1, 2025 (and under age 64 as of Jan. 1, 2025) who choose to maintain their FEHB coverage into retirement will be required to enroll in Medicare Parts A and B when eligible. Approximately 80 percent of postal annuitants already elect to enroll in Medicare, as this helps to cover additional (if not all) out-of-pocket expenses and brings more comprehensive coverage than a lone FEHB plan.

Not all future annuitants will be required to enroll in Medicare. There are exceptions for those enrolled in TRICARE (health care benefits provided by the Department of Veterans Affairs) or Indian Health Services, as well as those who reside outside of the United States.

**The PSRA requires the Postal Service to establish a** Health Benefits Education Program that will provide Postal Service annuitants and employees a description of the health care options available, enrollment provisions, and any requirements to be enrolled in Medicare. The Postal Service also must respond and provide answers to inquiries from employees and annuitants. The Health Benefits Education Program must be established no later than 18 months after the signing of the law on April 6, 2022.

Additionally, the PSRA directs the Office of Personnel Management, the government agency in charge of administering the FEHB, to issue the implementing regulations no later than one year after the signing of the law. These implementing regulations will help fill in the details that are not expressly provided for in the law. The one-year deadline is soon enough that letter carriers should have plenty of time to make an informed decision prior to the special enrollment period and the enactment of the postal-only FEHB plans on Jan. 1, 2025.

Our health insurance benefits through the FEHB, along with the Postal Service's 72 percent contribution for annuitants, are not going anywhere. There will continue to be an annual Open Season that will allow participants to shop around and change their plans as they see fit. Current annuitants can remain comfortable knowing they'll be able to continue with what they have, or after understanding their Medicare options and the special enrollment period, customize their coverage.