

Retiree Medical Insurance and Medicare

A. Background

This Administrative Supplement summarizes UC's procedures and describes rules applicable to University retirees and their enrolled family members with regard to Medicare. Medicare is a national health insurance program administered by the Centers for Medicare and Medicaid Services (CMS). Enrollment in Medicare (Parts A, B, and C) is managed by the Social Security Administration (SSA).

As currently structured, Medicare has four parts. Medicare Part A, Part B, Part C, and Part D.

Medicare Part A (hospital coverage) is currently premium-free for people age 65 or older who have "40 quarters" (10 years) of "contributions" (Medicare payroll tax of 1.45%) paid while working. Credit for contributions can be based on one's own employment or that of a spouse, deceased spouse or ex-spouse as defined by SSA.

Medicare Part B (medical coverage) is currently funded through a combination of Medicare beneficiary premiums (25%) and general revenue from the federal government (75%). This means that the real value of Medicare part B is four times the monthly part B premium. The Medicare beneficiary's premium cost for Medicare Part B changes every year and is deducted from his/her Social Security check. If the beneficiary does not receive Social Security, he/she will be billed quarterly by the Social Security Administration. Regardless of eligibility for Medicare Part A, every retiree is eligible to enroll in Medicare Part B once he/she turns age 65. Medicare imposes late enrollment penalties on retirees who fail to enroll in Medicare Part B at age 65 if they enroll in the future.

Medicare Part C (Medicare Advantage) is the coordination between certain HMOs and Medicare. Under this arrangement, retirees must assign their Medicare benefits to their HMO and must receive all non-emergency care from their HMO. Any non-emergency care or non-urgent care received outside of the retiree's HMO will be denied by Medicare and the HMO.

Medicare Part D (prescription drug) coverage was effective 1/1/06. UC-sponsored retiree medical plans are fully coordinated with Medicare Part D and all of UC's plans are considered creditable coverage. Retirees must use their UC plan to access their prescription drug benefit and retirees are subject to the administrative procedures of their plan such as formularies, quantity supply limitations, prior authorizations, copays, and out-of-pocket maximums.

Medicare is the cornerstone of health care coverage for UC retirees age 65 and older and for persons under age 65 who are receiving disability income from UCRP Disability who have drawn Social Security disability cash benefits for two years.

In offering health coverage to retirees, the University does not offer an alternative to Medicare. Rather, it is the responsibility of the retiree and also required by UC that all retirees and their enrolled family members, who qualify for premium-free Medicare Part A, will enroll in Medicare Part B. Retirees and their enrolled family members who do not

qualify for premium-free Medicare Part A are allowed to continue in the same UC-sponsored basic medical plan.

Adult Dependent Relatives (ADR) are currently a frozen group which means that no new ADRs may be enrolled. ADRs who are currently enrolled lose eligibility for UC coverage once eligible for premium-free Medicare Part A or once s/he no longer meet UC's eligibility requirements, whichever occurs first.

B. University Requirements

UC requires retirees and their enrolled family members to:

1. **Enroll in and maintain Medicare Part B when qualified for premium-free Medicare Part A.**
2. **Report Medicare status to HR/Benefits at age 65, after two years on UCRP disability, or when requested by UC.**
3. **Assign their Medicare benefits to a UC-sponsored Medicare Advantage plan if enrolled in an HMO.**
4. **If enrolled in a UC-sponsored medical plan, not assign their Medicare benefit to any health plan that is not sponsored by the University of California.**
5. **Not enroll in a non-UC sponsored Medicare Part D Prescription Drug benefit plan**

Failure to meet these requirements will result in permanent disenrollment of the member and/or the enrolled family member from UC-sponsored medical coverage.

Examples

Situation	UC Requirements
Retiree and/or enrolled family member eligible for premium-free Medicare Part A (including disability retirees under 65)	Must enroll in and maintain Medicare Part B. (exception special group – see below)
Retiree and/or enrolled family member not eligible for premium-free Medicare Part A	Not required to enroll in Medicare Part B. However, if the retiree becomes eligible for premium-free Medicare Part A, he/she must enroll in Medicare Part B. Retirees may qualify for premium-free Medicare Part A through a spouse, ex-spouse, or deceased spouse.
Adult Dependent Relatives (frozen group as of 1/1/04)	Lose coverage when eligible for premium free Medicare Part A or enrolled in Medicare Part B and must be disenrolled (cancelled) from UC coverage.

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Retirees not coordinated with Social Security	May still qualify for premium-free Medicare Part A through a spouse, ex-spouse, or deceased spouse. UC requires verification if not eligible. If eligible for premium-free Medicare Part A, must enroll in Medicare Part B. See section (E) below.
Retirees who work past age 65 for non-UC employers	May still qualify for premium-free Medicare Part A at age 65. If eligible for premium-free Medicare Part A, must enroll in Part B. Medicare provides an enrollment period to enroll in Medicare Part B at separation. If any penalties are applied by SSA the cost is the retiree's responsibility and does not override the enrollment requirement.
Rehired retirees working in a benefits eligible appointment at UC	Must enroll in and maintain Medicare Part B if eligible for premium free Medicare Part A. This group may not cancel Medicare Part B, even if they receive coverage through the campus.
Retirees working for <u>non</u> -UC employers	Must enroll in and maintain Medicare Part B if eligible for premium free Medicare Part A. Although Medicare will allow these members to delay Medicare Part B, UC will not. If these retirees do not want to enroll in Medicare Part B, they should suspend UC's medical coverage.
Active UC Employees (<i>Not covered by Retiree Insurance</i>)	Not required to enroll in Medicare Part B, regardless of Medicare Part A eligibility. Employee should enroll in Medicare Part A if it is free, however may delay Part B until retirement. See section G below.
Retired and age 65+ prior to 7/1/91 (Special group)	Not required to enroll in Medicare Part B regardless of Medicare Part A eligibility. Must notify UC of Medicare status upon request.
Retirees living outside the US for more than 6 months	Not required to enroll in Medicare Part B while living abroad. Upon return to the US, must enroll in Medicare Part B if eligible for premium free Medicare Part A. These retirees should contact Social Security to discuss possible re-enrollment penalties for Medicare Part B.

C. Notification of UC upon Medicare eligibility changes

UCOP Retiree Insurance Program (RIP) routinely inquires about Medicare status in two situations:

1. when a retiree and/or their enrolled family member approaches age 65
2. when a retiree and/or their enrolled family member has been receiving a UCRP disability benefit for 18 months.

Process:

- The retiree must complete a UBEN 126 *Medicare Declaration* form and provide a copy of the Medicare card or other award or denial document issued by SSA. UC relies on the member to provide Medicare eligibility information and upon receipt of the completed documentation UC will update the premiums, if applicable. RIP maintains copies of these documents in an Imaging system as permanent records.
- In cases of retirement after age 65, new family member enrollments, information requests from carriers, and other events, RIP will also require evidence of current Medicare status.

- Even without a request, **whenever a retiree or their enrolled family member gains or loses coverage under Part A or Part B of Medicare, the retiree is required to notify HR/Benefits of the change by submitting a *Medicare Declaration* form (UBEN 126) by US mail to UC Retiree Insurance Program, PO Box 24570, Oakland, CA 94623-1570.**

D. Medicare Qualification through a Current or Former Spouse

A number of University retirees do not qualify for premium-free Medicare Part A on their own employment records, because their work history was limited to UC's "non-coordinated" retirement plans. Unless they paid Medicare tax for 40 quarters (10 years) before and/or after their UC employment, they would not be entitled to premium-free Medicare Part A under their own employment records.

These retirees, however, may be eligible to qualify under a spouse's or former spouse's work record. Qualification is determined by SSA. If the retiree does not qualify under a spouse's record, UC requires documentation from SSA. In general, the spouse must have the 40 quarters of coverage and must attain age 62. In the case of a current marriage or a deceased spouse, SSA generally requires a one-year marriage. In contrast, reliance on the record of a divorced former spouse requires a ten-year marriage.

If a 65 year old retiree does not qualify for premium-free Medicare Part A until the spouse turns 62, the retiree has two options:

- 1) Enroll in Medicare Part B at age 65 and remain in UC's non-Medicare plan. Once enrolled in both Part A and Part B, UC will enroll the member into the Medicare version of his/her plan.
- 2) Postpone Medicare Part B enrollment until eligible for premium-free Part A (when the spouse turns 62). In this case, the retiree will be subject to Medicare's 10 percent late enrollment penalty for each year s/he delayed Part B enrollment.

UC requires those retirees and/or enrolled family members who do not qualify on their own records for premium-free Part A to apply as spouses or as former spouses. Medicare Part B is available to almost everyone (some aliens/non-residents excepted) at age 65.

E. Medicare Part B

Retirees and/or enrolled family members who are enrolled in Medicare Part B are required to maintain that coverage (so long as Part A remains premium-free to them) regardless of their age. UC pays premiums and the medical plans offer coverage based upon Medicare eligibility. **Stopping Medicare Part B (e.g., by failure to pay premiums or any other reason) not only ends Medicare coverage, but makes the retiree/family member ineligible for UC's plans.**

F. Medicare Part D Prescription Drug Plans

Retirees and/or their enrolled family members who enroll in a non-UC Medicare Part D prescription drug plan will be disenrolled from their UC sponsored Medical coverage (both Medical and Prescription).

G. Medicare and Active Employees

Under Medicare rules, employer-provided group health plans (called EGHPs) have primary responsibility for the medical coverage of active employees and their enrolled family members. This contrasts with coverage for retirees, where Medicare is primary.

UC does not require active employees to enroll in Medicare Part B. Moreover, UC does not offer Medicare-coordinated medical plans to active UC employees and their enrolled family members or to retirees rehired into a benefits eligible appointment. Active employees should accept Medicare Part A, if it is premium-free, and delay Medicare Part B. Medicare will allow the retiree to enroll in Medicare Part B three months prior, the month of, and three months after separation from UC. Medicare will not charge late enrollment penalties if the employee has maintained continuous employer sponsored group medical coverage.

H. Service Area Considerations

Certain health plan designs, such as HMOs (health maintenance organizations) are permitted by governing state and federal law to operate within defined geographic areas. Within these areas, the plans establish provider networks and the medical plans may be eligible for Medicare capitation payments. Retirees and their enrolled family members may be insured by such a plan only if their residence address, as reflected in UCRS records, is within the plan's service area.

Service areas for Medicare and non-Medicare plans may differ. If a retiree and/or an enrolled family member is aging into Medicare, the retiree must transfer into the Medicare coordinated version of their current plan. If the current plan's Medicare coordinated version does not provide coverage in the retiree's zip code, the retiree must enroll in a plan which will provide coverage in his/her service area.

In general, Medicare considers an absence from an HMO plan service area for longer than two months as a change of residence.

I. Medicare Advantage Plans (Medicare HMO) Enrollment

To comply with the University's managed care enrollment requirements, retirees and their enrolled family members must:

1. be enrolled in and maintain continuous coverage in both Parts A and B of Medicare; and
2. complete the plan's Medicare Enrollment or Medicare Assignment form provided by the UC-sponsored medical plan carrier; and
3. reassign or cancel their Medicare Assignment when changing plans during Open Enrollment or during a period of enrollment; and
4. live in the service area for their plan.

The plan solicits the signature directly from the retiree or enrolled family member, who is required by UC Regulations to comply.

J. Medicare Part B Reimbursement

Medicare Part B reimbursement to the retiree may apply if UC's contribution for a plan is greater than the gross premium. Medicare Part B reimbursement, if any, assumes compliance with UC's Medicare Advantage Plan enrollment rules. For retirees who do not comply with these requirements, the reimbursement may be stopped and any penalty for noncompliance will apply. Under no circumstances will this reimbursement cover the costs associated with late enrollment into Medicare Part B.

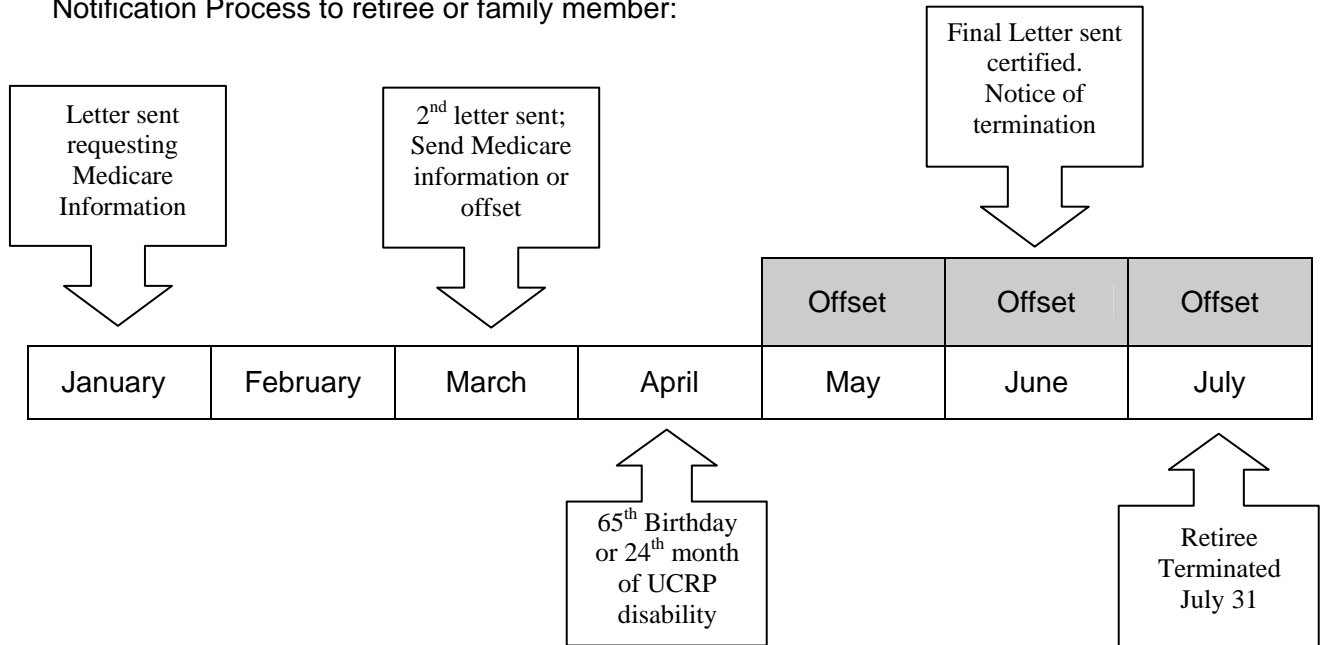
K. Communications

Notice of UC requirements is provided in the following UC media which is accessible to both the retiree and/or the enrolled family members:

1. HR/Benefits web-site (<http://atyourservice.ucop.edu>)
2. Medicare Fact Sheet (available on atyourservice)
3. Retirement, Survivor and Disability Handbooks; via
4. *New Dimensions* newsletter and other retiree mailings
5. Annual Open Enrollment packets which reflect Medicare status as reported by retirees
6. Direct Deposit statements and monthly check stubs indicate enrollment in both Part A and Part B and if applicable any Medicare Part B reimbursements

Retirees should review their annual Open Enrollment Statement each year to assure that all data (Medicare status, residence address, enrolled dependents, etc.) as reflected in this document remain current in UC's member database. If the information is not correct they should contact the HR/Benefits Customer Service at (800) 888-8267 and complete the appropriate documentation as soon as possible.

Notification Process to retiree or family member:



L. Division of Responsibility between HR/Benefits and Carriers*

Both UC and its contracted medical plan carriers correspond periodically and maintain a relationship with the insured retirees. To update an address or correct data in the UC's member record, the retiree should contact HR/Benefits Customer Service. The data the member supplies to UC is passed to the UC-sponsored medical plan, and is binding to the plan. Retirees may provide different data (e.g., residence address) to the medical plan carriers; however all eligibility determinations are based upon UC's data.

UC HR/Benefits pays premiums to the medical plans on a prospective basis each month. UC's contracts with its carriers generally prohibit retroactive changes in premiums. It is the retiree's responsibility to supply all information required by UC in advance, so that coverage can be in place before any need for access to care.

UC HR/Benefits maintains records of retiree Medicare status and that of their enrolled family members. When retirees change medical plans during Open Enrollment or during a PIE, they may need to contact their plan directly to initiate or end a Medicare Assignment by completing the plan's Medicare Advantage Enrollment form.

Health and welfare benefits (Medical and dental) are not accrued or vested benefit entitlements. UC's contribution toward the monthly cost of the coverage is determined by UC and may change or stop altogether, and may be affected by the state of California's annual budget appropriation.

* This section applies to the dental and legal plans in addition to the medical plans.