

How SMU's \$2,500 & \$5,000 Medical Options Work with Medicare Frequently Asked Questions for Age 65+ Employees

When it comes to the SMU Health & Wellness Plans and Medicare benefits, knowledge is the key. This Frequently Asked Questions document is provided for faculty/staff that are approaching age 65 or are age 65 or older. Please read the information in its entirety.

What is the best resource for questions related to Medicare?

- Read the *Medicare & You* handbook at www.medicare.gov. Click the *Medicare & You 2014 Handbook* link under the **Getting Started** heading.
- Call Medicare at 1-800-MEDICARE (1-800-633-4227).

When do I become eligible for Medicare?

You become eligible for Medicare benefits at age 65. You can continue on SMU's medical plan *and* have Medicare coverage at the same time — the plans will work together to provide your benefits. It is highly likely that it will be more advantageous to remain on the SMU plan vs. terminating SMU coverage and electing a Medicare supplemental plan. This is due to the fact that the SMU plan offers extremely comprehensive coverage, at a low premium cost.

Which plan pays primary, SMU or Medicare?

Unless you have end stage renal disease, your SMU medical coverage will generally be primary and Medicare will supplement your SMU benefits. This means that your SMU plan will generally pay benefits first. Then, you can submit claims for any expenses not paid by SMU's plan to Medicare. Medicare will then pay benefits on any Medicare-eligible expenses that SMU's plan did not cover.

Note: Becoming eligible for Medicare is considered a qualifying event for benefits purposes. This means that you can make any changes to your benefits coverage during the year as a result of your becoming eligible for (or enrolling in) Medicare.

I am 65 years old, which makes me eligible for Medicare. If I enroll in the \$2,500 or \$5,000 Deductible plan options, am I eligible to contribute to a Health Savings Account?

No. You are NOT eligible to contribute to a Health Savings Account (HSA) if you are enrolled in any part of Medicare – Medicare Part A, Medicare Part B, Medicare Part C or Medicare Part D.

Are SMU's medical plans considered creditable coverage for Medicare Part D?

\$1,000 Deductible and \$2,000 Deductible Plans: Yes. SMU has determined that the prescription drug coverage offered by these plans are, on average for all plan participants, expected to pay out as much as standard Medicare prescription drug coverage pays and is therefore considered Creditable Coverage. Because your existing coverage is Creditable Coverage, you can keep this coverage and not pay a higher premium (a late enrollment penalty) if you later decide to join a Medicare drug plan.

\$2,500 Deductible and \$5,000 Deductible Plans: No. SMU has determined that the prescription drug coverage offered by these medical plans are, on average for all plan participants, NOT expected to pay out as much as standard Medicare prescription drug coverage pays. Therefore, your coverage is considered non-creditable coverage.

This is important because it may mean that you may pay a higher premium (a late enrollment penalty) if you do not join a Medicare drug plan when you first become eligible.

I want to take advantage of the lower premium savings under the \$2,500 or \$5,000 Deductible plan options. Can I still elect one of these plans, even though they're non-creditable coverage for Medicare Part D?

Yes. You can still elect one of these medical plan options. However, because these plans are considered non-creditable for Medicare Part D, you may pay a higher premium (a late enrollment penalty) if you do not join a Medicare drug plan when you first become eligible and want to join one in the future.

If I go ahead and elect the \$2,500 or \$5,000 Deductible plan options, what is the Part D late enrollment penalty?

The late enrollment penalty is an amount that's added to your Part D premium. You may owe a late enrollment penalty if at any time after your initial enrollment period is over, there is a period of 63 or more days in a row when you don't have Part D or other creditable prescription drug coverage.

Here are a few ways to avoid paying a penalty:

- **Join a Medicare drug plan when you're first eligible.** You won't have to pay a penalty, even if you've never had prescription drug coverage before.
- **Don't go 63 days or more in a row without a Medicare drug plan or other creditable coverage.** Creditable prescription drug coverage could include drug coverage from a current or former employer or union, TRICARE, Indian Health Service, the Department of Veterans Affairs, or health insurance coverage. Your plan must tell you each year if your drug coverage is creditable coverage. This information may be sent to you in a letter or included in a newsletter from the plan. Keep this information, because you may need it if you join a Medicare drug plan later.
- **Tell your plan about any drug coverage you had if they ask about it.** When you join a Medicare drug plan, and the plan believes you went at least 63 days in a row without other creditable prescription drug coverage, the plan will send you a letter. The letter will include a form asking about any drug coverage you had. Complete the form and return it to your drug plan. If you don't tell the plan about your creditable prescription drug coverage, you may have to pay a penalty.

If I go ahead and elect the \$2,500 or \$5,000 Deductible plan options, how much will I pay as a late enrollment penalty?

The cost of the late enrollment penalty depends on how long you didn't have creditable prescription drug coverage. Currently, the late enrollment penalty is calculated by multiplying 1% of the "national base beneficiary premium" (\$32.34 in 2011) times the number of full, uncovered months that you were eligible but didn't join a Medicare drug plan and went without other creditable prescription drug coverage. The final amount is rounded to the nearest \$.10 and added to your monthly premium. Since the "national base beneficiary premium" may increase each year, the penalty amount may also increase every year. You may have to pay this penalty for as long as you have a Medicare drug plan.

Example: Mrs. Jones didn't join when she was first eligible — by May 15, 2007. She joined a Medicare drug plan with an effective date of January 1, 2011. Since Mrs. Jones didn't join when she was first eligible and went without other creditable drug coverage for 43 months (June 2007–December 2010), she will be charged a monthly penalty of \$13.90 in 2011 ($\$32.34 \times .01 = \$.3234 \times 43 = \13.90) in addition to her plan's monthly premium.

After you join a Medicare drug plan, the plan will tell you if you owe a penalty, and what your premium will be.