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## **Federal Employees and Medicare**

For Federal employees, knowing when and if to enroll in the different parts of Medicare can be confusing, to say the least. Understanding how Federal Employee Health Benefits Program (FEHBP) coordinates with Medicare can save retirees money by avoiding unnecessary premiums. In this article I hope to help you better understand some important factors for federal employees and retirees to consider.

Ninety percent of all federal employees are enrolled in FEHBP, which is a type of federal health insurance available to non-military, federal government employees and retirees that is administered through the Office of Personnel Management (OPM). FEHBP is the largest employer-sponsored group health plan in the world. A tremendous benefit of this type of health insurance is that when you retire you are able to stay on the plan with the government continuing to pay 72% of the premiums. Once Medicare becomes the primary payer, some FEHBP plans waive deductibles, coinsurance, and copayments.

Continuing coverage with your FEHBP into retirement has basic qualifications for the retiree to meet:

1. You are entitled to retire on an immediate retirement when you separate.
2. You had FEHBP coverage for the 5 years before separation from service, or you enrolled as soon as you were eligible if you have less than 5 years of service due to a disability.

The first of these qualifications is important if you are considering a postponed or deferred retirement under the FERS system. If you go out on a deferred retirement you can't keep FEHBP, but if you go out with a "postponed" retirement, you are eligible to keep it. For more on this topic please read the following pamphlet provided by OPM.

<https://www.opm.gov/retirement-services/publications-forms/pamphlets/ri92-19a.pdf>

To ensure that your spouse may keep this benefit after you pass away, you must put them on your plan and elect a survivor annuity benefit for them when you retire.

## **FEHBP & Medicare Part A**

Medicare Part A is hospital insurance covering things such as: hospitalization, post hospital skilled nursing facility care, home health care, and hospice. It is paid through Federal Insurance Contributions Act (FICA) taxes on wages while you are employed, therefore there is no premium. Federal employees may qualify for premium-free Medicare Part A, as long as they have enough working credits. To qualify, a person must have earned 10 years, or 40 working credits either from their own employment or through a spouse.

Enrolling in Medicare Part A when you are within the six months surrounding your 65<sup>th</sup> birthday is free for most people and can become secondary, paying some of the costs that FEHBP may not cover such as deductibles, coinsurance, and charges that exceed the FEHBP allowable charges, even if you continue to work. There are a variety of FEHBP options and you should contact your specific FEHBP plan for details of coordination with Medicare Part A.

## **FEHBP & Medicare Part B**

Medicare Part B is medical insurance. It provides coverage for: doctor's services, ambulance services, outpatient hospital treatment, mental health, x-rays, and other related services. You are automatically eligible to enroll when you become eligible for Part A. There is a monthly premium that changes each January. The current standard premium is \$121.80. However, there is, an additional surcharge added to that amount based on income for those individuals who earn greater than \$85,000 annually or couples with combined earnings more than \$170,000 per year. A 10% penalty is applied for each year following the year in which you become eligible if you fail to enroll. However, if you are a federal employee covered by FEHBP and continue to work past initial eligibility, you will be protected from the 10% late enrollment penalty by your current work status and be eligible for an 8 month Special Enrollment Period after you retire. Delaying Part B enrollment until you retire, or lose your insurance, can save money by not having to pay premiums for it as well as your FEHBP.

It is important for retiring feds to consider a few factors in deciding whether to delay enrollment:

1. A Part B late penalty applies if the retiree does not have other employer insurance coverage through an actively working spouse, which can be expensive if they must wait for the next General Enrollment Period (Jan. 1 – Mar. 31) with coverage not taking effect until July 1 of that year.
2. Some FEHBPs waive coinsurance and deductibles after enrolling in Part B which could make enrolling in Part B in your financial favor.
3. It is well worth the time to weigh the financial risk of paying now for both premiums (FEHBP and Part B) versus paying the late-enrollment penalty or deciding to wait to enroll at a later time.

4. While FEHBP plans have a history of providing comprehensive insurance coverage, all plans are susceptible to changing their covered benefits, premiums, deductible, and copay amounts, and usually not in the member's favor.

## **FEHBP & Medicare Advantage**

People with FEHBP, whether working or retired, can enroll in a Medicare Advantage plan as long as they have both Medicare Parts A and B. A Medicare Advantage plan would provide benefits similar to FEHBP. Do a careful comparison before making this decision and possibly losing access to the FEHBP. Consult with your benefit's administrator for more details.

## **FEHBP & Medicare Part D**

Part D is prescription insurance. Being enrolled in Part A, Part B, or both will qualify a person for Part D. Most federal employees and retirees that keep FEHBP will not need to enroll in Part D since all FEHBP plans include prescription drug benefits that are considered as good as Medicare. An exception worth considering is federal retirees eligible for Part D Extra Help because their costs may be lower. If they should lose their FEHBP, they can join a Part D plan without penalty as long as they join during a Special Enrollment Period within 63 days after losing FEHBP.

In closing, let me remind you that in addition to the points I have covered in this article, continuing your FEHBP coverage into retirement makes good sense for health care services you may require while traveling abroad. Medicare, in most cases, does not cover medical care you get outside the United States. Once Medicare becomes the primary payer, you may find that a lower cost FEHBP plan is adequate for your needs, especially if you are currently enrolled in a plan's high option. In my opinion you will be better served by adding Medicare Part B and keeping your FEHBP for more comprehensive coverage allowing you the potential for lower out of pocket expenses should any unforeseen medical circumstances arise.

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