


THE CALIFORNIA STATE UNIVERSITY
Office of the Chancellor
401 Golden Shore
Long Beach, California 90802-4210
(562) 951-4411

Date: February 7, 2001

Code: TECHNICAL LETTER
HR/Benefits 2001-06

To: Human Resources Directors
Benefits Officers

From: Cathy Robinson,  Senior Director
Human Resources Administration

Subject: Change in CSU Retirement Health Benefits Program

The California Public Employees' Retirement System (CalPERS) recently notified the California State University (CSU) of legislation that impacts CSU active employees' CalPERS-sponsored health benefits after they retire and subsequently become eligible for Medicare.

Previously, State law provided CSU retirees and their enrolled dependents, who are eligible for federal Medicare insurance benefits, the option of remaining enrolled in a "basic" CalPERS health benefits plan. However, legislation passed that eliminated this option for CSU retirees enrolled in CalPERS health programs. **As a result, CSU employees who subsequently retire and become eligible for Medicare effective January 1, 2001 or later, no longer have the option of remaining in a "basic" health plan but will be required to coordinate their federal Medicare benefits with their CalPERS health program benefits. Retirees will be required to enroll in their health plan's Medicare plan upon becoming Medicare eligible to remain enrolled in the CalPERS Health Benefits Program.**

Background

For your information, we would like to highlight the difference between the "basic" CalPERS health plan and the Medicare health plan. The "basic" plan is a standard health benefit plan that is not coordinated with federal Medicare benefits. A Medicare plan is a health benefit plan designed to be coordinated with federal Medicare benefits. For Medicare plan enrollees, Medicare is considered the primary insurance and the CalPERS-sponsored health plan is considered as secondary insurance. Each CalPERS health plan option provides a "basic" plan and a Medicare plan. The various CalPERS-sponsored Medicare plan choices are described in the annual CalPERS Health Program Information package.

Distribution: All without Attachment

Chancellor
CSU Presidents
Vice Chancellor, Human Resources
Executive Vice Chancellor/CFO
Vice Presidents, Administration
Associate Vice Presidents/Deans of Faculty

Federal Medicare consists of two programs: Part A, Hospital insurance, is provided to eligible retirees at no monthly premium cost and Part B, Medical insurance, is provided at a monthly cost that is \$50, effective January 1, 2001. (Part B premium rates are periodically adjusted by the federal government.) Generally, retirees become eligible for Medicare at age 65. Please note that individuals may not be eligible for Medicare in their own right, but may be eligible through a spouse (former, deceased, or current, etc.). Eligibility through another person constitutes eligibility for Medicare. For specific individual eligibility information, employees should contact Social Security Administration directly at (800) 772-1213.

Medicare Policy

Effective January 1, 2001, when an employee retires and becomes eligible for Medicare, the retiree and/or his/her Medicare eligible dependents can no longer be enrolled in a "basic" health benefits plan. If the retiree and his/her Medicare eligible dependents want to remain enrolled in a CalPERS health plan, the retiree must coordinate his/her Medicare benefits with his/her CalPERS health program benefits. To remain eligible for a CalPERS health plan, the retiree will (1) need to enroll in the federal Medicare program and then (2) contact CalPERS to enroll in his/her health plan's Medicare plan. For most persons, enrollment in Part A of Medicare is automatic, but retirees must personally apply for Medicare Part B. **If an employee does not apply for Medicare Part B when he/she is initially eligible, he/she may be assessed a penalty for late enrollment.** The penalty is 10% for every 12-month period that the retiree could have been enrolled, but was not. The penalty is compounded annually for the remainder of the retiree's life so timely enrollment is critical. Employees may contact Social Security (SSA) at (800) 772-1213 for Part B enrollment/information.

When an employee retires and is a newly eligible Medicare enrollee, the retiree may change his/her CalPERS health plan based on the event of "newly eligible for Medicare." The retiree should contact CalPERS at (800) 237-3345 for CalPERS-sponsored Medicare plan enrollment information.

Please note: If an employee continues CSU employment at the time he/she would normally become eligible for Medicare, the employee may delay his/her eligibility for Medicare until retirement. The employee may remain enrolled in a "basic" health plan. SSA has special rules for individuals who work beyond age 65. The employee should be encouraged to contact SSA directly for details.

Faculty Early Retirement Program (FERP) Participants

Effective January 1, 2001, participants in FERP are required to coordinate their federal Medicare benefits with their CalPERS health program benefits. FERP participants will be required to enroll in their health plan's Medicare plan upon becoming Medicare eligible to remain enrolled in the CalPERS Health Benefits Program.

Additional Information

Generally, for persons enrolled in a Medicare plan, the retiree's share of the monthly health premium is reduced; out-of-pocket co-payments in a Medicare plan are usually less than in a basic plan (retirees should review their plans' Benefit Summary in the Health Plan Decision Guide); and CSU retirees enrolled in a Medicare plan may be eligible to receive a reimbursement towards the cost of the Medicare Part B premium.

If a retiree and/or his/her dependents are enrolled in a CalPERS health plan and the state's health care contribution is greater than his/her monthly health plan premium, the retiree may receive reimbursement for that excess to offset his/her monthly Medicare Part B premium. Reimbursement eligibility depends on the health plan elected. If the retiree is eligible for reimbursement, that reimbursement will be provided in his/her monthly retirement check.

Employee Notification

To assist campuses in communicating this change in retiree health benefit coverage to employees, Human Resources Administration has prepared the attached information sheet "Change in Retirement Health Benefit Coverage." Please make sure your employees are notified of this important change to their benefit program by distributing this information.

CSU Retiree Notification

For your information, CSU and CalPERS recently sent current CSU retirees a joint letter describing the change in law. Retirees were informed that effective January 1, 2001, they must coordinate Medicare benefits with their CalPERS-sponsored health benefits upon becoming Medicare eligible. For CSU retirees who became Medicare eligible prior to January 1, 2001, CSU was successful in negotiating a "grandfather" clause with CalPERS that allows these CSU retirees to remain in their "basic" CalPERS health plan if they so choose. It was critical to CSU that our retirees not be placed in the position of being required to pay steep penalties to enroll in the federal Part B Medicare program as the result of a change in the law, especially in this time of increasing health care premiums.

Contact Information

Information regarding Medicare may be found in the CalPERS' publication Understanding Medicare and Your CalPERS Health Benefits. Questions may be directed to:

Social Security Administration
1-800-772-1213
www.medicare.gov

Medicare eligibility, enrollment, benefits, and costs

CalPERS
1-800-237-3345
www.calpers.ca.gov

CalPERS health benefits eligibility and enrollment

If you have questions regarding this information, please contact Pamela Chapin in Human Resources Administration at (562) 951-4414 or you may email her at pchapin@calstate.edu. This memorandum is also available on the Human Resources Administration's web site at: <http://www.calstate.edu/tier3/HR-Adm/memos.html>.

CR/pc

Attachment

**INFORMATION SHEET
PLEASE READ CAREFULLY
CHANGE IN RETIREMENT HEALTH BENEFIT COVERAGE**

The California Public Employees' Retirement System (CalPERS) recently notified the California State University (CSU) of legislation that impacts your CalPERS-sponsored health benefits after you retire and subsequently become eligible for Medicare.

Previously, State law provided CSU retirees and their enrolled dependents, who are eligible for federal Medicare insurance benefits, the option of remaining enrolled in a "basic" health benefits plan. However, legislation passed that eliminated this option for CSU retirees enrolled in CalPERS health programs. **CSU employees who subsequently retire and become eligible for Medicare effective January 1, 2001 or later, no longer have the option of remaining in a "basic" health plan but will be required to coordinate their federal Medicare benefits with their CalPERS health program benefits. Retirees will be required to enroll in their health plan's Medicare plan upon becoming Medicare eligible to remain enrolled in the CalPERS Health Benefits Program.**

Background

For your information, we would like to highlight the difference between the "basic" CalPERS health plan and the Medicare health plan. The "basic" plan is a standard health benefit plan that is not coordinated with federal Medicare benefits. A Medicare plan is a health benefit plan designed to be coordinated with federal Medicare benefits. For Medicare plan enrollees, Medicare is considered your primary insurance and your CalPERS-sponsored health plan is considered your secondary insurance. Each CalPERS health plan option provides a "basic" plan and a Medicare plan. The various CalPERS-sponsored Medicare plan choices are described in your annual CalPERS Health Program Information package.

Federal Medicare consists of two programs: Part A, Hospital insurance, is provided to eligible retirees at no monthly premium cost and Part B, Medical insurance, is provided at a monthly cost that is \$50, effective January 1, 2001. (Part B premium rates are periodically adjusted by the federal government.) Generally, retirees become eligible for Medicare at age 65. Please note that individuals may not be eligible for Medicare in their own right, but may be eligible through a spouse (former, deceased, or current, etc.). Eligibility through another person constitutes eligibility for Medicare. For specific individual eligibility information, please contact Social Security Administration directly at (800) 772-1213.

State law now requires CSU employees who retire and who become eligible for Medicare January 1, 2001 or later, to coordinate their Medicare benefits with their CalPERS-sponsored health benefits. Retirees must contact CalPERS upon becoming Medicare eligible to enroll in a CalPERS-sponsored Medicare plan.

Medicare Policy

Effective January 1, 2001, once you **retire** and become eligible for Medicare, you and/or your Medicare eligible dependents can no longer be enrolled in a "basic" health benefits plan. If you and/or your Medicare eligible dependents want to remain enrolled in a CalPERS health plan, you must coordinate your Medicare benefits with your CalPERS health program benefits. To remain eligible for a CalPERS health plan, you will (1) need to enroll in the federal Medicare program and then (2) contact CalPERS to enroll in your health plan's Medicare plan. For most persons, enrollment in Part A of Medicare is automatic, but you must personally apply for Medicare Part B. **If you do not apply for Medicare Part B when you are initially eligible, you may be assessed a penalty for late enrollment.** The penalty is

10% for every 12-month period that you could have been enrolled, but were not. The penalty is compounded annually for the remainder of your life so timely enrollment is critical. Please contact Social Security (SSA) at (800) 772-1213 for Part B enrollment.

When you are retired and are a newly eligible Medicare enrollee, you can change your CalPERS health plan based on the event of "newly eligible for Medicare." Please contact CalPERS at (800) 237-3345 for CalPERS-sponsored Medicare plan enrollment information.

Please note: If you continue your CSU employment at the time you would normally become eligible for Medicare, you may delay your eligibility for Medicare until you retire. You may remain enrolled in a "basic" health plan. SSA has special rules for individuals who work (either CSU or non-CSU) beyond age 65. Please contact SSA directly for details.

Additional Information

Generally, for persons enrolled in a Medicare plan, the retiree's share of the monthly health premium is reduced; out-of-pocket co-payments in a Medicare plan are usually less than in a basic plan (review your plan's Benefit Summary in your Health Plan Decision Guide); and CSU retirees enrolled in a Medicare plan may be eligible to receive a reimbursement towards the cost of the Medicare Part B premium.

If you and/or your dependents are enrolled in a CalPERS health plan and the state's health care contribution is greater than your monthly health plan premium, you may receive reimbursement for that excess to offset your monthly Medicare Part B premium. Reimbursement eligibility depends on the health plan you elect. If you are eligible for reimbursement, that reimbursement will be provided in your monthly retirement check.

Information regarding Medicare may be found in the CalPERS' publication [Understanding Medicare and Your CalPERS Health Benefits](#). Questions may be directed to:

Campus Benefits Officer	This letter and general retiree benefit program questions
Social Security Administration 1-800-772-1213 www.medicare.gov	Medicare eligibility, enrollment, benefits, and costs
CalPERS 1-800-237-3345 www.calpers.ca.gov	CalPERS health benefits eligibility and enrollment

PLEASE NOTE: The information contained in this notice regarding Medicare eligibility and enrollment is intended only to provide you with a summary of Medicare information. For specific Medicare information, please contact your local Social Security office, call Social Security at 1-800-772-1213, or contact SSA online at www.medicare.gov.