

10 Things to Remember About Health Insurance and Retirement

November 2011

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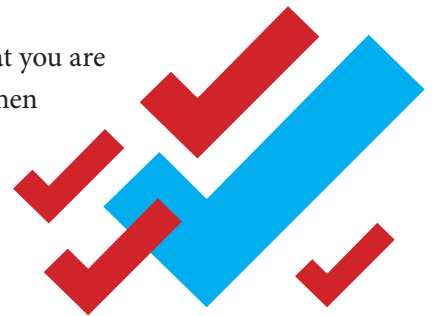
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Each year, federal employees get the opportunity to review their coverage choices under the Federal Employees Health Benefits Program and the Federal Employees Dental and Vision Insurance Program. For those thinking about retiring in the near future, it's especially important to consider your options.

Here are ten very important concepts to keep in mind.

12 **5** **3** **4** **FIVE YEAR TEST** — In order to carry FEHBP coverage into retirement, a federal employee must have been continuously enrolled (or covered as a family member) in an FEHBP plan (not necessarily the same plan) for the five years of service immediately preceding retirement -- or if less than five years, for all service since his or her first opportunity to enroll. It's important to understand exactly what this means. For example, suppose "Jerry" was rehired in 2010 as a federal employee after a 20-year break in service, and has decided to retire in 2012. Jerry is over age 62 and has more than five years of federal civilian service, including his previous service. Jerry reenrolled in FEHBP when he was rehired in 2010 and he had coverage during his previous service. Even though Jerry hasn't been reemployed for five years, he will be permitted to count his previous service towards the five-year test.

IMMEDIATE RETIREMENT — Another requirement to continue FEHBP in retirement is that you are retiring on an "immediate" retirement. This simply means that you are eligible to retire when you leave federal service -- you have met the age and service requirements for regular, early or disability retirement. An employee who resigns and is eligible to apply for a deferred retirement later, but is not old enough, or does not have enough service to retire immediately, would not be considered eligible to continue FEHBP coverage. If an employee resigns from federal service without being eligible for immediate retirement, then he or she would need to be rehired to reinstate FEHBP coverage.



72% **SHARING PREMIUMS** — One of the best things about continuing FEHBP into retirement is that the government continues to pay its share of the premium — currently 72 percent of the total. The maximum government share for 2012 is \$402.46 a month for self only and \$897.76 a month for family coverage. The individual's share of the premium for FEHBP coverage in retirement must be withheld from your federal retirement benefit. If you are going to have a very small retirement benefit, be sure you'll have enough to cover the premium.

A word of warning: Congress has been considering changing the employer share of the premium for employees and retirees, which could cause your health premiums to increase in the future. And the Postal Service has been considering leaving FEHBP, which also would affect premiums.

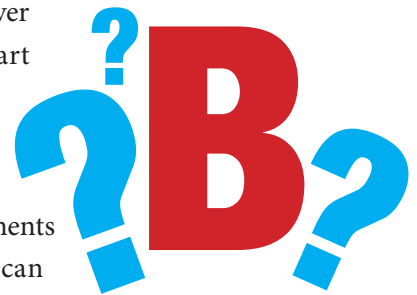
PREMIUM CONVERSION ENDS — Under premium conversion, the cost of federal employees' health insurance premiums is not considered taxable income for FICA, Medicare, federal and most state tax purposes. That provides a significant savings. But premium conversion only applies to current employees, not retirees. That said, keep in mind that if one spouse of a married couple is going to continue working after the other spouse retires, then the working spouse can continue to get premium conversion benefits.

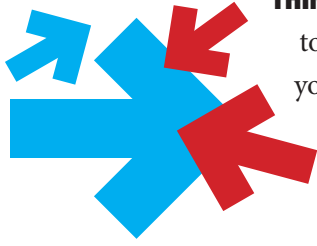


COVERING YOUR NON-FED SPOUSE — Federal retirees can enroll in self-only or self and family coverage, the same as employees. You can choose self-only coverage as a retiree and switch to self and family if your spouse loses coverage because of a change in career or employer's coverage. You also can switch from self-only to self and family coverage during the annual open season period.

Remember that for your spouse to maintain FEHBP coverage after you die, you must have self and family coverage at the time of your death, and your surviving spouse must be entitled to at least a partial survivor's annuity. The choice of a survivor's annuity is made at retirement for married retirees or within two years of the date of marriage for retirees who wed after retirement.

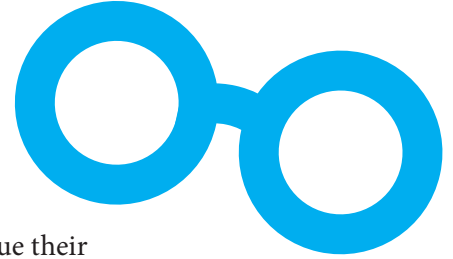
PART B OR NOT PART B? — Since most federal employees will maintain FEHBP coverage in retirement, many wonder if they even need Medicare coverage — especially Part B, which covers many outpatient expenses, such as surgery, doctor's visits, specialist care, durable medical equipment and lab work. Since FEHBP plans also cover many of these same expenses, many 65-year-olds cannot figure out why they would need Part B, with its significant additional monthly premiums. One reason is that your FEHBP plan may offer you an incentive to do so. If Medicare is your primary insurance, it will pay 80 percent of the approved amount for outpatient expenses after you meet a small deductible. This is a huge savings for your FEHBP plan, so your plan may waive its deductible, co-payments or coinsurance once Medicare becomes primary insurer. If so, in some years, these savings can outweigh the expense for Medicare Part B.





THINK TWICE ABOUT LEAVING — Many people have returned to federal service after leaving in order to reinstate their FEHBP coverage, because the benefits are so good. If you're considering ending your federal career before retirement, keep this in mind. Federal employees who qualify for voluntary early retirement have the same right to maintain their FEHBP coverage as other federal retirees as long as they meet the five-year coverage test and are eligible to retire with an immediate annuity.

DENTAL, VISION AND LONG-TERM CARE — The Federal Employees Dental and Vision Insurance Program and the Federal Employees Long Term Care Insurance Program are not part of FEHBP and have different considerations when it comes to retiring or resigning or retiring from federal service. These plans do not have a five-year coverage test. You do have to be eligible for an immediate retirement to continue FEDVIP coverage. Employees who enroll in FLTCIP may continue their enrollment even if they leave federal service prior to retirement.



RELOCATING IN RETIREMENT — If you are covered by a regional FEHBP plan, you may need to change plans when you relocate. This is permitted even if it is not open season at the time of your move. This is mainly a concern if you are enrolled in an HMO type of plan. If you are covered by a national plan such as Blue Cross Blue Shield Basic or Standard Option, you must wait for open season to change plans, even if you do relocate. Are you considering moving from a large metropolitan area to the mountains, beaches or just a smaller town? Keep in mind that while there won't be as many people, traffic or other inconveniences associated with life in the big city, there also won't be as many doctors and facilities for health care. Many areas in the United States are not served by local HMOs.



WHICH ONE IS BEST? — Many employees and retirees ignore open season and stick with the same health plan year after year and into retirement. But you might be able to save hundreds or even thousands of dollars by spending a few hours exploring your options. The Office of Personnel Management has tools to help you at www.opm.gov/insure. In the process, you will become a more informed consumer and will be able to make better choices for your health care as you continue your career in federal service and eventually retire.

