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TO: Local Presidents

FROM: Robyn Kaplan-Cho, Retirement Specialist

RE: Health insurance option for retired teachers who will be not be eligible for Medicare at age 65

DATE: February 7, 2008

As you may know, the vast majority of retired teachers in Connecticut do qualify for Medicare upon reaching age 65. However, there still are some retired teachers (or soon-to-be retired teachers) who will be ineligible for Medicare at age 65 because they do not have the requisite 40 credits of social security and/or Medicare or they are not or were not married to anyone who earned the 40 credits.

Typically, retired teachers in this situation stay with their former district's active teacher health care plans even after they turn age 65, a right provided to them by statute (C.G.S. Section 10-183t(b)). In such a case, the retired teacher continues to pay the group rate minus the monthly subsidy (currently \$110) sent to the district by the State Teachers' Retirement Board (STRB). However, the purpose of this memorandum is to remind Medicare-ineligible retirees that another option for insurance does exist. Specifically, any retiree who is age 65 or older but does not have the necessary credits for Medicare can actually purchase Medicare Part A, the hospital portion of Medicare, (and then also Part B and a Medicare supplement plan). This differs from Medicare-eligible retirees in that the latter individuals do not have to pay a premium cost for Part A since they (or their spouse) paid the Medicare tax and thus earned the 40 credits. The ability to purchase Part A is not new, but in the past, the cost of purchasing it has been cost prohibitive. Consequently, most retired teachers who were Medicare-ineligible chose to stay with their former district's health insurance plans.

However, due to the rapidly increasing costs of these district plans, Medicare-ineligible retired teachers may want to reconsider whether purchasing Part A (and Part B and the Medicare supplement plan) may in

the long run end up being more financially beneficial than previously had been the case. First, the monthly cost of Part A may now be closer to the cost of district plans, particularly if the retiree has at least 30 credits. For example, a retiree with at least 30 credits but less than the required 40 credits would pay \$233 monthly for Part A. In addition to the Part A cost, just like Medicare-eligible retirees, the retiree would then purchase Part B (\$96.40 per month in 2008 for most retirees although those with higher incomes may pay more) as well as the STRB's Stirling & Stirling Medicare supplement plan (\$137 per month in 2008 for the full plan including dental, vision and hearing). Thus, the total monthly cost in 2008 for a retiree with 30 but less than 40 Medicare credits would be \$466.40. However, a retiree with fewer than 30 Medicare credits would pay a monthly Part A premium of \$423 in 2008 in addition to the \$96.40 (or more, depending on income) for Part B and the \$137 for Stirling & Stirling, for a total monthly cost of \$656.40.

Second, and perhaps most importantly, federal law provides that within certain parameters, any Medicare ineligible retiree who pays the Part A premium on their own for at least seven (7) years would no longer have to pay the Part A premiums from that point forward. As a result, after seven years, the ineligible retiree would have the same Medicare cost as a Medicare eligible retiree would.

It continues to be the individual choice of the Medicare-ineligible retiree as to which health insurance option is best so each retiree should thoroughly analyze the cost issues (premiums, co-payments, deductibles) and the potential impact on medical services related to staying in the local plan versus joining Medicare. CEA does not make a recommendation either way, but we do feel that it is important that Medicare ineligible retirees at least are made aware of this additional option. Furthermore, retired members also should confirm through their local Social Security Administration office that they meet the criteria for receiving cost-free Medicare Part A after paying the premiums for seven years.

Please feel free to contact me with any additional questions.