

Medicare Rules You Need to Know

Understanding the Medicare system that serves as the primary health insurer for almost everyone in this country who is 65 or older is vital in planning your health insurance needs. If you are approaching that age, you should start familiarizing yourself with the system before you retire. You need to know how the various parts of Medicare work, how they relate to the supplemental insurance policies known as Medigap, and how these interact with your workplace group insurance plan. In addition, understanding the relationship between Medicare and your group health policy becomes more important and more complicated if your spouse is covered

under your plan at work. HIPAA, COBRA and CalCOBRA provisions may determine the availability of his or her coverage.

Moreover, making a mistake in your coverage can be costly. Frequently individuals neglect to enroll in the coverage they need only to discover this fact when confronted with large unpaid medical bills. It's equally common to see people maintaining expensive policies that provide few benefits because they duplicate Medicare coverage.

Unfortunately the rules that govern Medicare can not be reduced to a few memorable rules of thumb. Since a large number of personal variables produce an even larger

number of potential scenarios, it's up to you to work out your options. Variables to consider include the size of the firm in which you work, whether you will continue to work or not, whether your spouse is covered under your employer's health plan, and whether you have experienced a disability before the age of 65. The table below summarizes these relationships, but further explanation is necessary.

If You Retire at Age 65

For most people who retire on their 65th birthday, there are a set of choices to be made. Assuming you have contributed the

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New Level Premium Term Life Policy

The Group Insurance Trust has selected the ING Association Group Level Term Life Insurance program as a new program offering available to CalCPA members beginning June 1, 2008. For the many members already enrolled in the Affinity 2000 Individual Yearly Renewable Term Life policy, the new plan may be used as a supplement to achieve higher levels of coverage. For those without a term life policy, this offering represents a great opportunity to purchase an economical plan from a highly rated provider. Both

plans are underwritten by ReliaStar Life Insurance Company, a member of the ING family of companies.

This new Group Term Life coverage policy will be available for qualifying members on a simplified issue basis for a limited time only. Members under the age of 55 applying for \$100,000 in coverage can qualify without a medical exam if they have a satisfactory health history. Those seeking enrollment after the special offer deadline, higher levels of coverage—from \$150,000 to \$1,000,000 in \$50,000 increments—and

coverage beyond the age of 55 can qualify as well but are subject to more health requirements. Those whose personal and family health histories meet more stringent requirements can qualify for special preferred rates.

This new insurance benefit is available to CalCPA members, employees of member firms, spouses, and domestic partners. All applicants must be actively at work or able to conduct the normal activities of a person of like age and gender.

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Because this is a level term policy, the premiums won't change unless the insurer changes rates for all subscribers. Policies are issued for either 10- or 20-year terms, depending on the enrollee's age, with rates reflecting gender and the amount of insurance. In addition, there are three rate categories: Tobacco, Preferred Non-Tobacco, and Super-Preferred Non-Tobacco.

At the end of the original term, subscribers can re-enroll (subject to maximum age) with proof of good health. If proof is deemed insufficient, subscribers can enroll at the five-year age bracket rates for their then-current age.

The Group Insurance Trust will be sending information about this new offering to CalCPA members in May. The simplified issue offer will only be available for a limited time, so watch for the information and act promptly. If you have questions, please call the Trust's administrator, Seabury & Smith at (800) 824-1154. ♦

A Note from Susan Young, Executive Director

The Group Insurance Trust recently celebrated its tenth anniversary as a Multiple Employer Welfare Arrangement (MEWA), and though it didn't show up on the nightly news, the achievements of the Trust over the decade have been remarkable. One of only a handful of MEWAs operating in California, the program has been uniquely successful in providing a growing line of high quality group health insurance plans.

The Trust now offers six ProtectPlus copay plans, two ProtectPlus HSAs, a group vision plan, and a group dental plan. These plans are specifically designed to provide maximum coverage of the benefits most used by CPAs and some valuable features not found elsewhere. They are available to solo practitioners, and they provide spouse and dependent survivor benefits. They also allow dependent children to continue coverage until the age of 25 even if not enrolled in college.

If you haven't gotten a quote for these plans, don't wait. You can find a summary of each plan and get an instant quote online (www.cpaprotectplus.com). What you won't see online, though, is the high level of care provided by the Blue Cross network and the personal help of Seabury & Smith Insurance Program Management in navigating the claims process.

Also, keep in mind that the ProtectPlus health plans are only a part of the CalCPA Group Insurance Trust program. For the last 50 years the Trust has been providing member firms with a full array of employee benefit plans. At present these include two group CaliforniaCare HMO plans, a group long-term disability plan, and a group term life plan. There are also individual term life and accident plans available. Make the CalCPA-sponsored Group Insurance Trust your first stop when looking for benefits to meet your and your employees' needs. It may be you won't have to look any further. ♦

Delta Dental, VSP Extend Coverage

Two valuable features previously available only to ProtectPlus health plan members—"rights of survivorship" and coverage for non-student dependents—are now standard elements in the Group Insurance Trust's Delta Dental and Vision Service Plans. This change was made effective January 1, 2008.

Unique to CalCPA-sponsored insurance plans, rights of survivorship means that if

a plan member dies, his or her eligible dependents have the option of continuing coverage. Surviving dependents are considered their own employer group and are billed monthly at their place of residence. This is a particularly valuable benefit to solo practitioners who, by law, do not qualify for continuation coverage under COBRA or CalCOBRA. Eligible dependents who do qualify for COBRA and/or CalCOBRA must first exhaust those benefits but then may elect rights of survivorship.

For a spouse, coverage can continue until he or she is eligible for Medicare, remarries, or is eligible for other group coverage. Dependent children carrying at least nine units may continue coverage through age 24.

Coverage for non-student dependents applies to children of subscribers 19–25 not in school but still financially dependent on their parents. Under the new rules, these children, who do not qualify for conventional dependent coverage, can maintain their dental and/or vision plans as single subscribers until their 25th birthday. ♦

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minimum amount to qualify for Social Security, you will automatically receive hospitalization coverage under Medicare Part A. Other medical expenses, such as doctors' fees are covered under Medicare Part B. And though optional, subscribing to Medicare Part B is universally recommended. The small premium for this coverage is automatically deducted from your Social Security payment, or will be billed to you if you have opted to delay collecting benefits.

In addition to Medicare Parts A and B, the Social Security system gives you the opportunity to subscribe to prescription drug coverage under Medicare Part D. The complicated nature of this coverage has by now been well documented, so you should be sure to budget adequate time to

determine the policy that will serve you best. At your retirement you also have the option of choosing among many Medigap supplemental insurance policies that are designed to cover copayments, coinsurance, and deductibles at different levels. While Medigap plans are offered by private companies, they must meet specific federal and state requirements in terms of benefits. They do, however, differ in price. Deciding which, if any, Medigap policy is appropriate for you, requires both research and thought. While examining your options, keep in mind that you can't enroll in a Medigap policy if you don't enroll in Part D, but you can enroll in Part D without having a Medigap plan.

Perhaps the biggest complication for those who are retiring at 65 arises when their spouse has been covered through their workplace group policy. The extent of that problem, however, depends on the

size of the company. When a solo practitioner retires, his or her spouse will have to find insurance in the private market. Or for those with health problems, there is the additional option of a HIPAA guaranteed-issue health policy with high deductibles. The spouse of a CPA who worked in a firm of fewer than 20 employees qualifies for continued group health insurance coverage under CalCOBRA. The spouse of a CPA who worked in a firm with 20 or more employees can continue health coverage under COBRA. These continuation options must, of course, be paid fully out of pocket at a rate that is higher than the premium for an employee.

If You Continue to Work Past 65

For those who continue working beyond the age of 65, whether solo CPAs or in firms of fewer than 20 employees, the [continued on page 4](#)

The following applies to ProtectPlus policyholders. Rules for other carriers may vary.

	Solo practitioners	Firms with 2–19 employees	Firms with 20 or more employees
CPA retires at 65	Medicare A is automatic. Recommend purchase of Medicare B, D, and Medigap	Medicare A is automatic. Recommend purchase of Medicare B, D, and Medigap	Medicare A is automatic. Recommend purchase of Medicare B, D, and Medigap
Spouse under 65	Must find private coverage or HIPAA	Eligible for group coverage under CalCOBRA	Eligible for group coverage under COBRA
CPA continues to work after 65	Medicare A is automatic. Recommend purchase of Medicare B, D, and Medigap, and dropping group plan	Medicare A is automatic. Recommend purchase of Medicare B, D, and Medigap, and dropping group plan	Group plan provides primary coverage. Medicare A is automatic.
Spouse under 65	Continues in ProtectPlus plan and billed at own rate	Continues in ProtectPlus plan and billed at own rate	Continues in ProtectPlus plan and billed at own rate
CPA under 65 but qualifies for permanent disability	Medicare coverage	Medicare Coverage	Medicare coverage
Spouse under 65	Must find private coverage or HIPAA	Eligible for group coverage under CalCOBRA	Eligible for group coverage under COBRA

CalCPA-Sponsored Plans

Get information now! For more information on the following CalCPA-sponsored plans, please complete this card and fax it back to **(650) 802-2249**.

Individual Plans

- Individual Term Life Coverage
- Individual Personal Accident Protection

Employer Group Plans

Information and premium rates for Employer Group Plans are available online at www.cpaprotectplus.com

- CPA ProtectPlus Health Plan

(Please indicate number of permanent employees working more than 20 hours per week _____.)

- Group Dental Plan
- Group Long-Term Disability Plan
- Group Term Life Plan
- Group Vision Service Plan

Professional Liability Coverage

More information is available at www.camico.com

- CAMICO

Please Print

Name _____

Firm Name _____

Address _____

City _____

State _____

Zip _____

Phone Number _____

No. of Professionals in Firm _____

For further information about
CalCPA-sponsored plans,
fill out and send this card to:

**CPA Focus Editor
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California Society of CPAs
1235 Radio Road
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Or fax this form to:

(650) 802-2249

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Group Insurance Trust strongly recommends subscribing to Medicare Parts B and D and purchasing a Medigap policy. Since Medicare will be your primary payer of claims, you will receive few if any benefits from retaining your group coverage. However, if you are employed at a firm with more than 20 employees, the opposite generally holds true. Since your group plan qualifies as the primary payer, and thus is billed before Medicare, you should retain your group coverage. In this circumstance, you can also delay purchasing any optional Medicare and Medigap plans until you do finally retire.

If your spouse has been covered on your group plan and you continue working, then for solo practitioners with ProtectPlus, the choice is simple. As long as you continue working, the plan allows your

spouse to stay enrolled and be billed at the rate that applies to his or her own age. If you are with another carrier, your spouse may have to seek private coverage on the open market or take a HIPAA plan. If you are employed at a firm with fewer than 20 employees and not insured by ProtectPlus, your spouse may qualify for an extension of health coverage under CalCOBRA, while if you are employed at a firm with 20 or more employees and covered by a plan other than ProtectPlus, he or she can get an extension through COBRA. ProtectPlus participants should refer to the chart on page three for continuation options.

If You Are Disabled

If you are disabled and qualify for Social Security Disability Income (SSDI), you may also be eligible for Medicare benefits. Unfortunately, the Social Security Administration doesn't begin paying SSDI benefits until five months after your application is

approved. You must then wait another 24 months before Medicare benefits begin, and these benefits may not cover some of the services you need. In addition to replacing your lost earnings, this is another reason why long-term disability insurance is so highly recommended by financial planners and insurance professionals.

If you are disabled and your spouse was previously covered under your workplace group plan, he or she may qualify for COBRA or CalCOBRA depending on the size of the firm, or might need to find a private carrier. A HIPAA policy may be available as a last resort.

The difficulty and discomfort in contemplating these scenarios may explain why so many people fail to do adequate planning. On the other hand, a quick overview of the complexities and consequences involved can act as a spur. ♦



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