What is retiree employer-sponsored insurance (ESI)?

- Group health insurance for retirees provided through either their own or a spouse’s former employer
  - May cover dependents
  - May be subsidized
  - May differ for retirees under and over 65
  - May differ for active workers and retirees
Who has retiree ESI and what are the trends?

- Retiree coverage is associated with firm size
- Offers for coverage declined over the last 2 decades
- ESI is offered to younger retirees more often than to Medicare-aged retirees
- Premiums and cost-sharing are increasing
- Speculation is that by 2031, employers will pay less than 10% of total retiree medical expense
What are the issues?

- Coverage is voluntary and may change at any time
- ESI for retirees is expensive
- Benefits are eroding
- If a company files for bankruptcy, retirees may lose ESI coverage
- If retiree ESI coverage ends, other doors may be closed
How does retiree ESI coordinate with Medicare?

- Every plan is different – difficult to generalize
- Possible retiree ESI plan features
  - Limit coverage to only those services not covered by Medicare (i.e. dental, vision)
  - Duplicate Medicare coverage and only pay deductible and cost-sharing
  - Require out-of-pocket spending before paying for services
  - Limit coverage to in-network providers
How do different types of ESI plans affect coordination with Medicare?

- **Fee-for-service plan**
  - Retiree ESI generally pays deductible and cost-sharing, and may provide additional services beyond Medicare

- **HMO or PPO**
  - Retiree ESI limits coverage of care to network providers
  - If enrollee goes out-of-network, Medicare pays its share for services with enrollee paying increased or all other costs

- **Employer-Sponsored Medicare Advantage Plan**
  - Retiree ESI only pays for covered care within the MA plan
Should retirees with ESI buy Part B?

- **Maybe**
  - Some employers require retirees to buy Part B
  - Buying Part B may provide out-of-network options for enrollees in an HMO

- **Maybe not**
  - Part B may duplicate services already covered by ESI
  - Some beneficiaries pay the high income Part B premium

- **BUT…** there is a Part B late enrollment penalty
Should retirees with ESI buy Part D?

- Probably not
  - If the ESI provides “creditable coverage” for Rx
    - When, and if, ESI coverage ends, retirees can enroll in Part D with no penalty
  - Also, employers may be eligible for a subsidy for providing creditable coverage
Conversely, should retirees with Medicare buy ESI?

- Yes
  - If Medicare only covers some health care services and has no catastrophic cap
- No
  - If the retiree’s share of the ESI premium is expensive and the plan covers little or no more than Medicare covers
Example: Federal Employees Health Benefits and Medicare

- Medicare pays first; FEHB pays deductible and cost-sharing
- Some services covered only by FEHB (vision, dental, annual check-ups, catastrophic cap)
- FEHB reimburses providers no more than the Medicare rate, regardless of whether or not the retiree is enrolled in Medicare
- Enrollees in a FEHB HMO can enroll in Part B and go to any Medicare provider, not just those in their FEHB HMO network
- Medicare automatically coordinates with FEHB
- All FEHB plans are considered to have creditable drug coverage
- FEHB plan may offer incentives to enroll in Medicare
When does ESI pay before Medicare?

- ESI is generally the **primary** payer for individuals covered through their own or a spouse's current employment.
- AND the rules vary by group:
  - Working Aged
  - Disabled
  - End-Stage Renal Disease