

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

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 For Information Only

DEPARTMENTAL PERSONNEL MANUAL SYSTEM

DPM BULLETIN NO. 831-9

DATE: DEC 8 1982

SUBJECT: Medicare Coverage for Federal Employees

Recent legislation extended to Federal employees the hospital insurance portion of the Medicare provisions of Social Security, effective January 1, 1983. The law stipulates only that Federal employees who are in service on January 1, 1983, and have sufficient quarters of service will be grandfathered into Medicare Part A. We have been informally advised by the Health Care Financing Administration (HCFA) that interpreting regulations will not be issued until sometime next year. However, HCFA has determined that as long as an employer/employee relationship exists on January 1, 1983, a Federal employee would be eligible for Medicare under the new law if he or she meets the service requirements. The amount of service needed varies with age and other factors and may be based on a combination of Federal service and Social Security quarters. An employee could retire close of business January 1, 1983, (a Saturday) and be eligible. However, potential retirees should be reminded that annuities for voluntary retirements do not begin until the first day of the month following retirement. Retirement effective January 1, 1983, would result in eligibility for Medicare but the employee would not receive his or her first annuity check until March because annuity would not begin to accrue until February 1, 1983. Although nothing has been issued in writing on the Medicare eligibility policy as of yet, HCFA advises that a fact sheet will be published, hopefully before the end of the year, which will answer many questions.

On December 3, 1982, Mr. Mark Tracy of the Social Security Administration (SSA) met with a group of Federal employees to discuss the Medicare provisions. Although SSA is not responsible for issuing the eligibility regulations, Mr. Tracy was able to provide some information that will be useful in explaining the Medicare program to employees.

Generally speaking, employees (whether active or retired) become eligible for Medicare at age 65. Disabled people under 65 who have been entitled to Social Security disability benefits for 24 or more months are also eligible for Medicare. Insured workers and their dependents who need

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dialysis treatment or a kidney transplant also have Medicare protection. The Medicare program is divided into two parts - Part A, hospital insurance and Part B, medical or outpatient insurance. Part B is not funded from the Social Security Trust Fund but rather from general revenues. As such, anyone is eligible at age 65, whether or not he or she is otherwise covered by Social Security. People who elect to have Part B insurance pay a small premium (currently \$12.20 per month) and, after a \$75 deductible, are reimbursed for 80 percent of their covered expenses (does not include prescriptions). Since Federal employees are already eligible for Part B, the new legislation had no impact on this coverage.

Part A of Medicare is funded by the Social Security Trust Fund and provides for inpatient hospital insurance. A person qualifies for this coverage based on personal eligibility for Social Security or as the spouse of an eligible. Since many Federal employees qualify one way or the other, Congress extended the tax for this benefit and made all Federal employees eligible when they meet the age or other requirements. The tax is 1.3 percent of earnings up to a maximum amount per year. Maximum taxable earnings in 1982 are \$32,400. 1.3 percent represents the portion of Social Security withholdings that is currently set aside for Medicare from the pay of those otherwise covered by the Social Security tax. There is no premium for Part A insurance if the individual meets the eligibility requirements and has paid into the fund for the required period. The benefit has a \$260 deductible after which Medicare will pay for 100 percent of hospital expenses for the first 60 days of a period of hospitalization. If not otherwise eligible, a person can purchase this coverage at a cost of \$113 per month currently. People who buy Medicare hospital insurance (Part A) must also enroll in medical insurance (Part B). You may wish to obtain the leaflet "A brief explanation of Medicare" from a Social Security Office to answer questions about the benefit itself.

The issue of the Medicare tax cuts across many personnel programs. It is a pay issue, a health insurance issue and a retirement counseling issue. To help us deal with all these matters most efficiently, please designate one individual as your Medicare program contact for the duration of the initial implementation period. Please contact Linda Rhoads of the Personnel Policy Division, M-16, on 426-4135 with the name of your Medicare coordinator by December 16, 1982.



Director, Personnel and Training