



FREQUENTLY ASKED QUESTIONS ON MEDICARE-ONLY DIVIDED REFERENDUM

April 30, 2009

NEW LAW ALLOWS EMPLOYEE REFERENDUM TO PARTICIPATE IN MEDICARE

Who is affected? Am I already covered?

- Q1. Am I affected by the new state law allowing a divided referendum for Medicare-only (RCW 41.48.030, passed as HB 2510 in 2008)?
- A1. You may be affected if you are **not** already covered by or paying for Medicare and **all** of the following conditions are true:
- You were hired before April 1, 1986 and have been continuously performing substantial services for a local government employer, and;
 - Your employer has authorized a referendum through Washington State's Social Security Administrator (SSSA), and;
 - You are employed by the local government on the date of the referendum.
- Q2. How can I tell if I am already paying for Medicare?
- A2. Check your pay stub for a deduction from your wages for Medicare.
- Q3. If I currently pay Social Security, am I affected?
- A3. No. You should already be considered a participant and should already be paying for Medicare.
- Q4. If I started work for my current employer after March 31, 1986, does this affect me?
- A4. No. Your Medicare coverage is already mandated.
- Q5. If I am a state employee, does this affect me?
- A5. No. Your Medicare coverage is already mandated.
- Q6. I think I qualify based on the conditions listed above, but am not sure. Who should I contact to find out for sure?
- A6. Contact your employer.
- Q7. If I belong to LEOFF Plan 1, does this law affect me?
- A7. Yes; if you meet the requirements explained in Q1 above.
- NOTE:** Most local governments with LEOFF Plan 1 employees already provide for medical coverage for LEOFF 1 retirees. It may not be beneficial to you to

also pay for Medicare, depending on your specific circumstances. For more information about your specific situation, contact your employer.

Q8. If I belong to LEOFF Plan 2, does this law affect me?

A8. Yes, if you meet the requirements explained in Q1 above.

NOTE: You are a member of LEOFF Plan 2 if you were hired on or after October 1, 1977 and are a full-time, fully compensated law enforcement officer or firefighter.

Q9. If my spouse is employed and is contributing to Medicare, am I already covered?

A9. Possibly. Ask your spouse to check his or her latest Social Security statement to see if he or she has enough credit for a Social Security or Medicare benefit. If your spouse is eligible for Social Security or Medicare, you can generally get Medicare Part A based on your spouse's work, even if you have not been paying for Medicare. For more details, including application to former spouses, see the Medicare websites at <http://www.medicare.gov/> or http://www.ssa.gov/pgm/links_medicare.htm.

What is the new law?

Q10. What's different about the new law?

A10. Before the new law, referendums were an "all or none" vote. If the majority of eligible employees voted "yes" for the coverage, then all eligible employees were required to participate. If the majority voted "no," then no eligible employees could participate. HB 2510 allows a divided referendum for Medicare-only coverage to be conducted where employees are separated into two coverage groups; those who vote yes and participate and those who vote no and do not. Subsequent new employees are treated as "yes" votes and must participate in Medicare.

Q11. Where do I find more information about the new law?

A11. The new state law is RCW 41.48.030. See <http://apps.leg.wa.gov/RCW/default.aspx?cite=41.48.030>. The federal law is Section 218 of the Social Security Act (42 USC 418).

What benefits would I get under "Medicare-only"?

Q12. What benefits does "Medicare-only" coverage provide?

A12. For the purpose of this FAQ sheet, Medicare-only coverage pertains to premium-free Part A Hospital Insurance. It helps pay for in-patient care in a hospital or skilled nursing facility (following a hospital stay), and for home health hospice care. It is financed by a portion of the payroll (FICA) tax paid by some workers and their employers. To learn more go to <http://www.medicare.gov/> or http://www.ssa.gov/pgm/links_medicare.htm.

Those ineligible for premium-free Part A can purchase this coverage. The 2009 premium is currently \$423.00 per month.

NOTE: This does **not** include coverage for office visits to health care providers under Medicare Part B nor prescription drug coverage under Medicare Part D.

- Q13. If I vote “yes” and identify myself on my ballot, am I automatically eligible to receive benefits from Medicare-only?
- A13. No. You only become a participant. You and your employer will have to pay Medicare taxes. To be eligible to receive full benefits you must first meet the following minimum eligibility requirements:
- You have accrued 40 credits (generally 10 years) of Medicare-covered employment, and;
 - Attain age 65.
 - There are other limited circumstances in which Medicare entitlement may be obtained. For details, see <http://www.medicare.gov> or http://www.ssa.gov/pgm/links_medicare.htm.
 - You may also qualify through your spouse (or even your former spouse)(see Q9).

What would I pay to participate in Medicare-only coverage?

- Q14. How much does it cost for Medicare-only coverage?
- A14. As of 2009, the Medicare tax is 1.45 percent of your gross wages, matched by an additional 1.45 percent paid by your employer.
- Q15. If I vote “no” will I have to pay Medicare taxes?
- A15. No.
- Q16. What if I choose to become a Medicare participant and later lose my covered employment before I meet the 40 credits of paid participation requirement? Can I get my money back?
- A16. No. However, other Medicare-covered employment elsewhere would be added to total employment to determine if you had sufficient Medicare work credit.

What is the procedure for a divided referendum for Medicare-only coverage?

- Q17. What should I do if I want to participate in Medicare-only coverage?
- A17. Ask your employer to request a divided referendum. Only your employer, which will have to pay half the Medicare taxes, can ask the State Social Security Administrator to hold a divided referendum on whether or not to participate in Medicare-only. To do so, the governing body for your employer must adopt a resolution requesting a divided referendum. There must be a separate referendum for each separate pension system.
- Q18. How does the referendum process work?
- A18. After adopting a resolution requesting a divided referendum, the employer develops a list of eligible employees and must provide at least 90 days notice of the referendum. (Consult the State Social Security Administrator if any eligible

employees are on military leave.) The State Social Security Administrator will provide ballots for the employer to distribute to eligible employees. The ballot provides that those who vote “yes” and voluntarily identify themselves become participants in Medicare-only.

Q19. If I vote “yes” can I pay my coverage retroactively to increase my number of credits of paid participation?

A19. Generally no, because you and your employer have to pay payroll taxes on your coverage and your employer may choose to make coverage prospective (for the future) rather than retroactive. However, your employer may agree to set the effective date of the Medicare coverage retroactively (within limits) if it chooses. If you vote to join Medicare coverage, your participation would be effective retroactive to this date.

RCW 41.48.030(c) states that the effective date can be no earlier than January 1 of the year before the federal Social Security Administration accepts the modification to the state agreement. For most elections in 2009, this would be January 1, 2008. However, the federal Social Security Administration has advised that coverage cannot be retroactive before June 12, 2008, the effective date of this new law.

As a practical matter, except in highly unusual personal circumstances, there is no advantage to setting an early date in 2008 for retroactivity. Since 1978, credits have been based on wages rather than on quarters on the job. For 2008, credits were based on earnings of \$1,050 per credit. Thus, for example, if you earned more than \$4,200 (four credits) in the last two months of 2008, you would already receive the maximum credits even if retroactive only to November 1, 2008. Since Medicare taxes would have to be paid on retroactive coverage, neither employers nor employees may find it desirable to extend retroactivity unnecessarily. If all affected employees earned at least \$4,200 between November 1, 2008, and December 31, 2008, there may be no reason to set a retroactive date earlier than November 1, 2008.

Q20. Is retroactivity an individual choice?

A20. No. The effective date, prospective or retroactive, is set by the employer and must be determined prior to voting.

Q21. If I elect to participate in Medicare-only coverage, can I later change my mind and opt out?

A21. No.

Q22. If I elect **not** to get Medicare-only coverage, can I later change my mind and opt in?

A22. Yes, under limited circumstances.

Q23. Who is the State Social Security Administrator (SSSA)?

A23. The Employment Security Department (ESD) has administered this program for the state since 1951. The Governor has reassigned this authority to the Department of Retirement Systems (DRS), effective July 1, 2009. Until then, ESD is the SSSA.