

**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
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**MEMORANDUM**

DATE: March 3, 2006

TO: OPERS Retirement Board Members

FROM: Doug Foust

RE: **IV. Action Items:**  
**A. Medicare B Premium Reimbursement Language**

Action Requested: Staff is seeking the Board's support to amend H.B. 272 in a manner that would give the Board authority to determine the amount paid by the retirement system toward the benefit recipient's Medicare Part B premium.

**Background**

There are essentially two mandated Health Care benefits in Ohio Law. The proposed action item before the Board affects only one, ORC Section 145.58(C), which requires that OPERS reimburse eligible recipients for the Medicare Part B basic premium. This law applies equally to all Medicare eligible benefit recipients. As written in 1977, it is a mandated health benefit with a cost that increases each year and over which the Board has no control. This treatment makes it unique within OPERS health care benefits.

**Discussion**

Legislation for reimbursement of the Medicare Part B premium became effective in 1977 for all five systems. Since then, SERS sought a legislative change in 1988, STRS did so in 1991, and HPRS had its law changed in 1994. The result for these systems is that they each have limits and/or board control over the amount they pay each year for Medicare Part B. As a result, they are able to control this component of their health care expenses as much as any other portion.

Following the recent review of Ohio Police and Fire by ORSC and their subsequent recommendations, OPERS has been asked about our interest in a change as well.

Staff's assessment is that the timing is favorable for gaining support for a change to the 1977 legislation.

### Recommendation/ Decision Points

Rather than following the direction of the Centers for Medicare and Medicaid Services each year and raising our reimbursement to meet their cost, we propose that the Board should establish an amount each year as a part of the current rate setting. By tying Medicare Part B reimbursement to the rest of our rate discussion and actions, the Board can manage this significant cost (9% of Health Care in 2006) just as it does all other health care costs, and can do so all at the same time. Staff will be responsible for providing the Board each June with options for the coming year reimbursement including cost projections. The OPERS Medicare B reimbursement amount can then be announced during open enrollment like all other rate changes.

Staff respectfully requests that the board support seeking a legislative change for ORC Section 145.58(C). Two Options are presented. Both include a final sentence that addresses the issue of those who actually pay less than the amount approved by the Board for that year, and provides authority to remedy the situation.

### **Ohio Revised Code Section 145.58(C)**

**Option One:** (modeled after HPRS with cap if recipient is paying less than full premium)

The board shall, beginning the month following receipt of satisfactory evidence of the payment for coverage, pay monthly to each recipient of service retirement, or a disability or survivor benefit under the public employees retirement system who is eligible for medical insurance coverage under part B of Title XVIII of "The Social Security Act," 79 Stat. 301 (1965), 42 U.S.C.A. 1395j, as amended, an amount ~~equal to the basic premium~~ determined by the board that shall not exceed the amount paid by the recipient for such coverage, except that the board shall make no such payment to any ineligible individual.

At the request of the board, the recipient shall certify to the retirement system the amount paid by the recipient for coverage described in this division.

**Option Two:** (same as Option One, but setting the 2006 premium as a "floor" except if recipient is paying less than full premium)

The board shall, beginning the month following receipt of satisfactory evidence of the payment for coverage, pay monthly to each recipient of service

retirement, or a disability or survivor benefit under the public employees retirement system who is eligible for medical insurance coverage under part B of Title XVIII of "The Social Security Act," 79 Stat. 301 (1965), 42 U.S.C.A. 1395j, as amended, ~~an amount equal to the basic premium for such coverage~~, except that the board shall make no such payment to any ineligible individual. The amount of the payment shall be determined by the board and shall not be less than the basic premium for the coverage in effect on January 1, 2006, or, if the recipient is paying less than the basic premium in effect on January 1, 2006, the amount paid by the recipient for the coverage.

At the request of the board, the recipient shall certify to the retirement system the amount paid by the recipient for coverage described in this division.

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#### Additional Information Regarding Medicare A Health Coverage

As stated previously, there are two health care benefits mandated in Ohio Law. This memo so far has dealt only with 145.58(C), which covers Medicare Part B.

The second mandated coverage is in Section 145.325, which requires the system to provide coverage comparable to Medicare Part A (hospitalization) to persons whose working career under OPERS prevents them from qualifying for free Medicare Part A under Social Security. As such, it provides parity; It makes life-long Ohio public servants equal with their counterparts who have worked under the Social Security system.

The current Medicare A language also includes a requirement that the system pay 50% of the spouse premium. This spouse element represents a unique treatment in that spouses of other OPERS benefit recipients are not guaranteed the same benefit. HB 272 seeks to change the requirement for this spouse benefit from 50% to a percentage determined by the Board, while keeping the requirement that the system provide Part A-like coverage to the actual OPERS retiree. In so doing, it brings this part of the law in step with our Health Care Preservation Plan.

The action we are seeking with the Board in this memo has no affect on Medicare Part A coverage. The proposed Board action only affects the Medicare Part B reimbursement.