

# Benefits Bulletin

FOR RETIRED MEMBERS OF LOS ANGELES FIRE & POLICE PENSIONS

## Comparing Subsidy Benefits Among Members

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There are several factors that impact a retired member's subsidy benefit: age, years of service, number of dependents covered, health plan selected, and health plan sponsor. In the last issue, we covered the basic subsidy entitlement and calculation, and discussed how the maximum benefit is provided equally to all LAFPP retirees based on age and years of service. Would it surprise you to know that the amount of subsidy LAFPP provides to pensioners varies between similarly situated Fire and Police retirees? In this issue, we'll discuss the additional factors that determine your subsidy benefit and illustrate how the health plans to which you have access affect the amount of subsidy that is available to you.

As an active duty department member, your benefits are negotiated through your union. You have access to the same health plan options as other sworn active employees in your department because that is what is provided in your negotiated Memorandum of Understanding (MOU). When you retire, you are recognized by the City as a retired member of LAFPP and no longer bound by your union's MOU. LAFPP administers the same retirement benefits for all members based on tier and eligibility (as described in your

summary plan description) regardless of your previous employing department. LAFPP provides your retirement benefits, specifically the health insurance subsidy, per the Los Angeles Administrative Code and according to LAFPP Board policies. If eligible, you can receive your health insurance subsidy benefit through one of two options:

1) By enrolling on your own in a state-regulated plan and participating in LAFPP's Health Insurance Premium Reimbursement (HIPR) program. This is an excellent choice for members who want the freedom to choose their own health plan. The HIPR program also allows members to enroll as dependents on their spouse or domestic partner's health plan, shop around for plans that meet their specific needs, and subsidize health benefits provided by another employer. Participants may reside anywhere in the U.S. and submit claims for reimbursement of their paid premiums on a quarterly basis.

OR

2) By enrolling in a Board-approved plan through an approved health plan administrator. The current organizations offering Board-approved health plans

are: Los Angeles Firemen's Relief Association (LAFRA), Los Angeles Police Relief Association (LAPRA), and United Firefighters of Los Angeles City (UFLAC). This option provides members the convenience of having their subsidy paid directly to the health plan sponsor and any out-of-pocket premium costs automatically deducted from their pension check each month. However, the ability to enroll in any of the plans sponsored by LAFRA, LAPRA, or UFLAC ("Associations"), depends on each organization's by-laws, your former employing Department, and any conditions imposed by their respective health insurance carriers.

Retirees have had access to the same health plan sponsors since the subsidy benefit was established in the 1970s. Fire Department retirees may only enroll in plans sponsored by LAFRA or UFLAC. Police Department retirees may only enroll in health plans sponsored by LAPRA. Each Association independently negotiates the benefit levels for their respective health plans and charges different premiums. Depending on your health plan sponsor, you may be eligible for the same amount of subsidy as another member with the same years of service and your out-of-pocket

(continued from page 1)

cost could be very different in comparison due to the differences in plan premiums.

Retired members who are entitled to the same subsidy amount may be benefiting

from the subsidy program. For illustration purposes, let's suppose Larry, a retiree with 25 years of service, is eligible for the maximum non-frozen subsidy and is enrolled in a PPO plan covering both him

and his spouse. As you can see in the chart below, Larry would experience different out-of-pocket premium costs based on his access to plans sponsored by LAFRA, LAPRA, or UFLAC.

**PPO Two-Party Plans**

	Non-Medicare						Medicare		
	(Larry & Spouse are both under 65)			(Larry is over 65 w/Medicare A/B/D, Spouse is under 65)			(Larry & Spouse are both over 65 with Medicare A/B/D)		
	FIRE		POLICE	FIRE		POLICE	FIRE		POLICE
	(LAFRA)	(UFLAC)	(LAPRA)	(LAFRA)	(UFLAC)	(LAPRA)	(LAFRA)	(UFLAC)	(LAPRA)
Premium	\$1,564.66	\$2,082.16	\$2,002.38	\$1,271.66	\$2,007.43	\$1,633.38	\$ 978.66	\$2,007.43	\$1,257.89
Subsidy	\$1,564.66	\$1,627.73	\$1,627.73	\$1,147.71	\$1,510.10	\$1,412.54	\$ 854.71	\$1,510.10	\$1,223.70
Out-of-Pocket	\$ 0.00	\$ 454.43	\$ 374.65	\$ 123.95	\$ 497.33	\$ 220.84	\$ 123.95	\$ 497.33	\$ 34.19

Additionally, as a member transitions from a non-Medicare plan to a Medicare plan, their out-of-pocket cost usually changes. Members who are enrolled in single-party PPO plans seem to experience higher out-of-pocket costs when they have Medicare. The following chart shows how the out-of-pocket cost changes for Anna, a retiree with 25 years of service, depending on her Medicare enrollment status.

**PPO Single-Party Plans**

	Non-Medicare						Medicare		
	(Anna is under 65)			(Anna is over 65 with Medicare B/D only)			(Anna has Medicare A/B/D)		
	FIRE		POLICE	FIRE		POLICE	FIRE		POLICE
	(LAFRA)	(UFLAC)	(LAPRA)	(LAFRA)	(UFLAC)	(LAPRA)	(LAFRA)	(UFLAC)	(LAPRA)
Premium	\$959.46	\$1,706.66	\$945.70	\$812.46	\$660.14	\$757.70	\$ 666.46	\$983.60	\$576.70
Subsidy	\$959.46	\$1,627.73	\$945.70	\$812.46	\$660.14	\$757.70	\$ 542.51	\$542.51	\$542.51
Out-of-Pocket	\$ 0.00	\$ 78.93	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 123.95	\$441.09	\$ 34.19

LAFPP does not currently administer its own health plans and therefore is not able to negotiate lower premiums on your behalf. As health plan premiums increase each year, the Board considers increases to the maximum subsidy amount for members to apply towards the cost of those premiums. The amount necessary to provide the subsidy benefit for pensioners is drawn from the LAFPP pension fund. This is an important consideration since many members are living longer than previous generations of retirees.

As illustrated in the prior examples (Larry and Anna), similar plans with different premiums can result in varied subsidy amounts and out-of-pocket costs. The Board has reason to believe the current structure of the health plan program not only creates disparities among Board-approved health plan subscribers, it may also be harmful to the Plan. Because of this, the Board's Ad Hoc Committee on Retiree Health Plans is currently exploring alternatives that can provide members access to similar benefits and reduce or resolve any disparities that may exist.

## MEDICARE HEALTH INSURANCE

Medicare is the federal health insurance program for those who are age 65 and older, certain people with disabilities, and people with End Stage Renal Disease. Most major insurance carriers contract with the Centers for Medicare & Medicaid Services to provide health plans for people enrolled in Medicare. Medicare covers hospital stays (Part A), doctor visits (Part B) and prescription drugs (Part D).

## MEDICARE SUBSIDY

LAFPP has specific requirements regarding the Medicare subsidy. When you become eligible for Medicare at age 65, LAFPP requires you to enroll in Part B, as well as Part A (if there is no additional cost to you), to continue receiving a subsidy. Once your Medicare Parts A & B enrollment is confirmed, if eligible, you are entitled to a Medicare subsidy. The current Medicare subsidy maximums are \$480.41 if you did not opt-in to make the additional 2% contributions as an active member in 2011 (frozen) or \$542.51 if you retired prior to July 15, 2011 or you did opt-in to make the additional 2% contributions as an active member (not frozen). The Medicare subsidy, which is established in the Los Angeles Administrative Code, is lower because the cost of your health insurance is subsidized by the Federal government through the Medicare program.

## NON-MEDICARE SUBSIDY

Eligible retired members who are under age 65 or over 65 with Medicare Part B only are entitled to a non-Medicare subsidy. The current subsidy maximums for retired members enrolled in non-Medicare plans are \$1,097.41 if you did not opt-in to make the additional 2% contributions as an active member in 2011 (frozen) and \$1,627.73 if you retired prior to July 15, 2011 or you did opt-in to make the additional 2% contributions as an active member (not frozen).

## SUBSIDY FOR DEPENDENT COVERAGE

A member is enrolled in a multi-party plan when it includes coverage for eligible dependents, such as your spouse, domestic partner, or children. Eligible retired members may use their subsidy benefit towards the cost of a multi-party health insurance premium.



# DEFINITIONS

## WHAT IS AN OUT-OF-POCKET COST?

An out-of-pocket cost is any amount paid directly by a member. Members are responsible for the entire cost of their healthcare premiums and any associated costs for doctors visits, treatment, and prescription medications. If you are eligible for a subsidy and the amount you receive does not fully cover the amount of your premium, the resulting balance is also an out-of-pocket cost. You are responsible for paying it based on the terms agreed upon with your health plan administrator. The balance owed after your subsidy is applied towards any premium is deducted from your monthly pension payment.

As a Medicare-eligible retiree (enrolled in Medicare Parts A, B and D), when you have a dependent covered on your health insurance plan, the formula used to determine your subsidy benefit starts with the Medicare subsidy formula for the member only. The formula then refers to your non-Medicare subsidy and the lowest non-Medicare single-party premium, where the member is not enrolled in Medicare or has Parts B and D only, to maximize the amount of subsidy available for your dependent coverage. A final comparison and calculation are made to determine the total subsidy that will be applied towards your multi-party premium. This is the same formula that was put in place by the Board when the subsidy benefit was first established.

# HOW TO CALCULATE YOUR SUBSIDY BENEFIT WHEN YOU ARE ENROLLED IN ANY NON-MEDICARE PLAN OR A SINGLE-PARTY MEDICARE PLAN

## HOW MUCH SUBSIDY ARE YOU ELIGIBLE FOR?

A. Medicare subsidy maximum = \$542.51

- a) 20 or more Years of Service (YOS) = 100% of maximum: \_\_\_\_\_
- b) 15-19 YOS = 90% of maximum: \_\_\_\_\_
- c) 10-14 YOS = 75% of maximum: \_\_\_\_\_

B. Non-Medicare subsidy maximum = \$1,627.73

- a) Whole Years of Service: \_\_\_\_\_
- b) Multiplied by 4%: \_\_\_\_\_
- c) Multiplied by \$1,627.73: \_\_\_\_\_
- d) Equals your subsidy: \_\_\_\_\_



# HOW TO CALCULATE YOUR SUBSIDY BENEFIT WHEN YOU ARE ENROLLED IN A MEDICARE MULTI-PARTY PLAN WITH ONE OR MORE ELIGIBLE DEPENDENTS

## 2018 Premiums

Single-Party Plans		LAFRA	LAPRA	UFLAC
Non-Medicare / Medicare B&D Only	PPO	\$812.46	\$757.70	\$660.14
	HMO	N/A	\$795.03	\$624.99
	Kaiser	\$565.18	\$517.26	N/A
Medicare Parts AB&D	PPO	\$666.46	\$576.70	\$983.60
	HMO	N/A	\$665.03	\$622.43
	Kaiser	\$253.18	\$205.26	N/A

### STEP 1 HOW MUCH DOES IT COST TO COVER MY DEPENDENTS?

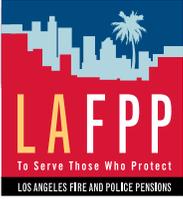
- a) Your health insurance multi-party premium: \_\_\_\_\_
- b) Minus premium if you were enrolled in a single-party non-Medicare plan: \_\_\_\_\_
- c) Equals the dependent portion of your premium: \_\_\_\_\_

### STEP 2 HOW MUCH SUBSIDY IS AVAILABLE TO COVER THE COST OF MY DEPENDENTS?

- a) Your maximum non-Medicare subsidy entitlement: \_\_\_\_\_
- b) Minus the lowest premium if you were enrolled in a single-party non-Medicare /Medicare Parts B&D only plan (see "2018 Premiums" above): \_\_\_\_\_
- c) Equals the amount of subsidy available for the dependent portion of your premium: \_\_\_\_\_

### STEP 3 WHAT IS THE TOTAL SUBSIDY FOR YOUR MULTI-PARTY PREMIUM?

- a) Available subsidy for dependent coverage (Step 2, Part C): \_\_\_\_\_
- b) Or dependent portion of premium (Step 1, Part C): \_\_\_\_\_
- c) Add the lower amount to your basic Medicare subsidy (use single-party formula) \_\_\_\_\_
- d) Equals your total Medicare subsidy benefit: \_\_\_\_\_



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## **CALCULATING YOUR OUT-OF-POCKET PREMIUM COST**

The amount you receive in subsidy cannot exceed your premium. If your subsidy is greater than your premium, then the cost is fully subsidized.

If your subsidy is less than your premium the difference is your out-of-pocket cost.

**STEP 1**    **CURRENT HEALTH PLAN PREMIUM:** \_\_\_\_\_

**STEP 2**    **MINUS YOUR TOTAL SUBSIDY:** \_\_\_\_\_

**STEP 3**    **EQUALS YOUR OUT-OF-POCKET COST:** \_\_\_\_\_

We understand that some of our members may have a unique situation not covered in this bulletin. If you have a question or would like to suggest topics for a future article, please let us know by calling the Medical & Dental Benefits Section at (213) 279-3115 or sending an email to [MDBsection@LAFPP.com](mailto:MDBsection@LAFPP.com). For more detailed information, other articles, or a copy of the previous issue, please visit our website at [www.LAFPP.com](http://www.LAFPP.com)

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In the next issue...

**Medicare Advantage vs. Medicare Supplement plans...**