Celebrating 65 (SM)
Your Road to Retirement

Harvard Pilgrim Healthcare
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What is Celebrating 65℠?

Celebrating 65℠ is an educational program developed by Harvard Pilgrim Health Care, which provides you with information on Social Security, Medicare and retirement health care options. This brochure complements the program by providing reliable, comprehensive retirement information for people who are thinking about retiring. Celebrating 65℠ can help you take a proactive approach to retirement and plan for a healthy future.

Make informed decisions about retirement!

At Harvard Pilgrim, we’ve witnessed a growing need among our members for information on how to plan for health care as they approach their retirement. We regularly answer questions about how to apply for Social Security and what type of health care options are available under Medicare.

We know you may have many similar questions about retirement and health care. In this brochure we will offer our expertise, based on more than 30 years of providing coverage to Medicare beneficiaries, to help you get the information you need. We'll provide answers to your questions about Social Security, Medicare and what health care options may be available to you. So, when you are ready to retire, you will have the knowledge that you will need to make an informed decision.

The Reality of Retirement

“In 2011 the baby boom generation will begin to turn 65, and by 2030 one in four people will be age 65 or older.” *

This brochure will help you better understand:

- **Social Security benefits and how to access them, including:**
  - How to apply for Social Security benefits
  - How do I find out what I am eligible for
  - Who is eligible for these benefits

- **How to navigate through Medicare, including:**
  - How Medicare works
  - How to apply for coverage
  - A description of Medicare Parts A and B
  - Working beyond age 65

- **Your retirement and health care options, including:**
  - Overview of the various health plans under Medicare
  - Comparison of Medicare Supplement plans versus Medicare Advantage plans
  - The difference between managed care and indemnity plans

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**As you travel down the road to retirement, you will have different paths to choose. . .**
What is Social Security?

Social Security is a comprehensive Social Insurance Program that was established in 1935 by President Franklin D. Roosevelt to protect the elderly population. Initially only retirement benefits were available. In 1939, survivor benefits were added to address the needs of the many women who did not work outside of the home. In 1956, disability benefits were added to provide protection to a worker who becomes disabled. At that time few workers had private disability insurance.

So, Social Security evolved to become much more than just a retirement benefit. Social Security is not intended to be your only source of income since it only replaces about 42% of an average wage earner’s salary. You will need to rely on other sources of income, such as insurance, investments, pensions, IRAs and savings.

The first Social Security check was issued on January 31, 1940 – 2 years early due to the Great Depression and poverty, to Ida Mae Fuller. She was 65 at the time and had paid taxes for only 3 years, for a total contribution of $24.75. She lived to be a 100 years old and eventually collected $22,888!
How credits are earned
As you work and pay Social Security taxes throughout your life, you earn Social Security “credits.” These credits determine if you are eligible to receive Social Security benefits. Currently, the maximum credits you can earn is four in a calendar year. The number of credits needed for retirement is 40.

What if I don’t qualify?
The credits you have earned will always stay on your record, even if you have stopped working. If you don’t have enough to qualify, you can add to what you have already earned later on if you choose to return to work.

Some people qualify for Social Security on their spouse or former spouse’s record. Individuals who became disabled before age 22 may qualify for benefits on a parent’s record.
What can I Expect to Get?

Example:

Mary worked from 1958 to 1968 then left her job to raise a family. She returned to the workforce for another 20 years, so her total years of employment was 30 years. Mary’s benefits will be calculated over her highest 35 years of earnings, therefore she will have 5 years of $0 calculated into her benefit.

More simply put, if Mary worked more than 35 years, Social Security will not use the years with the lowest or no income in calculating her benefits.

Many people wonder how their social security benefit is calculated. Social Security benefits are based on your lifetime earnings. Your actual earnings are adjusted or "indexed" to account for changes in average wages since the year the earnings were received. Then Social Security calculates your average indexed monthly earnings during the 35 years in which you earned the most. They then apply a formula to these earnings and arrive at your basic benefit amount. This is how much you would receive at your full retirement age - 65 or older, depending on your date of birth.

All of this information can be a bit overwhelming, but you should receive a personal earnings statement every year around your birthday once you are 25 years of age or older. It is important to check that statement for accuracy and use it as a planning tool. (See an example of a personal earnings statement on the next page).
Who CanReceive Retirement Benefits?

You can receive retirement benefits if:
• You are a worker who is at least 62 years old and has 40 credits.
• You will receive reduced benefits if you retire before your full retirement age (FRA). See the chart on page 8 for information about FRA. A person cannot collect retirement benefits before age 62.
• You are at full retirement age – you will receive full benefits.
• You are beyond retirement age – you will receive increased benefits. The delayed retirement will gradually reach 8 percent per year for those born after 1942.

You can also receive retirement benefits if you are the spouse of a worker, if:
• You are 62 and the primary worker is already collecting benefits.
• You are caring for a retired worker’s child who is either under 16 or who was disabled before age 22.
• You are a divorced spouse; if the marriage lasted at least 10 years. Your divorced spouse must be 62 or older and unmarried.
• You are a widow(er) and your spouse had sufficient coverage with Social Security – reduced widow or widower benefits can be received as early as age 60. If your surviving spouse is disabled, benefits can begin as early as age 50.

A Child of a Retired Worker can receive benefits if:
• They are unmarried and under 18, or under 19 and still in high school.
• They are unmarried and became disabled prior to the age of 22.
You are probably aware that the Full Retirement Age (FRA) is increasing. If you were born in 1937, your FRA age is 65. Each year after that, the age increases in 2 month increments. For example, if you were born between 1943-1954, your FRA would be 66. Everyone is different and has different plans for their future. Some people may want to retire at 62, while others may want to wait until they are 70 years old or older. However, there is one thing to keep in mind, if you’re considering retiring at 62 years of age, your Social Security check will be reduced. Please keep in mind that this reduction is permanent, but there is also an advantage – you can collect benefits for a longer period of time. If you do retire at age 62, you will need to check with your employer about your health care benefits. We will talk about Medicare in the next section, but in most cases you will not be eligible for Medicare until you reach 65. Some companies will cover employees on the group plan until they are Medicare eligible, yet some only offer COBRA (Consolidated Budget Recovery Act) for 18 months. COBRA provides former employees with access to group insurance at the employees’ expense.

One last thing to keep in mind …
There are certain documents you may need to provide to Social Security so they can determine how much your benefits should be. Based on each individual claim, the documents may vary. Below is a list of the possible documents needed. Don’t delay signing up if you don’t have all the necessary documents – Social Security will help you get the needed information.

Documents needed when applying for Social Security:
- Social Security number for each applicant
- Government issued identity document (drivers license, passport)
- Proof of age (birth certificate)
- Latest year’s W-2 or self-employment tax return (Schedule C/Schedule SE)
- Earnings estimate for current and next year
- Bank information for direct deposit
- Information about:
  - Marriage(s)
  - Military or railroad service
  - Other government pensions

### What is Considered Full Retirement Age?

<table>
<thead>
<tr>
<th>Year of Birth</th>
<th>Full Retirement Age (FRA)</th>
<th>% Reduction if you retire at 62</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>65</td>
<td>20%</td>
</tr>
<tr>
<td>1938</td>
<td>65 and 2 months</td>
<td>20.8%</td>
</tr>
<tr>
<td>1939</td>
<td>65 and 4 months</td>
<td>21.7%</td>
</tr>
<tr>
<td>1940</td>
<td>65 and 6 months</td>
<td>22.5%</td>
</tr>
<tr>
<td>1941</td>
<td>65 and 8 months</td>
<td>23.3%</td>
</tr>
<tr>
<td>1942</td>
<td>65 and 10 months</td>
<td>24.2%</td>
</tr>
<tr>
<td>1943 – 1954</td>
<td>66</td>
<td>25%</td>
</tr>
<tr>
<td>1955</td>
<td>66 and 2 months</td>
<td>25.8%</td>
</tr>
<tr>
<td>1956</td>
<td>66 and 4 months</td>
<td>26.7%</td>
</tr>
<tr>
<td>1957</td>
<td>66 and 6 months</td>
<td>27.5%</td>
</tr>
<tr>
<td>1958</td>
<td>66 and 8 months</td>
<td>28.3%</td>
</tr>
<tr>
<td>1959</td>
<td>66 and 10 months</td>
<td>29.2%</td>
</tr>
<tr>
<td>1960 and later</td>
<td>67</td>
<td>30%</td>
</tr>
</tbody>
</table>

If you retire or begin collecting at age 62, and your full retirement age is 66, your benefits will be reduced by 25%.
What is Medicare?

Medicare is a Federal Government health insurance program that was created in 1965 by the Social Security Administration. The Social Security Administration estimates that each month 150,000 – 240,000 more Americans qualify for Medicare.

### The Four Parts of Medicare

<table>
<thead>
<tr>
<th>Part</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part A</td>
<td>Hospital Insurance - Most people don’t pay a Part A premium because they or their spouse paid Medicare taxes while they were working.</td>
</tr>
<tr>
<td>Part B</td>
<td>Medical Insurance – Most people pay a Part B monthly premium.</td>
</tr>
<tr>
<td>Part C</td>
<td>Medicare Advantage Plans – Plans that are offered by private companies approved by the Centers for Medicare &amp; Medicaid Services (CMS).</td>
</tr>
<tr>
<td>Part D</td>
<td>Medicare Prescription Drug Coverage – Most people pay a monthly premium for this optional coverage.</td>
</tr>
</tbody>
</table>

Who is Eligible for Medicare?

To be eligible for Medicare based on age, an individual or spouse must be 65 years or older. You must also be a United States citizen or be a lawfully admitted permanent resident of the United States, who has continuously lived in the United States for 5 years. To receive premium free hospital insurance, you or your spouse must have earned 40 credits, which is the equivalent of 10 years of employment. As you may recall, we discussed credits in the previous section on Social Security.

Individuals who are under 65 years of age are eligible for Medicare if they have been receiving Social Security disability benefits or Railroad disability benefits for 24 months. Additionally, individuals with permanent kidney failure, called End Stage Renal Disease, are eligible for Medicare regardless of age. Individuals with Amyotrophic Lateral Sclerosis (ALS), better known as Lou Gehrig's disease, can qualify for Medicare before the 24 months of disability benefits has elapsed.
How do you Enroll in Medicare?

Enrollment in Medicare is handled in 2 ways:

- You are enrolled automatically
  or
- You must apply

Automatic Enrollment in Medicare

If you are currently receiving a Social Security check or a Railroad Retirement check, you will automatically receive your Medicare card about 3 months before your 65th birthday. Your Medicare will be effective the 1st day of the month that you turn 65. If your birthday is the first of a month, then the effective date will be the 1st of the month prior to your birth date. For example, if your birthday is on June 25th, your Medicare is effective on June 1st. If your birthday is on June 1st, your Medicare is effective on May 1st.

You will also automatically receive your Medicare card if you are disabled and have been receiving a Social Security disability or Railroad disability benefit for 24 months. In either of these situations, you may decide NOT to enroll in Medicare if you are covered by your spouse’s group health insurance through their work. We will talk more about this later on in the brochure.

If you are not receiving a Social Security check or a Railroad check based on either retirement or disability, you will need to apply for Medicare benefits.
Applying for Medicare

You should contact Social Security Administration (SSA), or if you worked for the railroad, the Railroad Retirement Board, three months prior to turning 65. There is a 7 month period referred to as your initial enrollment period. It means you have the 3 months before your birthday, the month of your birthday, and the 3 months after your birthday to enroll.

Even if you plan to continue working beyond age 65 you should sign up for Medicare Part A. But, if you continue to work past age 65 and you have group health insurance through your or your spouse's employer you may not want to sign up for Medicare Part B at this time. When you stop working or your health insurance ends and you want to enroll in Medicare Part B, you have 8 months to enroll in Medicare Part B. You will not be subject to a late enrollment penalty if you enroll within 8 months of ending your active employment. You can also enroll at any time while you are working. SSA considers this a Special Enrollment Period. SSA also has special rules for disabled beneficiaries who wish to enroll in Part B.

Please keep in mind, if you don’t sign up for Medicare Part B when you are initially eligible and you don’t have coverage through your or your spouse's employer plan, you will have to wait for the next general open enrollment which is January 1 – March 31st. Your Medicare Part B will have an effective date of July 1st and your premium may increase because of late enrollment penalties.

If you do not enroll in Medicare Part B when you are initially eligible and you do not have coverage through your or your spouse’s employer group health plan, you may have to pay a penalty of an additional 10% for your Medicare Part B premium. This penalty is permanent and will increase by 10% for each additional year you wait to enroll.
Medicare: Is it enough?

Medicare does not cover everything. If you have Medicare only, your out-of-pocket expenses for health care will include:

- Deductibles
- Coinsurance (20%)
- Benefit limitations (skilled nursing, hospitalization)
- Non Covered Services (vision, hearing, dental)

In this section, you will learn about the most popular ways people supplement their Medicare coverage. Medicare Supplements as well as the options available under Medicare Advantage Plans such as an HMO, PPO, PFFS, SNP and a MSA plan will be described.

What is a Medicare Supplement Plan?

Medicare Supplement plans or otherwise known as Medigap plans fill the gaps in coverage of Original Medicare. Medicare pays 80% and Medicare Supplement plans pay the other 20% of services. Medicare Supplement plans provide more coverage than Medicare and give you the freedom to see any doctor or hospital that accepts Medicare. Some Medicare Supplement plans may cover beyond Medicare benefits, i.e., fitness benefits. Medigap insurance must follow federal and state laws. These laws are there to protect you. All Medigap policies are clearly marked “Medicare Supplement Insurance.”

What is a Medicare Advantage Plan?

Medicare Advantage plans are often referred to as Medicare Part C plans and are offered by a private insurance company. The health plan has an annual contract with the Federal Government – Centers for Medicare and Medicaid Services (CMS). Medicare pays a monthly premium to the health plan from which the plan pays medical expenses for each Medicare beneficiary enrolled. These plans include:

- Health Maintenance Organizations (HMO)
- Preferred Provider Organizations (PPO)
- Private Fee-for-Service Plans (PFFS)
- Special Needs Plans (SNP)
- Medical Savings Accounts (MSA)
Health Maintenance Organization (HMO)

An HMO is a type of Medicare Advantage plan in which the beneficiary is “locked in” to the HMO network. This means that the Medicare beneficiary chooses a doctor that is in the HMO’s network. The Medicare beneficiary will receive all their care through the doctor they have selected to be their primary doctor and that primary doctor would refer them to specialists. If a Medicare beneficiary decides not to use a doctor within the HMO network, and seeks care from an outside physician, the HMO will not cover those services and neither will Medicare.

Preferred Provider Organization (PPO)

A PPO works just like an HMO with one exception. You can go to any doctor, specialist or hospital that is not in the plan’s network but you will have to pay extra money. A PPO gives you more freedom to choose who you want to get your care from, but you will have higher out of pocket costs when you go to out of network providers.

Private Fee for Service Plan (PFFS)

A PFFS Medicare Advantage plan works differently than a Medicare Supplement plan. As of 2011, most PFFS plans will have doctor and hospital networks. These doctors and hospitals have signed contracts with the plan and have already agreed to the terms and conditions of payment. If you choose a doctor and hospital who is not contracted with the plan, the doctor or hospital is not required to agree to accept the plan’s terms and conditions of payment and thus may choose not to treat you, with the exception of emergencies.

Special Needs Plan (SNP)

A SNP was created to focus on individuals with special needs. These individuals are identified as institutional beneficiaries (reside or expected to reside in a long term facility for over 90 days or longer), dually eligible (entitled to medical assistance from the State) and beneficiaries with severe or disabling chronic conditions (cardiovascular disease, diabetes, mental disorders, etc.). This type of plan can design special clinical programs to accommodate groups with distinct health care needs, thereby reducing hospitalizations and institutionalizations.
**Medicare Medical Savings Account (MSA)**

An MSA combines a high deductible health plan with a medical savings account. Enrollees of Medicare MSA plans can initially use their savings account to help pay for health care, and then will have coverage through a high-deductible insurance plan once they reach their deductible.

Medicare MSA plans can provide Medicare beneficiaries with more control over health care utilization, while still providing coverage against catastrophic health care expenses.

**Employer Group Coverage**

Some employers offer retiree coverage benefits, which may be one of the above mentioned options. Employers may continue to contribute to a portion of the insurance premium for their retirees. Please check with your employer group to find out if you will receive health benefits from your employer when you retire. You should contact the Benefit Administrator at your employer group to get the information you need to join the correct plan.
What is Medicare Part D?

Medicare Part D is a voluntary prescription drug benefit program that began in January 2006. To be eligible, beneficiaries must be entitled to Medicare Part A and/or be enrolled in Medicare Part B. This program provides coverage for most commonly used brand-name and generic drugs. There are two ways to join this program.

You can join a Medicare Prescription Drug plan (PDP) offered by many private insurers, or you can join a Medicare Advantage plan (MAPD) which usually offers drug coverage as part of their total coverage.

If you decide to join a Medicare Part D plan as an individual, you will pay a monthly premium and you may pay a yearly deductible. These amounts differ based on the insurer offering this plan. You will also pay part of the cost of your prescriptions, typically cost sharing such as a copayment or co-insurance.

It is important to note that if you don’t join a Medicare Part D plan when you are eligible you may have to pay a penalty in the future when you do join a Medicare Drug plan. The penalty will be determined by the Centers for Medicare & Medicaid Services (CMS) and it will be based upon the length of time that you were not enrolled in a Part D plan. So even if you are healthy now and do not take prescription drugs, you should think about what your future needs may be. Decide if you are willing to pay a penalty if you enroll in a Medicare Part D plan at a later time.
Shopping Tips for Health Insurance

Shopping for health insurance once you are Medicare eligible can be confusing – so many options and so many new rules! You must decide what you want and what you need. What are the most important features to you? It could be physician choice, predictable costs, benefits, paperwork, or customer service.

You should shop carefully. Compare all insurance options available in your area. Be prepared and informed so you will have a plan to avoid a lapse of coverage once you retire.

Attend a Celebrating 65℠ Seminar

"Celebrating 65" is an educational program Harvard Pilgrim Health Care designed to help individuals figure out their road to retirement. It is interactive, options are explained in simple terms, and you will have an opportunity to have your questions answered.

To learn more about Social Security, Medicare, health insurance and Celebrating 65℠, simply see our Resource Directory on the next page that we put together just for you. And always, ask a lot of questions.
Harvard Pilgrim Health Care Retiree Options
1-877-909-4742 – www.harvardpilgrim.org

Celebrating 65
877-663-7057

The Social Security Administration
1-800-772-1213 – www.ssa.gov

Medicare Personal Plan Finder
1-800-Medicare – www.medicare.gov

U.S. Railroad Retirement Board
1-877-772-5772 – www.rrb.gov

Servicing Health Information Needs of Elders (SHINE)
1-800-882-2003

State Health Insurance Assistance Program (SHIP)
New Hampshire: 1-866-634-9412
Maine: 1-877-353-3771

Documents needed when applying for Social Security:

• Social Security number for each applicant
• Government issued identity document (drivers license, passport)
• Proof of age (birth certificate)
• Latest W-2 or self-employment tax return (Schedule C/Schedule SE)
• Earnings estimate
• Bank information for direct deposit
• Information about
  - Marriage(s)
  - Military or railroad service
  - Other benefits