

FEBRUARY 2018

Benefits Bulletin

FOR RETIRED MEMBERS OF LOS ANGELES FIRE & POLICE PENSIONS

Health Subsidy 101 - What You Should Know



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Health Subsidy 101 -
What You Should Know

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The Board periodically reviews and assesses the retiree health plan program for the benefit of all our members. As you may be aware, the Ad Hoc Committee on Retiree Health Plans is working with LAFPP's Board-approved health plan sponsors to discover ways to improve how the health insurance subsidy program is administered. In support of those efforts, this bulletin is designed to help you understand what you are entitled to as a sworn retiree of the City of Los Angeles and the benefits you receive as a LAFPP pensioner. It is also important that you understand the roles of the Board, LAFPP, and your health plan administrator, as well as the factors that impact your retirement benefits. Future issues may include: subsidy for dependent coverage, choosing the right health plan, and how financial trends affect you and your retirement benefits. This issue focuses on what you need to know about the basic health insurance subsidy benefit.



Responsibility for Your Health Coverage

It is the responsibility of the Board to secure your pension, and to make sure members can use their subsidy towards the cost of suitable health insurance and are able to enjoy the benefits of the retiree health plan program equally. When you retire, and wish to receive a health insurance subsidy, you are responsible for selecting and enrolling in a state-regulated or Board-approved plan. The health plan administrator or sponsor is responsible for determining the benefit levels and premiums for their particular plans. LAFPP then ensures the subsidy payments are issued correctly and on time.

How the Subsidy Works

In 1975, the City established the health insurance subsidy program to make sure sworn retirees receive similar benefits as civilian retirees. While the benefit levels for both groups have changed over the years, the way the health insurance subsidy is administered has remained the same. Based on your eligibility, LAFPP provides a subsidy that you can use towards the cost of your monthly premiums. Any subsidy amounts that are not used get reinvested into the pension fund.

The date you can begin receiving a subsidy may vary and is stated in the Los Angeles Administrative Code. Typically, if you have at least 10 years of service and are at least 55 years old, you can take advantage of the subsidy program. Members who retired before July 1, 1998 may begin receiving a subsidy at age 60 and members who retired after June 30, 1998 are eligible at age 55. Additionally, a health insurance subsidy benefit may be transferrable to qualified surviving spouses or domestic partners upon the original member's passing.

The amount you are eligible for is determined by the Administrative Code and the Board of Fire and Police Pension Commissioners. Members are entitled to the same subsidy percentage per year of service as described in your summary plan description. Once you meet the minimum requirements to begin receiving the benefit, LAFPP pays subsidies based on proof of enrollment provided by you or your health plan administrator.

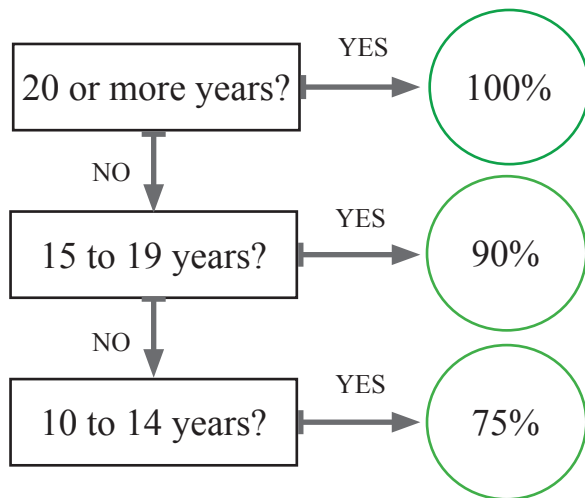
It is important to know that the subsidy benefit you receive is also impacted by a number of factors that are not controlled by LAFPP. Members with the same years of service may receive different benefits based on their Board-approved health plan administrator, and as a result experience different premiums and pension check deductions. The Board recognizes this and is working through the Ad Hoc Committee, with the Associations, to find ways to address these differences.

How to Calculate the Basic Health Insurance Subsidy

Step 1 - Are you enrolled in Medicare Part A & B?

If **YES**, you may be eligible for a **Medicare Subsidy**.
The maximum is \$542.51¹

Step 2 - How many years of service do you have?



Step 3 – Multiply your percent by the Maximum:

$$\text{___\%} \times \$542.51^1 = \text{Your Subsidy}$$

If **NO**, you may be eligible for a **non-Medicare Subsidy**.
The maximum is \$1,627.73²

Step 2 – If you have at least 10 years of service, how many whole years of service do you have?

Step 3 – Multiply your years of service:

$$\text{___} \times 0.04 = \text{___\%}$$

Step 4 – Multiply percent by the Maximum:

$$\text{___\%} \times \$1,627.73^2 = \text{Your Subsidy}$$

¹\$480.41 if frozen ²\$1,097.41 if frozen



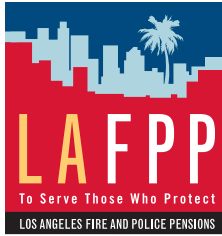
Definitions

What is a Premium?

When you sign up for coverage, you agree to pay a monthly charge to receive certain health care benefits provided by an insurance carrier like Kaiser Permanente or Anthem Blue Cross PPO. That charge is the “Premium.” The amount of the premium is negotiated by your health plan administrator and collected monthly. Charges for office visits, procedures, or prescriptions are part of the health coverage benefit levels negotiated as separate costs but help determine your premium.

What is the Subsidy?

As a benefit to eligible retirees, the City provides a non-Medicare health insurance subsidy or a Medicare health insurance subsidy in addition to your pension. The subsidy is provided monthly and can only be used towards the cost of the premium for yourself and your eligible dependents. You are entitled to use only one of the two health insurance subsidies at a time. The amount you can receive is determined by your years of service, the subsidy maximums set each year, and how much you are obligated to pay for your monthly health insurance premium.



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RETURN SERVICE REQUESTED

In the next issue...

Subsidy for dependent coverage and why members have different out-of-pocket costs.

AVERAGE SUBSIDY BENEFIT FOR RETIREES & QUALIFIED SURVIVORS w/ 25 YEARS OF SERVICE				
Health Coverage	FROZEN		NOT FROZEN	
	Non-Medicare Subsidy	Medicare Subsidy	Non-Medicare Subsidy	Medicare Subsidy
Single Party	\$745.76	\$286.03	\$855.97	\$485.43
Two-Party	\$1,097.41	\$801.87	\$1,472.70	\$1,038.59
Family	\$1,097.41	\$765.36	\$1,524.25	\$1,290.64

TOTAL NUMBER OF ALL RETIREES/QS ENROLLED IN HEALTH PLANS: 10,619

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 Section at (213) 279-3115 or sending an email to MDBsection@LAFPP.com. For more detailed information and other articles please visit our website at www.LAFPP.com