Medicare Part B & IRMAA

Stakeholder Outreach Meeting

LACERS

Attention

- This presentation provides general information about LACERS Medicare requirements and is intended to provide a summary of the benefits established by the Los Angeles City Charter, Los Angeles Administrative Code, and LACERS Board Rules (referred to as the Plan provisions). In the event of discrepancies in this presentation, the Plan provisions will govern at all times.
- Information provided in the presentation regarding the rules under the Centers for Medicare and Medicaid Services (CMS), as well as the Social Security office, may be subject to change and are not within LACERS control.
- Representatives of LACERS cannot offer financial, legal, or tax advice. Please consult with your financial planner, attorney, and/or tax advisor as needed.

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodations to ensure equal access to its programs, services, and activities.

Agenda

1. How We Got Here
2. What is Medicare?
3. Medicare Part B Only Retirees
4. What is an IRMAA?
5. Important Information
6. LACERS Benefits Change Requirements

How We Got Here

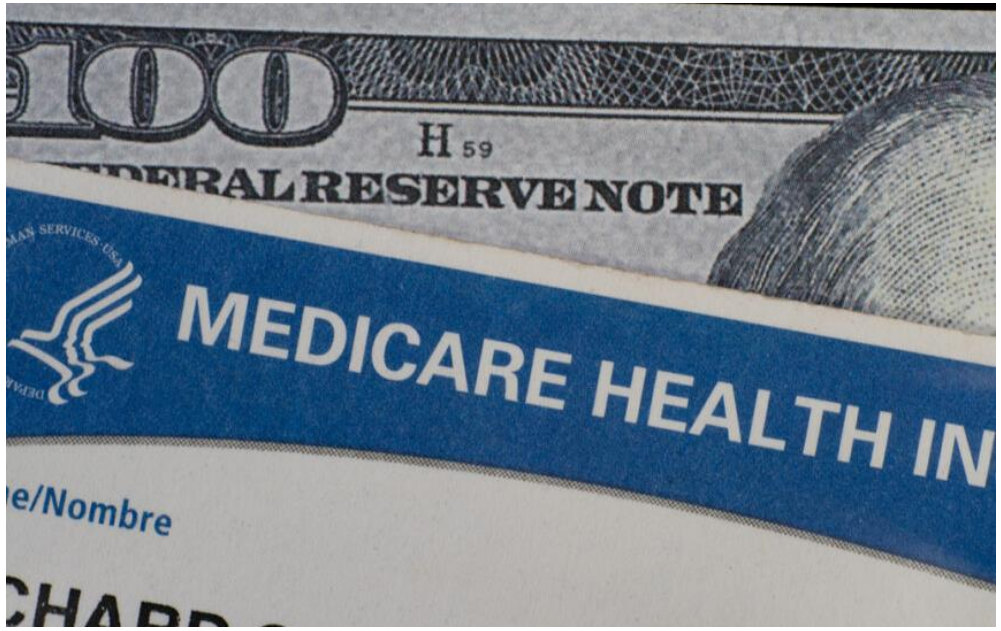
Why This Matters

Retirees are increasingly facing:

- Higher Medicare Costs
- IRMAA surcharges
- Questions regarding affordability and reimbursement

This presentation explains:

- Federal Medicare requirements
- LACERS health benefit rules
- Current reimbursement limitations
- Process required for future benefit changes



Understanding the LACERS Retiree Health Benefit

LACERS provides eligible retirees with:

- Access to group medical and dental plans.
- Ability to enroll eligible dependents.
- A monthly medical and dental subsidy.
- Medicare coordinated plans for retirees age 65+.
- Reimbursement of the Medicare Part B basic premium for eligible retirees.

The benefit is established in:

- Los Angeles City Charter
- Los Angeles Administrative Code

Why IRMAA Matters to Members

Many City retirees planned their retirement, expecting affordable healthcare through LACERS.

However, some retirees later discover they must pay:

- Medicare Part B premiums
- Income Related Monthly Adjustment Amounts (IRMAA)
- Potential late enrollment penalties

For some retirees, these additional Medicare costs can total hundreds of dollars per month and may come as a surprise after retirement.

Why IRMAA Can Be Frustrating for Retirees?

Some retirees discover that Medicare premiums increase based on income (as reported on their Federal tax return) after retirement.

This surcharge is called an Income-Related Monthly Adjustment Amount (IRMAA). Retirees may trigger an IRMAA because of:

- Pension Income (such as their LACERS benefit)
- Deferred Compensation withdrawals
- Required Minimum Distributions
- Social Security benefits
- Sale of a home
- Investment income
- One-time financial events

In many cases, retirees do not realize these events can increase Medicare costs until after they receive notice from Social Security.

IRMAA Outpacing COLA

The highest IRMAA increases have been outpacing the maximum Cost of Living Adjustment (COLA) amounts for LACERS Retired Members.

It has increased from $161.40 in 2007 to $689.90 in 2026, a 327% increase in 19 years.

The maximum annual COLA for Tier 1 is 3%, and 2% for Tier 3.

IRMAAs are adjusted nationwide, not by geographic areas

Member Comments

"The requirement to pay IRMAAs can catch retirees off guard. They can be triggered by Required Mandatory Distributions requirements from the City's deferred compensation plan as required by the IRS, or by a retiree sale of a home. Shifting more of the medical expense burden to retirees is unfair especially when LACERS retiree health plan is one of the best-funded retiree healthcare plans in the country!"

"We paid FICA taxes of 1.45% for the Medicare benefit while active City employees yet we must pay more out of pocket under Medicare"

"Medicare Plans Save LACERS Money. These savings should be used to fund IRMAAs and Part B reimbursements."

"My stance is to increase the reimbursement affected by IRMAAs independently of the COLA index."

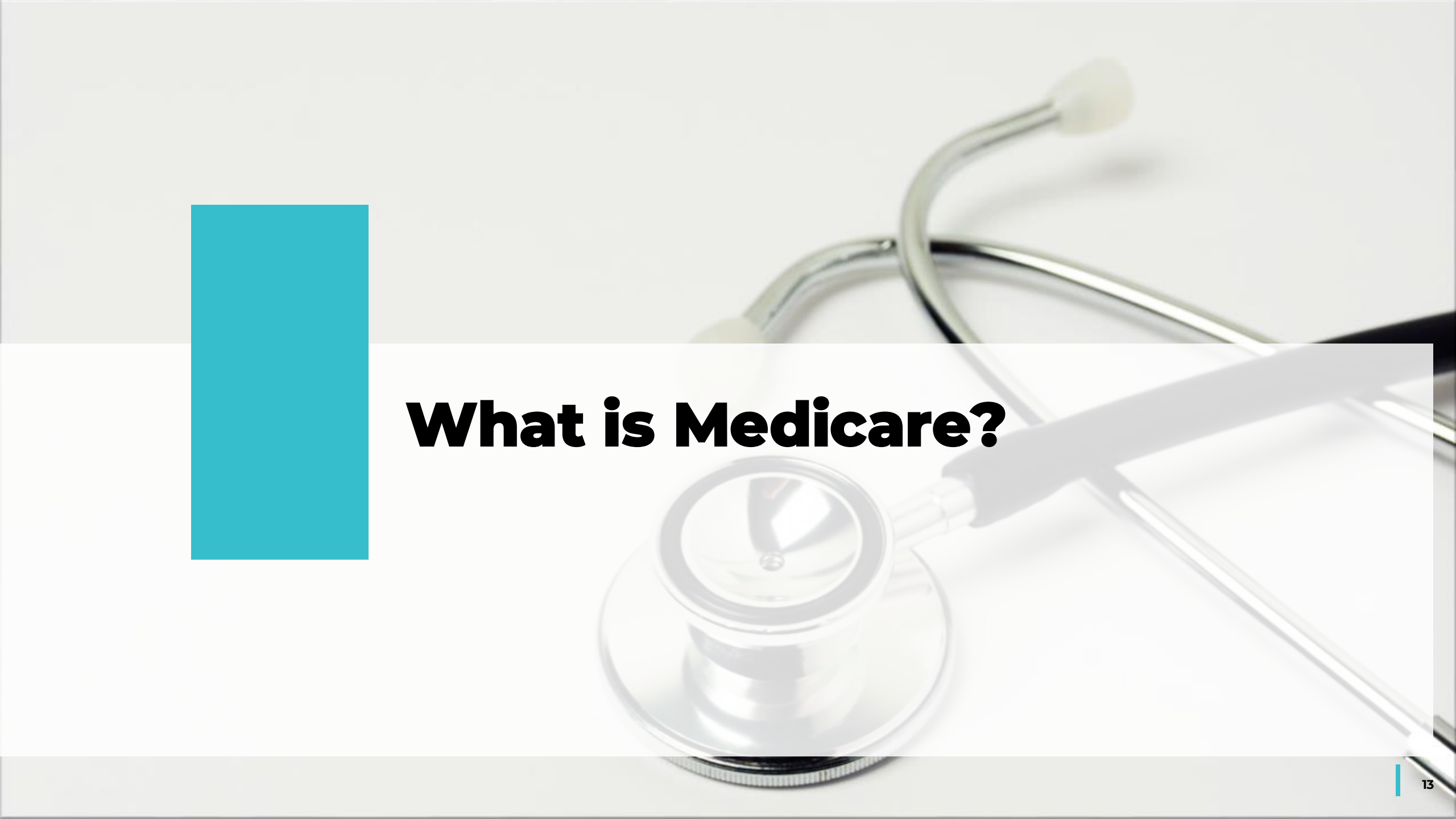
"DWP reimburses for IRMAAs if there is an excess subsidy. Having LACERS reimburse IRMAAs up to the subsidy amounts would cure this glaring difference in the way the two City pension systems administer their retiree medical benefits."

Benefit Enhancement Requests Made by Members

Type of Benefit	Current Benefit	Requested	Approval Needed	Benefits Administration Concerns
Reimbursement of Medicare Part B basic Premium for all Members	No reimbursement for Members with Medicare Part B Only	The same reimbursement levels as Members with Parts A&B	City Council Approved Ordinance	The actuarial cost study must reliably calculate the cost of the benefit.
Reimbursement of IRMAA	Basic premium reimbursement for Members with Medicare Parts A&B	Reimbursement of IRMAA	City Council Approved Ordinance	Calculation methodology of the benefit must allow LACERS to meet standards of timeliness and accuracy

Benefit Enhancement Requests Made by Members (Continued)

Type of Benefit	Current Benefit	Requested	Decision Maker(s)	Benefits Administration Concerns
Ability for Part B-only Members to enroll in Medicare Advantage Plans which provide enhanced benefits	Part B only Members participate in the Anthem non-Medicare plans or Kaiser Senior Advantage HMO	Part B-only Members would like the option to participate in the 3 Medicare Advantage Plans offered by Anthem, SCAN, and UnitedHealthcare	Center for Medicare Services Medicare Plan Providers City Council Ordinance	If approved by the 3 entities, LACERS does not see any issues in administering the benefits.



What is Medicare?

Parts of Medicare

Part A	**Hospital Insurance:** Helps cover inpatient care in hospitals, skilled nursing facility care, hospice care, and home health care.
Part B	**Medical Insurance:** Helps cover services from doctors and other health care providers, outpatient care, home health care, durable medical equipment, and many preventive services.
Part D	**Prescription Drug Coverage:** Helps cover and lower out-of-pocket medication costs.

How LACERS and Medicare Work Together

Centers for Medicare & Medicaid Services (CMS) **is a federal agency within the U.S. Department of Health and Human Services (HHS). It administers essential public health coverage programs such as Medicare.**

At age 65, Medicare becomes the primary health insurer for most retirees. LACERS health plans are designed to work alongside CMS. This means retirees are required to:

- **Enroll in Medicare and pay Medicare premiums**
- **Pay any IRMAA surcharged and penalties, if assessed**
- **Maintain Medicare eligibility to stay enrolled in LACERS retiree medical coverage**

LACERS Medicare Requirements

The following are the requirements for a LACERS retiree, enrolled in a LACERS Health plan, or their dependent(s) when they turn age 65.

Los Angeles Administrative Code 4.1111(f), 4.1126(e), and LACERS Board Rules HBA 2(d) require that the LACERS Member or any of their dependent(s) (covered on the LACERS medical plan) become Medicare eligible, they or their dependents are to:

- Enroll in Medicare Part B and maintain coverage.
- Enroll in Medicare Part A only if entitled to it premium-free (i.e., at no cost).

If the LACERS Member retires at age 65 or older, and/or has dependent(s) (covered on the LACERS medical plan) over age 65, Medicare allows them and/or their dependent(s) to defer enrollment in Medicare Part B until they retire. This is known as their Special Enrollment Period (SEP).

Medicare Part B Only Retirees

Who Are 'Medicare Part B Only' Retirees?

City of LA employees hired *before* April 1, 1986:

These retirees were not paying into Medicare under the Federal Insurance Contributions Act (FICA).

- Do not qualify for Medicare Part A premium-free, solely through their City employment.

City of LA employees hired *after* April 1, 1986:

These retirees have paid into Medicare.

- Will be eligible for Part A premium-free after ten years of employment.
- Current FICA rate for Medicare is 1.45% for the employee and employer.

Medicare Part B Only - LACERS Requirements

Los Angeles Administrative Code 4.1111(f), 4.1126(e), and LACERS Board Rules HBA 2(d) requires that the LACERS Member or any of their dependent(s) (covered on the LACERS medical plan) become Medicare eligible, the Member or their dependent(s) are to:

- Enroll in Medicare Part B and maintain coverage.
- Enroll in Medicare Part A only if entitled to it premium-free (i.e., at no cost).

If the LACERS Member does *not* qualify for Medicare Part A premium-free, they only need to enroll in Medicare Part B.

Medicare Part B Only - Important Information

LACERS Members with Medicare Part B only:

- **Have Inpatient Hospitalization coverage integrated in the LACERS medical plan.**
- **Receive the same medical subsidy amount as non-Medicare Members.**
- **Are not eligible for the Medicare Part B basic premium reimbursement.**
- **Must maintain their Medicare eligibility.**

Except for Kaiser Senior Advantage HMO, benefits under the Medicare plans available to Part B-only Members are not the same as those available for Medicare A&B Members.

Although Medicare Part B Only Members are not eligible for Part A through Medicare, Members who are enrolled in LACERS retiree health plans have hospitalization benefits.

Medicare Part B Only - Medical Plans

Medical plans available for Members with Medicare Part B only:

- Anthem HMO (CA)
- Anthem PPO (U.S. and Its Territories)
- Kaiser Senior Advantage HMO (CA)

The Anthem HMO and Anthem PPO plan benefits for Part B only Members are similar to the non-Medicare Anthem plans.

The Kaiser Senior Advantage HMO plan is the same for Part B only and A&B Members.

Medicare Part B Only – Kaiser Senior Advantage Plan

Why can Medicare Part B Only Members enroll in Kaiser Senior Advantage Plan, but *not* in other Medicare Plans, such as UnitedHealthcare (UHC), SCAN, Anthem Medicare Preferred, or Anthem Medicare Supplement plan?

- **Kaiser Senior Advantage Plan was approved by CMS to allow LACERS Medicare Part B Only Members to enroll in this Medicare Plan, with Medicare Part A benefits.**
- **Currently, LACERS other Medicare Plans, such as UHC, SCAN, Anthem Medicare Preferred PPO, and Anthem Medicare Supplement, are not approved by CMS to allow LACERS Medicare Part B Only Members to enroll in these plans.**

Medicare Part B Only – LA Administrative Code

Under LAAC Sections 4.1113 and 4.1128, LACERS Members with Medicare Part B only are *not* eligible for the Medicare Part B basic premium reimbursement.

This program is provided to reimburse the cost of the Medicare Part B basic premium to eligible retirees, as hereafter defined.

a) Reimbursement. Reimbursement shall be limited to the Medicare Part B basic/standard premium (Medical Insurance). No reimbursement shall be paid for Medicare Part B costs that exceed the basic/ standard premium.

b) Eligible Retiree. In order to participate in the Medicare Part B Basic Premium Reimbursement Program, a retiree must be eligible to receive a medical plan premium subsidy, enrolled in Medicare Parts A and B, and either enrolled in a Medicare supplemental or coordinated plan administered by the Board or be a participant in the Medical Premium Reimbursement Program. Only retired employees may participate in this program.

c) Verification of Eligibility for Reimbursement. Premium reimbursement shall be paid to a retiree who qualifies to participate in this program when sufficient proof of the retiree's Medicare Part A and Part B enrollment, coverage, and premium payment has been made as required by the Board.

d) No Dependent Reimbursement. Premium reimbursement may not be applied toward coverage for dependents of retirees.

What Is An IRMAA?

Income Related Monthly Adjustment Amounts (IRMAA)

The U.S. Congress started the Income-Related Monthly Adjustment Amount (IRMAA) when it passed the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA).

In 2011, the Affordable Care Act expanded IRMAA to include Medicare Part D prescription drug premiums.

The Social Security Administration calculates and implements the surcharges based on the Modified Adjusted Gross Income (MAGI) reported on IRS tax returns.

- The MAGI may include, but is not limited to, employment earnings, investment income, capital gains on the sale of real estate, and gambling winnings, in addition to the retirement allowance.

How is IRMAA Determined?

Tax Return

Social Security uses the most recent federal tax return the IRS has on file. Generally, this information is from a tax return filed two years ago.

Income

The IRMAA is based on MAGI, which is the sum of adjusted gross income and tax-exempt interest income. The income levels are adjusted each year.

Filing Status

Income levels differ for someone who files as single or married filing jointly.

Who Will Be Assessed IRMAA?

Medicare Members will pay the Medicare Part B and Part D IRMAA if their modified adjusted gross income, as reported on their IRS tax return from two years ago, is more than:

- For 2026, a $109,000 yearly income made in 2024, if they file an individual tax return or are married and file separately.
- For 2026, a $218,000 yearly income made in 2024, if they are married and file a joint tax return.

Social Security will inform the Member if they must pay a higher premium due to their income.

How Long Does IRMAA Last?

An IRMAA is calculated every year using the income data provided to the IRS.

- Members may have to pay an IRMAA for one year, but not the next, if their income falls below the threshold the following year.
- If their taxable income increases, then they may be subjected to the IRMAA.
- Social Security will notify the Member of any changes.

Do LACERS Members Have to Pay the IRMAA?

- Yes, if they are assessed an IRMAA by Social Security, they must pay the Medicare Premiums AND IRMAA.
- LACERS Members must pay the Medicare Premiums and IRMAA to Medicare/CMS directly.
- LACERS does not pay or collect Medicare premiums or IRMAA.
- A Member's Medicare coverage - and therefore their LACERS medical coverage - will be terminated if they fail to pay Medicare premiums and any IRMAAs.
- LACERS does not assess the IRMAA. Please contact Medicare or Social Security for more information.

What Happens if Medicare Part B Premiums & IRMAAs Are Not Paid?

- Medicare Part B will be terminated by the Center for Medicare & Medicaid Services (CMS).
- The Member's and their dependent(s)' LACERS medical plan will be terminated.
- The Member will no longer be eligible for a medical subsidy and will be responsible for the full premium payment.
- If they are receiving a Medicare Part B Basic reimbursement, it will be terminated, and they will be responsible for the repayment of the reimbursement for the ineligible months.

What Happens if Medicare Part D IRMAAs Are Not Paid?

- Medicare Part D coverage will be terminated by the Center for Medicare & Medicaid Services (CMS).
- The Member's and their dependent(s)' LACERS medical plan will be terminated.
- They will no longer be eligible for a medical subsidy and will be responsible for the full premium payment.
- If they are receiving Medicare Part B Basic reimbursement, it will be terminated, and they will be responsible for repaying the reimbursement.

Important Information

LACERS and IRMAA

- LACERS does not have jurisdiction over the requirements related to IRMAA. Medicare is a federal health insurance program for people 65 or older and is a separate entity from LACERS.
- Retired Members are required to follow Medicare rules and policies, as well as pay the Part B premium, IRMAAs, and any penalties to remain enrolled in Medicare.
- Currently, the Los Angeles Administrative Code (LAAC) only provides LACERS the authority to reimburse the Medicare Part B Basic premium for Retired Members who meet all the requirements. This reimbursement does not apply to dependents who are not a Retired Member or eligible Survivors.
- The Medicare Part B premium reimbursement is only for the basic premium amount. LACERS does not reimburse any IRMAA or penalty costs.

Other Pension Systems

- The Water and Power Employees Retirement System (WPERP) reimburses the Medicare Part B premium and IRMAA when sufficient medical subsidies are available for eligible Members.
- California Public Employees' Retirement System (CalPERS) reimbursement of the Medicare Part B premium and IRMAA cannot exceed the remaining medical subsidy.
- New York City reimburses its eligible retirees the full amount of the Medicare Part B premium, which includes IRMAAs.

How Healthcare Costs Change from Employment to Retirement (One-Party Example)

A.

Active Employee (enrolled in LA Well)

- Plan: Blue Shield PPO One-Party
- City Contribution: $1,423.30
- Employee Cost: $0.00

B.

Retiree (with 30 years of service *under* age 65)

- Plan: Anthem PPO One-Party
- 30 Years of Service: 100% Subsidy ($2,407.84)
- Retiree Monthly Cost $0.00

C.

Retiree (with 30 years of service enrolled in Medicare)

- Plan: Anthem Medicare Supplement One-Party
- Plan-specific Subsidy (30 Years of Service)
- Retiree Cost: $0.00
- Medicare Part B Basic Premium $202.90*
- Retirees with certain salaries and years may pay additional Medicare IRMAA - up to $780.90 a month based on Part B and D IRMAA adjustments.

*LACERS reimburses the Medicare Part B basic premium for eligible retirees.

How Healthcare Costs Change from Employment to Retirement (Two-Party Example)

A.

Active Employee (enrolled in LA Well)

- Plan: Blue Shield PPO Two-Party
- City Contribution: $2,240.52
- Employee Cost: $890.70

B.

Retiree (with 30 years of service *under* age 65)

- Plan: Anthem PPO Two-Party
- 30 Years of Service: 100% Subsidy ($2,407.84)
- Retiree Monthly Cost $1,336.17

C.

Retiree (with 30 years of service enrolled in Medicare)

- Plan: Anthem Medicare Supplement Two-Party
- Plan-specific Subsidy (30 Years of Service)
- Retiree Cost: $94.73
- Retiree and Dependent Medicare Part B Basic Premium $202.90*
- Retirees and dependents with certain salaries and years may each pay additional Medicare IRMAA - up to $780.90 a month based on Part B and D IRMAA adjustments.

*LACERS reimburses the Medicare Part B basic premium for eligible retirees.

More Employees are Affected

2007 (IRMAA implementation year) - Earning $123,000+

- Approximately 184 classifications and 572 Members, primarily General Managers and Assistant General Managers

2012 (Reimbursement limited to basic premium) - Earning $131,000+

- Approximately 205 classifications and 678 Members, expanding to include Chiefs and Engineers

2025 (Current) - Earning $165,000+

- Approximately 410 classifications and 2,235 Members, now encompassing Senior Analysts and Manager-level staff

2026 Part B IRMAA Income Bracket

If your yearly income in 2024 (for what you pay in 2026) was:			
File Individual tax return	**File joint tax return**	**File married & separate tax return**	**You pay each month (in 2026)**
$109,000 or less	$218,000 or less	$109,000 or less	$202.90
Above $109,000 up to $137,000	Above $218,000 up to $274,000	Not applicable	$284.10
Above $137,000 up to $171,000	Above $274,000 up to $342,000	Not applicable	$405.80
Above $171,000 up to $205,000	Above $342,000 up to $410,000	Not Applicable	$527.50
Above $205,000 and less than $500,000	Above $410,000 and less than $750,000	Above $109,000 and less than $391,000	$649.20
$500,000 and above	$750,000 or above	$391,000 or above	$689.90

2026 Part D IRMAA Income Bracket

If your yearly income in 2024 (for what you pay in 2026) was:			
File Individual tax return	**File joint tax return**	**File married & separate tax return**	**You pay each month (in 2026)**
$109,000 or less	$218,000 or less	$109,000 or less	Your plan premium
Above $109,000 up to $137,000	Above $218,000 up to $274,000	Not applicable	$14.50 + your plan premium
Above $137,000 up to $171,000	Above $274,000 up to $342,000	Not applicable	$37.50 + your plan premium
Above $171,000 up to $205,000	Above $342,000 up to $410,000	Not Applicable	$60.40 + your plan premium
Above $205,000 and less than $500,000	Above $410,000 and less than $750,000	Above $109,000 and less than $391,000	$83.30 + your plan premium
$500,000 and above	$750,000 or above	$391,000 or above	$91.00 + your plan premium

Medicare, IRMAA, or CMS Questions?

Social Security Administration (SSA)

(800) 772-1213 | (800) 325-0778 TTY

SSA.gov

Centers for Medicare & Medicaid Services (CMS)

(800) 633-4227 | (877) 486-2048 TTY

medicare.gov

The Center for Healthcare Rights

(800) 434-0222

healthcarerights.org

Los Angeles City Employees' Retirement System

(800) 779-8328| (888) 349-3996 RTT

LACERS.org

Other Helpful Websites:

CMS.gov

HealthCare.gov

Medicaid.gov

LACERS Benefits Change Requirements

Roles

1 **CITY COUNCIL**

- The Decision-maker
- Prioritizes expenditures of the City
- Adopts ordinances

2 **STAKEHOLDERS**

- Make their opinions known
- Advocates for or against a position

3 **LACERS**

- The Administrator of Benefits
- Ensures rules and legal requirements are followed

The Process for LACERS Benefits Changes

Step 1 – Negotiations & Agreement

- City Management, represented by the CAO, and Unions negotiate benefits
- LACERS (subject matter expert) is not involved in negotiations or decision-making. LACERS reviews whether the proposed benefit can be administered.

1

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Step 2 – Required Actuarial Cost Study

- After Management & Unions agree upon the proposed benefits, an actuarial study is required
- Actuary analyzes the demographic and provides the cost to provide the benefit

Step 3 – Consideration & Approval

- City Council decides whether to consider the item. If Council approves the item, City Attorney is tasked to draft the ordinance.
- The ordinance must return to Council for adoption

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4

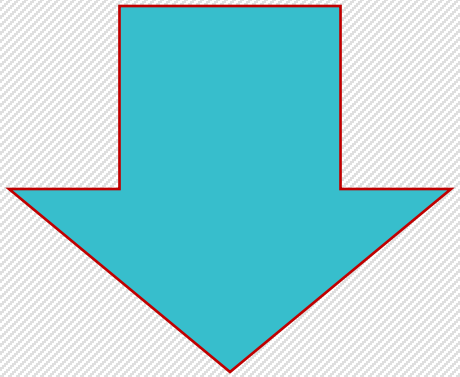
Step 4 – Administer the Benefit

- LACERS begins implementation
- Updates are made to publications, forms, computer systems, policies, and procedures
- LACERS must communicate the benefit changes to affected Members

Actuarial Cost Study Parameters

- All LACERS benefit changes must be accompanied by a cost study done by an Actuary

- LACERS weighs in on the administrative feasibility of benefit changes



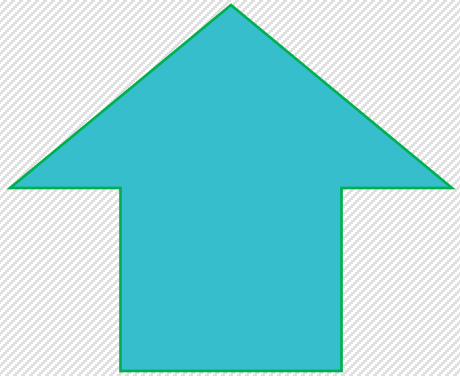
Reimbursement based on a set amount independent of subsidy

Reliance on LACERS' existing records

Timeliness of benefit delivery

Reimbursement based on excess subsidies that some Members have

Reliance on Member submitting income tax returns



Health Questions?

- Email: lacers.health@lacers.org
- Website: LACERS.org
- Address: 977 N. Broadway

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