



What Employees Need to Know When Turning Age 65

Medicare Basics

Terms You Need to Know

Medicare entitlement: Medicare enrollment. Ability to enroll is based on age (age 65+) or disability status.

Medicare Part A: Covers hospitalization, skilled nursing facilities, hospice, and home health care. It is generally premium free if the individual or spouse worked and paid Medicare taxes for a least 10 years (40 quarters). It is available for a premium for those who don't qualify for premium free access.

Medicare Part B: Covers services from health care providers, outpatient care, home health care, preventive services, and durable medical equipment. Individuals pay a premium for Medicare Part B and the premium depends on income.

Medicare Part C (Medicare Advantage Plans): Medicare-approved plan from a private insurance company that offers an alternative to the Medicare Parts A & B, and usually includes Part D. In most cases you will need to use network doctors. These plans may also include vision, hearing and dental services.

Medicare Part D: Covers prescription drugs. Part D plans are provided by private insurance companies that follow rules set by Medicare.

Medicare Supplemental Insurance (Medigap): These policies can be purchased from private companies and help pay the individual's cost share in original Medicare (Parts A, B & D). These plans are standardized, and all have the same benefits regardless of the insurance company.

When is Medicare Primary?

If you work for a company that has fewer than 20 employees, you generally will need to enroll in Medicare once you turn 65. Your employer's group health plan will be the secondary payer and will assume Medicare enrollment when paying your medical claims, even if you do not enroll in Medicare.

If you work for a company that has 20 or more employees, your group health plan will pay primary, and it is not necessary for you to enroll in Medicare once you turn 65. Medicare Secondary Payer (MSP) rules require that your employer provide you with the same benefits under the same conditions that employees under age 65 are provided.

Medicare Enrollment Periods

Initial Enrollment Period

When you become eligible for Medicare based on age, you have a seven-month Initial Enrollment Period to sign up for Part B that:

- Begins 3 months before the month you turn 65.
- Includes the month you turn 65.
- Ends three months after the month you turn 65.

If you enroll prior to turning age 65, Medicare will start the first day of your birthday month, and as a special bonus, if your birthday is the 1st day of the month, Medicare will start the first day of the prior month.

If you enroll in Medicare during your birthday month, or during the three month period after your birthday, your coverage will start first of the month following your date of enrollment.

Keep in mind, if you do decide to enroll in Medicare and waive your group medical insurance, any dependents enrolled on the medical plan will also no longer be covered under your employer's plan. Dropping coverage because you enroll in Medicare is not a COBRA qualifying event and your dependents will not be offered COBRA.

Medicare Open Enrollment Period

The Medicare open enrollment period is from October 15 – December 7 each year. During this time, you can join, switch, or drop a plan and your changes will be effective January 1.

Medicare Part B has a general enrollment period from January 1 – March 31, with coverage beginning on July 1 of the year you enroll.

The Medicare Advantage open enrollment period is from January 1 - March 31 each year. If you are enrolled in a Medicare Advantage Plan, you can switch to a different Medicare Advantage plan, or switch to Original Medicare (Part A, B & D) once during this time.

Special Enrollment Periods

If you are losing active group health coverage because of retirement (termination of employment) you have an eight-month special enrollment period which begins the earlier of the month after employment ends or the month after active coverage ends.

COBRA coverage is not considered to be active group health coverage. If you retire and do not enroll in Medicare during the eight-month Special Enrollment Period, you will need to wait until the next general open enrollment period (January 1 - March 31 with a July 1 effective date) and will pay a penalty. The premium will increase 10% for each 12-month period you were eligible for Part B and did not sign up, unless you had active group coverage and qualified for a Special Enrollment Period.

Keep in mind if you do decide to enroll in Medicare and waive your employer's group health coverage, any dependents currently enrolled on the plan will also lose coverage.

Medicare Part D

If you are Medicare eligible, your employer is required to inform you annually prior to the October 15 – December 7 Medicare Part D open enrollment period, if your employer sponsored group health plan prescription drug coverage is creditable or non-creditable. This designation is determined generally by the insurance carriers using a safe harbor method or an actuarial determination.

The Medicare Part D rules require that if you are Medicare eligible you be enrolled in creditable coverage under a group health plan for a period of at least 63 continuous days or face a late enrollment penalty of at least 1% of the Medicare base premium for every one month without creditable coverage.

You will need the notice to prove that you have been enrolled in creditable coverage. If your group plan option is not creditable, you will need to make a decision whether you will enroll in Medicare Part D or switch to a group health plan (if available) with creditable prescription drug coverage

Health Savings Accounts (HSAs)

You do not lose HSA eligibility automatically upon reaching age 65! You would only lose HSA eligibility if you were to enroll in Medicare (Part A or Part B) upon turning age 65. If you are receiving Social Security Retirement benefits, you are automatically enrolled in Medicare Part A with no opt-out permitted. This would cause you to automatically lose HSA eligibility.

Once you turn age 65, the money in your HSA account can be used for non-medical expenses and you will no longer be subject to the 20% additional tax. You will just pay ordinary income tax on any funds used for non-medical expenses.

When you do decide to retire after age 65, keep in mind that your Medicare Part A coverage will be retroactive for up to six months. This will block your HSA eligibility for the period Medicare Part A is retroactive. You will need to do some retirement planning.

- Plan ahead and stop your HSA contributions (including company contributions at least six months before applying for Medicare; or
- Correct the mistake by taking a corrective distribution of the excess contributions by the due date for filing your individual tax return (generally April 15). If you file for an extension for your taxes, your deadline to take the corrective distribution of excess contributions is also extended.

Other Useful Information

Domestic Partners

Medicare Secondary Payer rules do not apply to domestic partners. If your domestic partner enrolled on your group is age 65+, the employer sponsored health plan will pay secondary, and will assume Medicare enrollment, and that Medicare is paying primary. This may leave your domestic partner with a rather large portion of medical claims which are not covered.

COBRA and Medicare

COBRA coverage does not qualify as active group health plan coverage and MSP rules do not apply. In almost all situations, the coordination of benefits rules provide that Medicare will pay primary for the COBRA participant and the group health plan will pay secondary.

Termination of employment starts your special eight-month enrollment period, and if you do not enroll in Medicare during this period, not only will you possibly have a large portion of your medical claims uncovered, you may face a penalty for late enrollment.

Whether you can have COBRA and Medicare depends on the order of enrollment.

- If you are enrolled in Medicare prior to terminating and electing COBRA, Medicare enrollment will not cut short your COBRA rights.
- If you are enrolled in COBRA prior to enrolling in Medicare, enrollment in Medicare will terminate your COBRA rights.

Helpful Medicare Resources for Employees

- [Where can I sign up?](#)
- [When will my coverage start?](#)
- [Should you enroll in Part B?](#)
- [CMS Guide to Enrolling in Medicare](#)
- [Part B Late Enrollment Penalty](#)
- [Medicare Eligibility and Premium Calculator](#)
- [Deciding Whether to Enroll in Medicare Part A and Part B When You Turn 65:](#)