

**Q. What happens to an employee's health insurance coverage when they turn 65 and become eligible for Medicare?**

A. The employee may remain enrolled in their current employer's health plan as long as they continue working in an eligible position. Becoming eligible for Medicare does not change an employee's eligibility or participation. Once an employee is eligible for Medicare, the employer cannot (a) offer different coverage than the coverage offered to employees who are not eligible for Medicare, (b) refuse to cover the employee or (c) restrict the employee's coverage. The employer-based plan cannot (a) charge the employee more for their premium, deductible, coinsurance charges and/or copays, (b) limit the benefits the employee receives, (c) give the employee misleading information to get the employee to disenroll, (d) pay providers less for services, (e) require the employee to wait longer for their coverage to begin and (f) end the employee's coverage because the employee became eligible for Medicare.

**Q. When should an employee enroll in Medicare?**

A. Most people age 65 or older who are citizens or permanent residents of the United States are eligible for free Medicare hospital insurance (Part A). Employees should sign up for Medicare Part A **three months** before their 65<sup>th</sup> birthday. Anyone who is eligible for free Medicare Part A can also enroll in Medicare medical insurance (Part B) by paying a monthly premium. Since an employee must pay a premium for Medicare Part B coverage, the employee may wish to delay enrollment in Part B while the employee is still working until the employee is no longer covered under their employer-offered health plan.

**Q. Under what circumstances can an employer require an employee to sign up for Part B?**

A. If the employer for the employee or the employee's spouse has fewer than 20 employees, the employer may require the employee to sign up for Part B when the employee turns 65. If so, Medicare would become primary payer and the employer coverage would be secondary.

**Q. If an employee doesn't sign up for Medicare Part B when they first become eligible, will there be a penalty or waiting period for enrolling late?**

A. If the employee is age 65 or older and is covered under an employer-offered health plan, either from their own or their spouse's current employment, the employee has a "special enrollment period" in which to sign up for Medicare Part B when they lose their employer-offered coverage. This means the employee may delay enrolling in Medicare Part B without waiting for a general enrollment period (January 1 – March 31 each year) and avoid paying the 10% premium surcharge for late enrollment.

**Q. Are there other situations which prevent an employee from choosing to delay Part B?**

A. If the employee is in an unmarried domestic partnership (same or opposite sex) and receives health insurance under their partner's employer plan, the employee does not have the same right to delay Part B without penalty *unless* the employee lives in a state that recognizes common law marriage and the relationship falls within the state's definition of common law marriage OR the employee is under 65 and has Medicare because of disability, the partner's employer has 100 or more employees, and the employee is accepted on the employer's health plan as a "family member".

**Q. Does the employee still need to sign up for Medicare Part A?**

A. With one exception, there's no reason for the employee not to enroll in Part A, which mainly covers hospital stays, around the time an employee turns 65 because if the employee contributed enough Medicare payroll taxes while working, there are no premiums for Part A. If the employee didn't contribute enough, they may still qualify for premium-free Part A on the work record of their spouse. Otherwise, they have the option of paying monthly premiums for Part A benefits. Another reason to consider declining Part A includes the desire to continue contributions to an HSA, see below for more information.

**Q. Does the employee need Part D prescription drug coverage?**

Probably not. If the employer-offered plan offers prescription drug coverage that is "creditable" — meaning that Medicare considers it at least of equal value to Part D coverage — an employee doesn't need to enroll in a Part D drug plan at age 65. Instead, when the employer-offered coverage ceases, the employee will be entitled to a two-month special enrollment period to sign up with a Part D plan without penalty. The employer should inform employees if their plan is "creditable" or not by October 14<sup>th</sup> of each calendar year. If coverage is not creditable, the employee would need to enroll in Part D during their initial enrollment period at age 65 to avoid late penalties if and when the employee eventually signed up.

**Q. How does an employee sign up for Medicare?**

A. If an employee signed up for Social Security before age 65, they will automatically be enrolled in Medicare Parts A and B and will receive their Medicare card three months before their 65<sup>th</sup> birthday. Otherwise, the employee can sign up for Part A or Part B during the employee's initial Medicare enrollment period, which runs for 7 months, starting 3 months before the month of the employee's 65<sup>th</sup> birthday and ending three months after that month, by calling Social Security at 1-800-772-1213 and scheduling an appointment for an interview by phone or in person. At this interview, if the employee chooses to delay enrollment in Part B, the employee may be required to provide documents verifying health insurance coverage through the current employment of the employee or the employee's spouse.

**Q. How does Medicare coordinate with an employer-offered health insurance plan?**

A. Medicare and employer-offered health insurance will work together in different ways under different circumstances. If the employee is 65 or older, current employee insurance from the employee's or the employee's spouse's work pays primary to Medicare if the employer has 20 or more employees, otherwise, it pays secondary to Medicare. If the employee has received Social Security Disability Insurance (SSDI) for 24 months or more and has Medicare due to a disability, current employee insurance from the employee's or the employee's spouse's or family member's work pays primary to Medicare if the employer has 100 or more employees, otherwise it pays secondary to Medicare.

*Special rules apply if you have End-Stage Renal Disease (ESRD) and if you are self-employed.*

**Q. What if an employee has a Health Savings Account (HSA)?**

A. If an employee's employer-offered health insurance takes the form of a high deductible plan with a HSA, under IRS rules, the employee cannot continue to contribute to an HSA if the employee is enrolled in Medicare (even Part A) or, if after age 65, the employee is receiving Social Security retirement or disability benefits. The employee can draw on funds already in the account, but cannot add to them. You'll be able to sign up for Part A without risking a late penalty during the same special enrollment period when you enroll in Part B, after you finally stop working. If you are married to somebody who has an HSA at work, and you are covered by that plan, it doesn't make any

difference whether you are enrolled in Medicare or not — you can still use the HSA for your medical needs. The IRS rule applies only to the working employee who is contributing to the plan.

**Q. What if my employer offers me COBRA or retiree health benefits?**

A. Different rules apply to Part B and Part D in either of these situations:

Part B: An employee can delay Part B enrollment without penalty *only* while the employee or the employee's spouse is still actively working for the employer that provides health insurance. But if the employee receives COBRA benefits — a temporary extension of employer coverage that usually lasts 18 months — or retiree benefits, by definition the employee is no longer working for this employer. So if the individual waits until these benefits have expired before enrolling in Part B, the individual won't qualify for a special enrollment period. Instead, they will likely pay late penalties, and would be able to enroll only during the general enrollment period that runs from Jan. 1 to March 31 each year, with coverage not beginning until the following July 1.

Part D: As long as the employee's COBRA or retiree drug coverage is creditable, the employee does not need to enroll in Part D until these benefits end, as explained above.

**Q. Will turning 65 and becoming eligible for Medicare affect my paycheck?**

A. As long as the employee is working in a job that's covered by Social Security, as are most jobs, the employee will have to keep paying Social Security and Medicare taxes indefinitely, regardless of the employee's age or benefit status.

**Q. Is there a consultant I can use to help walk me through all of the types of Medicare products?**

A. Employers Resource refers client employees to a 3<sup>rd</sup> party broker called, SGIA. SGIA provides a Retiree Support Center (RSC) assisting employees and recently retired employees with helpful answers to questions as they maneuver through Medicare and other ancillary products and offerings before active coverage ends. The RSC provides enrollment information and support for voluntary insurance products available throughout the United States with multiple carriers and product lines. SGIA keeps your information confidential and there is no commitment or obligation to purchase a product.

For more information, please visit our ERM website at [www.employersresource.com](http://www.employersresource.com) , or call an SGIA Consultant at 888-329-0226.