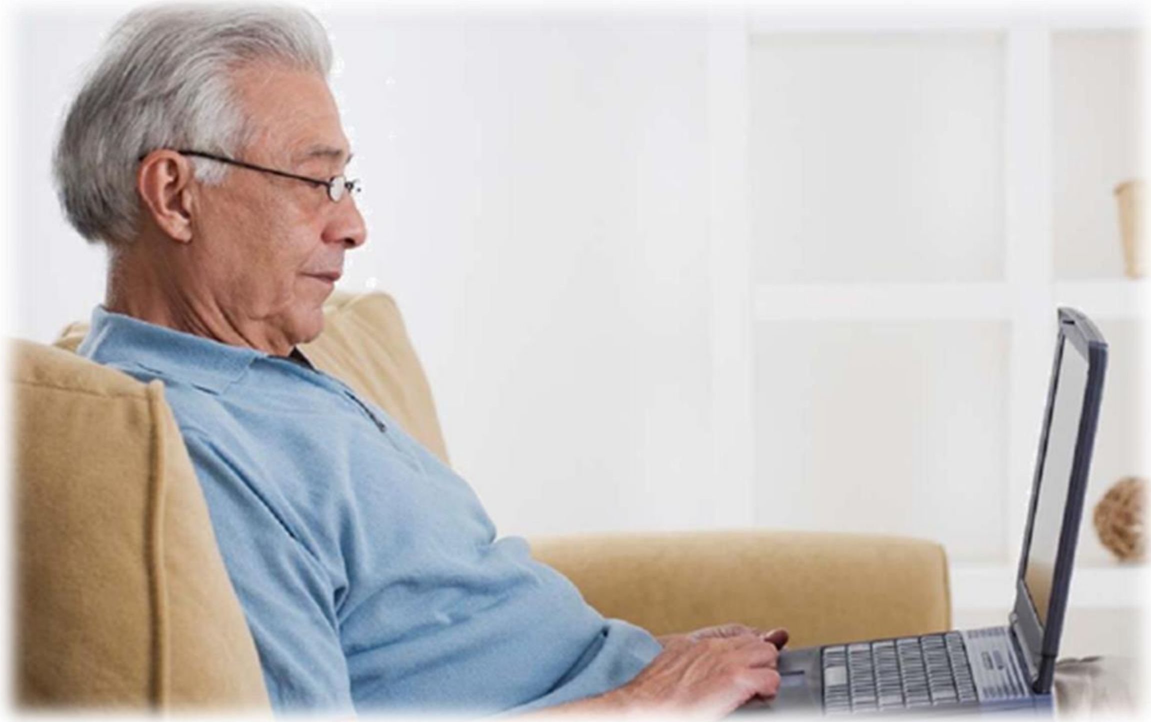
Medicare and Employer Health Coverage



SHIINE

senior health information & insurance education

Working Past 65

Many people are choosing to delay retirement and continue working past age 65. If you are someone who continues to work and have health insurance through your employer, it may be beneficial to delay some or all parts of Medicare.

If your employer health insurance is CREDITABLE COVERAGE, you have the option to delay Medicare coverage and not be penalized. If your employer health insurance is NOT CREDITABLE COVERAGE and you choose not to enroll in Medicare when first eligible, you will be subject to a penalty when you do elect Medicare. Only the plan/company can confirm if the group health plan is creditable coverage.

With small employer plans (less than 20 employees), Medicare is the primary payer. The employer health policy does not have to continue to offer benefits and may require you to take Medicare.

Delaying Medicare

Part A:
Most people take Medicare Part A when they are first eligible because it is free for 99% of beneficiaries. Individuals who want to keep contributing to their Health Savings Account, or are assessed a Part A premium, may choose to delay Part A enrollment.

Part B:
Individuals tend to delay Medicare Part B if they have creditable coverage through work. Beneficiaries can also delay their guaranteed issue period (open enrollment) for a Medicare Supplement, which lasts six months from when the beneficiary first enrolls in Part B.

Beneficiaries are more likely to enroll in Part B when first eligible if their group plan pays secondary to Medicare. If employer medical benefits are limited, Part B may pay for costs not covered by the group plan.

Part D:
Many beneficiaries choose to delay Part D if they have coverage elsewhere. Part D creditable coverage is NOT tied to active work, so *most* other drug coverage is creditable (e.g. group coverage, retiree, VA). Some individuals choose to enroll as soon as they are eligible if Part D offers better coverage/lower prices for their particular prescription drugs.

Penalties

Part A:
A penalty is only assessed if the beneficiary pays a Part A premium. The penalty is 10% of the premium, paid monthly for twice the number of years enrollment was delayed.

Part B:
For each 12 months of delay with no creditable coverage, the penalty is 10% of the premium. Penalty is paid for each month a beneficiary has Part B coverage.

Part D:
A beneficiary accrues a 1% penalty for each month he/she is eligible for Part D but not enrolled and does not have creditable coverage. This penalty is paid monthly once you enroll in a Part D plan.

Retiree Plans

Many companies continue to offer health insurance after an employee retires. Retiree plans vary greatly with a wide range of options including Medicare Advantage plans, Medicare Supplements, and full health coverage.

Retiree plans are NOT guaranteed renewable; meaning the coverage or contribution can be changed or dropped at any time by an employer.

Even if a beneficiary has retiree coverage, he/she must enroll in Medicare Part B to avoid penalties. Retiree coverage is never considered creditable coverage because it is not tied to active work. Medicare always pays primary to retiree plans.

Health Savings Accounts (HSA) and Medicare

A Health Savings Account (HSA) is a medical savings account in which money can be deposited, tax free, to pay for qualifying medical expenses such as deductibles, co-pays, medical equipment, dental, hearing and visions costs, and prescriptions.

HSAs only work with High Deductible Health Plans (HDHP). HDHP plans may or may not be creditable coverage for Medicare. Beneficiaries need to check with the plan to determine if it is creditable coverage. If the plan is not creditable and the beneficiary delays enrolling in Medicare, there may be a penalty assessed.

Once enrolled in any part of Medicare, including Part A, beneficiaries are no longer eligible to contribute to an HSA. If a beneficiary already has an HSA prior to enrolling in Medicare, they can continue to use the funds already deposited. The beneficiary is responsible for stopping the contributions to their HSA prior to enrolling in any part of Medicare.

Beneficiaries can use HSA funds to pay for medical expenses including Medicare premiums (except Medicare Supplement premiums), Medicare deductibles, co-pays, prescription drugs, and dental, vision and hearing expenses.

COBRA

Cobra (Consolidated Omnibus Budget Reconciliation Act) is a law regulated by the Department of Labor. COBRA requires employers with 20 or more employees to offer former employees and their dependents a temporary continuation of health coverage.

Who Qualifies?

To qualify, an individual had to be enrolled in the health coverage prior to the loss of employment. Each family member can decide if they want COBRA coverage.

How Much Does it Cost?

The former employee pays the full health insurance premium including the employee and employer's share, as well as a 2% administrative fee.

How Long Does it Last?

COBRA coverage generally lasts 18 months. COBRA is NOT creditable coverage for Medicare Parts A and B but usually is for Part D.

Can I have COBRA and Medicare?

If you were first enrolled in COBRA and then enrolled in Medicare, your COBRA benefits will end. Dependents who are enrolled in COBRA and not yet eligible for Medicare may still be able to continue COBRA coverage.

Medicare Supplement Policies

Medicare Supplement policies, often referred to as “Medigap” or “MedSup”, are designed to cover the gaps in Medicare Parts A and B including deductibles and copays. There are 10 standard policies that are regulated by the Federal Government. A standard policy means a “Plan F” policy bought from one company will offer the exact same coverage as a “Plan F” from all other companies. The premium amounts, rate increases, customer service and agent availability will differ between the companies.

Medicare Supplement Open Enrollment lasts six months following Part B enrollment at age 65 or older. During this time, beneficiaries can buy any Medigap policy that is offered in the state. Companies cannot deny anyone a policy because of health or age. Rates can vary because of age, gender, geographic area and smoking status. Some policies may have a waiting period for pre-existing conditions.

If a beneficiary wants to enroll in a new plan, or switch to a different plan outside of the six-month open enrollment time frame, the beneficiary may have to go through an underwriting process where companies can review their medical history.

The South Dakota SHIINE program has developed a Consumer’s Guide for Medicare Supplement Insurance. To have a copy of this guide mailed to you or for one-on-one counseling for any Medicare question, please call our toll-free phone number:

SHIINE

senior health information
& insurance education

Eastern South Dakota
2300 W 46th Street
Sioux Falls, SD 57105
1-800-536-8197
SHIINE@activegen.org

Western South Dakota
505 Kansas City Street
Rapid City, SD 57701
1-877-286-9072
SHIINE@westriversd.org

Central South Dakota
800 E Dakota
Pierre, SD 57501
1-877-331-4834
SHIINE@centralsd.org

www.SHIINE.net

This publication has been created or produced by the South Dakota Department of Social Services, Division of Adult Services and Aging’s SHIINE program with financial assistance through a grant from the Administration for Community Living. This brochure is for informational purposes only and is available to the public. Neither SHIINE nor the South Dakota Department of Social Services endorses any specific agent, company, product or plan of insurance.