

# Medicare Considerations When Working Beyond 65

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*Workers approaching age 65 have some big decisions to make about their financial future, especially when – or if – they should transition from their employer’s healthcare plan to Medicare. This month’s Wealth Management Insights takes a look at the basics of Medicare and factors these individuals should consider before enrolling.*

Even with employer health insurance, you’ll want to consider enrolling in some aspects of Medicare at age 65.



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## What you should know:

- 1. Medicare enrollees can choose among five individual coverage components.**
  - Part A covers the expenses of hospitalization, nursing care, home health services and hospice.
  - Part B covers expenses incurred with doctors’ services, outpatient care, diagnostic tests and preventative services.
  - Part D covers the costs of prescription drugs, and is only available after enrolling in Parts A and/or B.
  - Medicare Supplement (Medigap) plans address many of the costs not included in Parts A and B, such as deductibles and co-insurance.
- 2. When making decisions about transitioning to Medicare, consider your employer’s size and healthcare coverage.**
  - Medicare Advantage (Part C) delivers all of the services listed above and is an alternative to enrolling in the individual parts separately.
  - If you work for what is classified as a small employer (fewer than 20 employees), Medicare becomes your primary payer of covered medical claims when you turn 65 – which means you need to enroll if you want comprehensive medical coverage. If your employer has 20 or more employees, the employer’s plan remains the primary payer of medical claims. When deciding ▶

to either stay on your employer's plan or enroll in Medicare, consider your healthcare needs and the costs of policies available to you.

- If you plan to stay on the employer's plan and it includes prescription drug coverage, verify that the coverage is "creditable" (that is, that the coverage is comparable or better than that on a Part D plan). If your coverage is not creditable, you will need to consider Medicare Part D coverage or a creditable private policy to avoid late enrollment penalties.
- Medicare beneficiaries cannot contribute to a Health Savings Account. If your employer's plan includes an HSA and you wish to continue contributions past age 65, you cannot file for or collect Social Security, as doing so automatically enrolls you in Medicare.

### **3. Your marital status, age and previous employment may also come into play.**

- If your spouse is covered through your employer's plan, ensure that coverage continues beyond their age 65. Many companies reduce or

even eliminate spousal coverage to lower their own healthcare costs.

- At full retirement age, your Social Security benefit is no longer reduced if you have employment income. For some workers, it may make sense to file for Social Security, enroll in Medicare Parts A and D but decline Part B (which may only duplicate their employer's coverage).
- Some employers provide healthcare coverage through a retiree plan for former employees. While the benefits may be similar, a retiree plan is not considered an employer plan, and you will still be required to enroll in Parts A and B.

### **What you should do now:**

Workers in their mid-60s – especially those at larger companies – face many healthcare decisions that require an understanding of both Medicare and their own companies' coverage. Your company's benefits administrator and Baird Financial Advisor can provide insight into what your options are. ■