Medicare Decisions When Working Past Age 65

If someone plans to work past age 65, employees may be able to delay enrollment in Medicare until their employer coverage ends. When this is an option, along with many of the key planning considerations are all discussed in this piece.

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For most individuals approaching age 65, they face a transition in health care coverage from their current coverage to Medicare. Most employees running into this situation will have the choice of continuing with the coverage offered by their current employer, or enrolling in Medicare. But knowing when that's an option and what choices to make can be challenging as there are many rules to know and nuances to consider. Below are some of the key factors to consider for individuals who will continue to work after reaching age 65.

BACKGROUND ON ENROLLMENT PERIODS

Before discussing the specifics of when to enroll in Medicare when covered by an employer plan, it's important to understand the basics of the various Medicare enrollment periods. Failure to enroll in a timely manner can lead to premium penalties on Parts B and D. In addition, not enrolling on time could create a gap in coverage, potentially exposing you to large medical expenses if care would be required during a period where coverage is not in force. There are 5 main Medicare enrollment periods.

1. **Initial Enrollment Period (IEP)** – Most people can enroll in Medicare at any time during a seven-month period including the three months before, the month of, and the three months following their 65th birthday. The actual date when Medicare coverage is effective depends on when enrollment occurred. If you enroll during in any of the three months prior to the month you turn 65, coverage will start on the 1st of the month you turn 65. If you enroll later than that, coverage will be delayed.
2. **Special Enrollment Period (SEP)** – Enrollment in Part B can be delayed without penalty if you were covered by employer health insurance through you or your spouse's current job when you first become eligible for Medicare. Enrollment can occur without penalty at any time (1) while you have group health coverage or (2) for eight months after you lose that coverage or when you stop working, whichever comes first.
3. **General Enrollment Period (GEP)** – If you do not enroll in Medicare during either the IEP or SEP, you can enroll during the GEP, which lasts from January 1 through March 31 every year. Coverage begins July 1 of the year of enrollment. Enrolling during this period will also likely result in you paying a penalty in the form of a higher premium for every year you were not enrolled that you should have been. This penalty lasts for the rest of your life. To avoid any gaps in coverage, it is recommended that you enroll in Medicare before your employer coverage ends.
4. **Open Enrollment Period (OEP)** – The open enrollment period occurs annually from October 15 through December 7. This window allows people already enrolled in Medicare to make certain changes. The most common changes made during this time period are selecting a new Part D or Medicare Advantage plan to better meet your needs. For a complete list of changes that can be made during the OEP, consult Medicare's publication titled "Understanding Medicare Part C & D Enrollment Periods".
5. **Medigap Open Enrollment Period** – The Medigap OEP starts the month a person is both 65 and has Part B and extends for 6 months. This time period is important because Medigap insurers can turn people down because of

their health status unless they apply for benefits in this window. Being issued a policy regardless of health status is called guaranteed issue. There are other circumstances where a Medigap policy may be purchased on a guaranteed issue basis, but they are limited.

KEY QUESTIONS TO ASK AS YOU APPROACH AGE 65

You have a number of important decisions to make when you turn 65. Additional choices will need to be made if you plan to continue to work and possibly receive health coverage through that employer. The decisions include whether or not you should enroll in Medicare Parts A & B, join a Medicare Prescription Drug Plan (Part D), buy a Medigap policy, and/or keep employer or retiree coverage. By understanding your choices and knowing what questions to ask, making these decisions becomes easier. Below is a quick overview of several of the key questions you need answers to before making a final decision:

- **Does your current employer have 20 or more employees?** – If you are covered by a group health plan through your current employer or your spouse's current employer and the employer has 20 or more employees (large employer), then your employer plan will be the primary payer of expenses for covered medical services you incur. If the employer has less than 20 employees (small employer), Medicare will be the primary payer. If you are covered by a large employer's plan during your Initial Enrollment Period (7 month window around age 65), you will qualify for a Special Enrollment Period for Parts A & B.
- **If the employer plan offers prescription drug coverage, is the coverage considered "creditable"?** – In order to qualify for a Special Enrollment Period for Part D, your current prescription drug coverage must be deemed to be creditable. This simply means that the plan is considered to be "as good or better", from an actuarial standpoint, than a Medicare Part D plan. This creditable drug coverage does not have to be offered by an employer. Enrollment in any creditable Part D plan will qualify you for a Special Enrollment Period.
- **Is your spouse covered by your employer's plan?** – If so, make sure they can stay on the plan. More and more employers are encouraging, or even forcing, covered spouses to enroll in Medicare to reduce costs in the employer's plan.
- **Does the employer plan offer a Health Savings Account (HSA)?** – Enrolling in Medicare disqualifies you or your employer from making any additional contributions to your HSA.
- **Are you, or will you start, collecting Social Security at the time you enroll in Medicare?** – If so, you will be automatically enrolled in Parts A & B, although you have the option of declining Part B coverage.
- **Are you covered by COBRA?** – If you have COBRA coverage when you first enroll in Medicare, your COBRA coverage may end. Your employer has the option of canceling your COBRA coverage if you enroll in Medicare after the date you elected COBRA coverage

PLANNING CONSIDERATIONS

Does your current employer have 20 or more employees?

Employers that have 20 or more employees are considered a large employer by Medicare, whereas those with less than 20 employees are considered a small employer. This is important in determining whether or not Medicare is the primary payer of covered medical claims once you reach age 65 and, therefore, whether or not you need to enroll in Medicare.

The **first rule of thumb** is to ***always*** reach out to your employer's benefits administrator as you approach Medicare age to see what they require regarding Medicare. The information they provide will help guide your next steps.

If you work for a small employer, Medicare is the primary payer and the employer plan is secondary. In this case you would *need* to enroll in Medicare at age 65 to have comprehensive coverage. Most of the time, there would be no need to enroll in the employer plan also, unless it provides coverage above and beyond what Medicare offers. The cost for this coverage may not be reasonable, though, unless your employer offers a plan that can serve as a Medicare Supplement Plan. If they do offer this type of plan, make sure you can stay in the plan for the rest of your life. If not, you should consider purchasing a Medicare Supplement Plan from one of the insurance companies that offer coverage in your area. Otherwise, if you need to switch plans at some point, you may not be able to purchase a policy that is guaranteed issue. Additional information on this topic can be found in the "Coverage Under Retiree Health Plans" section later in this document.

If you work for a large employer, the employer's plan is the primary payer and Medicare is secondary. In this case, whether or not to enroll in Medicare (and which parts to consider) becomes more complicated, as you will have more choices available to you and additional things to watch out for. The below table outlines many of the key considerations regarding whether or not to enroll in the various parts of Medicare in this situation:

Medicare Coverage Component	What's Covered?	Premium	Enrollment Considerations
Part A	• Hospitalization, skilled nursing care, home health care, and hospice	• No monthly premium if you or your spouse has earned 40 quarters of coverage.	• Need or want supplemental hospital coverage beyond what employer plan offers. • If employer plan contains HSA, additional contributions will not be allowed.
Part B	• Physicians' services, diagnostic tests, lab tests, and certain preventative services	• Monthly premium starts at \$134.00/month (2018), plus extra surcharge for higher income individuals.	• Coverage will typically duplicate that of employer plan. Normally, you will choose one or the other based on coverage provided, costs, care-provider network, etc. • If you enroll in Part B, the 6-month Medigap Open Enrollment window will begin.
Part D	• Prescription drugs	• Nearly all plans have a monthly premium, which varies depending on the plan and coverage selected.	• Employer drug plan must be "creditable" in order to delay enrollment in Part D and avoid a late enrollment penalty. • Must enroll in A or B to be able to purchase a Part D plan • If employer plan contains HSA, additional contributions will not be allowed. • If your employer plan is not creditable, but you don't want to enroll in Part D yet, you could also purchase a creditable policy through a private insurer, allowing you to delay enrollment in Part D.
Medicare Supplement/ Medigap	• Standardized plans designed to cover costs not covered by Parts A & B, such as co-pays, deductibles, and co-insurance.	• Premium varies depending on the plan and coverage selected.	• Only needed if enrolling in Original Medicare, rather than employer plan. • Upon enrolling in Part B, the 6-month Medigap Open Enrollment window will begin.
Medicare Advantage (Part C)	• Delivers all of the services under Parts A, B, usually D, Medicare Supplement, and sometimes additional, uncovered costs/services. • Extent of coverage varies based on the individual plan selected.	• Premium varies depending on the plan and coverage selected.	• Coverage will typically duplicate that of employer plan. Normally, you will choose one or the other based on coverage provided, costs, care-provider network, etc.

If your employer plan offers prescription drug coverage, is it considered creditable?

The rules for avoiding late-enrollment premium penalties differ between Parts B and D. To avoid the penalty on Part B, you simply need to be covered by your employer plan if you work for a large employer, in which case you will qualify for a Special Enrollment Period (SEP). That is the only option. Everyone else must enroll in Part B when they turn age 65 or they will be subject to the late-enrollment premium penalty. However, in order to qualify for a SEP for Part D, you just need to have current prescription drug coverage that is considered creditable. A creditable prescription drug plan is one that is considered to be "as good or better", from an actuarial standpoint, than a Medicare Part D plan. This coverage can be offered by your employer or a creditable plan can be purchased through a private insurer. Whatever option you choose, as long as you have continuous coverage under a creditable prescription drug plan, you can enroll in a Part D plan after age 65 and avoid any premium penalties.

Is your spouse covered by your employer's plan?

If your spouse is covered by your employer's health plan, the rules under the plan could be different for a covered employee when compared to a covered spouse. While a large employer's plan must continue to offer the same coverage to the employee at age 65, it is not the case for covered spouses. While many companies will continue to offer spouses the same coverage once they reach age 65, more and more companies are reducing, or even eliminating, coverage to help control rising health care costs.

Understanding the options available to a covered spouse under an employer's health insurance plan is critical to ensure you make the proper Medicare enrollment decisions. This can most easily be done by proactively contacting the employer's health plan administrator or the benefits expert in the Human Resources department. Some employers may proactively reach out to their employees prior to them reaching age 65, but you cannot assume this will be the case.

Does the employer plan offer a Health Savings Account (HSA)?

By law, Medicare beneficiaries are not allowed to make contributions to HSAs. This is true whether the contributions are made by the employee or the employer.

If your employer's plan contains an HSA, the below points need to be considered regarding Medicare decisions if you still desire to make contributions to your HSA:

- **Prescription drug plan is not creditable** – If your employer's prescription drug plan is not a creditable plan, alternative coverage will be required in order to avoid a late enrollment premium penalty. You would not be able to enroll in Part D without enrolling in Parts A or B, which would then make you ineligible to make an HSA contribution. Consider switching to a prescription drug option within your employer's plan that is creditable, or purchasing a creditable policy through a private insurer. Maintaining coverage under either of these options would avoid being subject to the premium penalty later, if you decide to enroll in Part D.
- **Filing for Social Security** – If you file for, or are already collecting, Social Security at age 65 or beyond, enrollment in Medicare is automatic. While you can decline Part B, you cannot decline Part A. Therefore, if you file for, or are collecting, Social Security at age 65 or later and are still covered by your employer plan, you will lose the ability to contribute to your HSA.

Are you or will you start collecting Social Security at the time you enroll in Medicare?

Because enrollment in Medicare is automatic if you collect Social Security at age 65 or beyond, when you file for Social Security can also impact your health insurance decisions. While you will lose the ability to contribute to an HSA under these circumstances, there are other things to keep in mind.

Once a person reaches their full retirement age (66 for those born in 1943-1954), your Social Security benefit is no longer reduced if you have employment income. Some working individuals may decide to begin collecting Social Security at that time. Enrollment in Part A and B would happen automatically. You would have the option to decline Part B. Because you are now enrolled in Part A, you could also enroll in Part D. You could compare your employer's prescription drug plan to the Part D plans available in your area. Depending on your prescription drug needs, you may find better options through a Part D plan or a private plan than what your employer offers.

COVERAGE UNDER RETIREE HEALTH PLANS

Some employees offer health insurance for former employees through a retiree health plan. It is important to note that retiree health plans are ***not*** considered employer plans for the purposes of qualifying for a special enrollment period for Medicare.

If your company offers a retiree plan, you will want to evaluate the group coverage available and compare it to the Medicare options available to you. The employer may cover some or all of the premium costs of these plans, which is oftentimes what initially draws people to these plans. While that is a great benefit, you should still compare that plan to the available Medicare Supplement plans in your area to ensure that your retiree plan is the best choice. Make sure you understand what coverage is available to your spouse, if any.

Make sure you understand how your retiree plan interacts with Medicare. Often times, the retiree plan serves as a Medicare Supplement plan once you reach age 65, covering the out-of-pocket costs that you would otherwise incur when receiving Medicare-covered medical services. If you were receiving coverage under this plan prior to reaching age 65, the coverage may change. Retiree plans may also cover services that Medicare doesn't, such as dental, vision, hearing, extra days in the hospital, etc. The plan may also include prescription drug coverage. If it covers prescription drugs, make sure the plan is creditable in case you would ever need to switch to a Part D plan later on. If your spouse will be covered by the plan, make sure to understand any coverage differences that may apply to a spouse versus what an employee is offered.

Retiree coverage might not pay your medical costs during any period in which you were eligible for Medicare but did not sign up. If you retired before age 65, the terms of your retiree coverage may change once you reach age 65. If that's the case, you will likely be required to enroll in Parts A, B, and perhaps D at that time.

If you choose to receive your health care insurance coverage through a former employer's retiree plan, there is always the risk that the plan could change or even end altogether. What happens if you lose your retiree coverage and you need to enroll in a Medigap plan to provide supplemental coverage? Will you be able to purchase a policy under the guaranteed issue parameters? If your employer-sponsored retiree plan ends, you usually are able to purchase a Medigap plan that is guaranteed issue as long as the retiree plan was not providing primary benefits or you lost coverage because you stopped paying your premium. If at any point you decide to voluntarily terminate your retiree coverage, you may not be able to get it back. Make sure you understand the impact of this decision, especially if you have other dependents receiving coverage under this plan.