

COVERAGE CONSIDERATIONS FOR MEDICARE-ELIGIBLE INDIVIDUALS (AGE 65+)



Medicare eligibility at age 65 raises several questions for employees covered under employer-sponsored health plans. This **Frequently Asked Questions** document addresses several common concerns. This document contains a general overview of these questions. Please contact Medicare at 1-800-MEDICARE or go to www.medicare.gov to address your specific questions.

What Medicare Plans am I eligible for at age 65?

Most individuals are eligible for several “parts” of Medicare at age 65. These include Medicare Part A (hospital insurance), Medicare Part B (physician insurance), and Medicare Part D (prescription drug coverage).

Most individuals are automatically enrolled in Medicare Part A upon reaching age 65. There is no monthly premium for Part A.

Individuals must specifically elect Medicare Part B. There is a monthly premium for Part B. There are also ‘late enrollment penalties’ for certain individuals that wait to enroll for Part B after their initial enrollment period at age 65. Individuals who continue to work and remain covered under an employer-sponsored plan will not be subject to these late enrollment penalties and will have a special enrollment period after their employer-sponsored coverage ends.

Individuals also specifically elect Medicare Part D. Medicare Part D prescription drug plans are sold through private insurers. Individuals have a similar election period at age 65 to Part B, and similar special enrollment rights after their employer-sponsored coverage ends. It is important to note that employer coverage must be ‘creditable’ coverage, meaning it provides drug coverage that is at least as good as Medicare. If this is not the case then late enrollment penalties may apply even if you maintain non-creditable employer coverage after age 65.

How do I know if my employer coverage is considered ‘creditable’ for Medicare Part D?

Your employer will provide you with a Medicare Part D Creditable Coverage notice annually. This notice will inform you of whether your employer plan provides coverage that is at least as good as Medicare Part D coverage. If you have creditable coverage, and maintain this coverage after age 65, you may be eligible for a special enrollment period for Medicare Part D coverage after your employer coverage ends.

If your employer coverage is not creditable coverage, then you may be subject to late enrollment penalties that increase the cost of Medicare Part D coverage if you do not enroll during your initial enrollment window when you turn age 65.

I’m enrolled in a High Deductible Plan through the firm. How would I be affected?

Like any other medical program, you can maintain your firm-sponsored High Deductible Plan coverage as long as you remain employed and eligible for the plan. You will have to make a personal decision about whether it is more appropriate for you to retain your firm-sponsored coverage or to sign up for Medicare Parts B & D (you will be automatically enrolled in Part A, at no cost to you). If you postpone enrolling in Medicare Parts B & D because you are enrolled in the HSA-compatible plan, you may be subject to Medicare Part D late enrollment penalties if your prescription drug coverage is not creditable.

If you are enrolled in a Health Savings Account (HSA) as part of your High Deductible Health Plan, you are no longer eligible to make additional tax-advantaged contributions to your HSA once you are enrolled in Medicare Part A. The firm also may not make additional contributions on your behalf. You are still able to use your HSA money, subject to normal HSA restrictions; you just can't make new contributions to the account.

Also, after age 65 you can withdraw money from your HSA for non-healthcare expenses and you will incur ordinary income tax but will no longer incur excise tax penalties.

Can I continue to contribute to my Health Savings Account if my spouse becomes Medicare-eligible and is covered under my health plan?

Yes. HSAs are individual accounts. You may continue to contribute to an HSA as long as you continue to meet the eligibility criteria. In addition, your maximum HSA contribution is based on your coverage level in the High Deductible Health Plan. If you maintain family coverage, you can continue to contribute up to the family maximum even if your spouse is enrolled in Medicare. You may also use the proceeds in your HSA to pay for your spouse's out-of-pocket healthcare expenses.

When I terminate employment, would I be eligible for COBRA? How does COBRA interact with Medicare coverage?

When you lose eligibility under your firm-sponsored plan, the loss of coverage entitles you to elect COBRA continuation coverage. COBRA allows you to continue your firm-sponsored coverage for up to 18 months, while you pay the full premium for the plan.

Terminating or exhausting COBRA coverage does not provide a special enrollment period for Medicare Parts B or D. If you maintain COBRA coverage after age 65 and do not sign up for Medicare Parts B & D during your initial enrollment period, you will be subject to late enrollment penalties. If you are enrolled in Medicare prior to electing COBRA coverage, you can maintain double coverage under both programs. Medicare would generally be the primary payer and your COBRA coverage may cover some expenses not covered by Medicare, depending on your plan specifics.

What if I need additional insurance coverage?

Once you and/or your spouse become eligible for Medicare, it may be to your advantage to discontinue your firm-sponsored health coverage. You may want to consider purchasing a Medigap policy to reduce your out-of-pocket health costs or you may need to obtain individual coverage for a non-Medicare eligible family member. You can contact Medicare to learn more about Medigap options. You may also contact Ted Porter as Specialists in Health Insurance Services for assistance in obtaining Medigap coverage or an individual health insurance policy. Mr. Porter can be reached at **(800) 300-1376** or tporter@sihis.com.

Please note that this document contains a general overview explaining how your benefits will interact with Medicare. Your coverage may differ depending on your facts and circumstances. Please contact Medicare for more information about your specific situation.