

Should You Enroll In Medicare?

If You're Covered in an Employer Health Insurance Plan

VIDEO: [Medicare & Employer Health Insurance](#)

Here are 7 items you need to consider...

1. Will you retire at age 65 or continue working?

- If you (or your spouse) plan to retire at age 65 and you'll lose the employer health insurance, then you'll definitely enroll in Medicare Parts A & B when first eligible.
- If you plan to keep working (or are covered by your spouse's active work), then look at the following items...

2. Are you covering a younger spouse or dependent?

- If you intend to keep working beyond age 65 and are covering a younger spouse or other dependents on your employer health plan, you likely will stay on the plan and delay all or certain parts of Medicare initially.

3. Do you have higher income? Medicare premium vs. Employer plan premium

- The premium paid to Medicare is based on income. If you're still working and have income above the standard limits, your Medicare Part B premium will be higher. And not only will you have a higher Part B premium, but Part D will be more expensive.
- If your income is high, it's likely more beneficial to stay on the employer health plan because the cost to go on Medicare could be more expensive.
- In the future, you can use a Life Changing Event (i.e. retirement/work stoppage) as a rationale to appeal for lower Medicare premiums...if you have reduced income in retirement.



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4. How many employees work for the employer?

- **If 20+ (or 100+ when eligible based on disability)...**

Primary: Employer health plan

Secondary: Medicare (A & B) - if you enroll

- This means you can really delay both Parts A & B (or just delay Part B) **without penalty** in this situation. Assuming you like your existing health plan and want to stay on it, you should delay Part B enrollment, as there is a monthly cost associated with it. And if your income is high, the cost for Part B is higher than normal...making it even more undesirable to enroll.
- Some Medicare beneficiaries enroll in only premium-free Part A in this situation, which is fine, as long as you're not contributing to an HSA (Health Savings Account). Once you enroll in any part of Medicare, HSA contributions will create a tax penalty.

- **If under 20 (or under 100 when eligible based on disability)...**

Primary: Medicare (A & B)

Secondary: Employer health plan

- Since Medicare is primary, you need to enroll in Parts A & B when first eligible. Your employer health plan will typically act as though you have A & B and pay less on all claims.
- This also means you'll be paying for both the Part B premium AND the employer health insurance premium. It's unlikely these two combined will be appealing when there are many supplemental insurance plans on the Medicare side that are less costly.
- However, if you're still covering a younger spouse on the plan, you'll need to stay put while you're still working, or potentially until your spouse is Medicare-eligible.

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5. How does the employer plan coverage stack up to Medicare coverage?

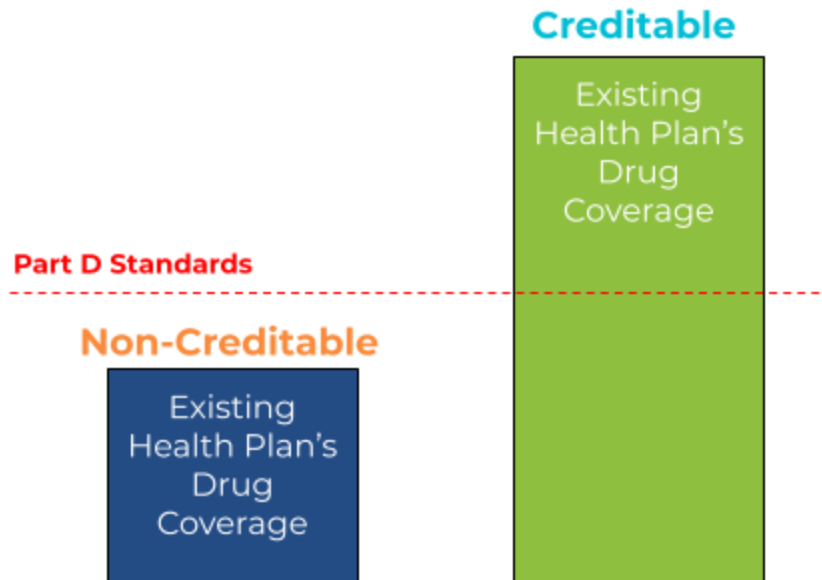
- If your employer plan has a pretty low deductible and max out-of-pocket limit...and the premium is relatively low...you may want to stay as-is and delay all or most of Medicare.
- If your employer plan has a high deductible and max out-of-pocket limit...and the premium is higher than you would like...you may want to strongly consider leaving the employer plan and going fully on Medicare with supplement insurance coverage.
- And regardless of the monthly premium...if you regularly meet your plan's deductible and max out-of-pocket limit, and spend significant dollars in medical expenses on top of the plan premiums...then Medicare could make more sense.

6. Do you contribute to an HSA?

- If you intend to stay on the employer health plan and keep contributing to an HSA, you can continue to do so as long as you don't enroll in any Medicare. So that means you need to delay Part A, Part B, and Part D in order to keep contributing.
- But keep in mind that when you do enroll in Medicare and/or Social Security retirement benefits in the future, **your Part A start date will be backdated up to 6 months from the month you submit the enrollment.** This backdating can negatively impact your HSA contribution eligibility, based on how far back Part A begins.
- The year Medicare coverage begins, you can contribute to your HSA on a pro-rata basis. Essentially, based on the # of months you DID NOT have Medicare. Over-contributing will create a tax penalty. Check with your tax advisor for details.
- While you're on the employer health plan or fully on Medicare, you can use the HSA for IRS-approved medical expenses, which are detailed in [IRS Publication 502](#). And more information about HSAs can be found in [IRS Publication 969](#).
 - Specific to Medicare, you can use your HSA to pay your Medicare Part B premium, Part D premium, Medicare Advantage premium, and of course any IRS-approved medical and prescription drug expenses.
 - You **CANNOT** use your HSA to pay a Medigap plan premium.

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7. Is the prescription drug coverage **CREDITABLE**, as compared to Medicare Part D minimum standards?



- Medicare requires that you get Part D coverage during your Initial Enrollment Period, or you might begin to accumulate a Part D late enrollment penalty.
- **However, you won't be penalized for delaying Part D, as long as you already have **CREDITABLE** prescription drug coverage.**
 - **Note:** Your medical coverage is not being questioned here. If you have medical coverage through an employer (based on active employment), you have creditable medical coverage.
- But your employer health plan may or may not have creditable prescription drug coverage. You need to verify this with your employer. **Ask this...**
 - ***Does our health insurance plan have creditable prescription drug coverage that meets Medicare Part D minimum standards?***
 - Your employer is required to provide a notice about this every year, no later than October 15th, or whenever requested.

If it's creditable drug coverage, you can delay Part D without penalty.

If it's NON-creditable drug coverage, you will accumulate a Part D late enrollment penalty if you don't get Part D drug coverage during your Initial Enrollment Period. [Part D penalty calculation](#)

VIDEO: [What is Creditable Prescription Drug Coverage?](#)

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If You're Covered in a Marketplace (Affordable Care Act) Plan

In this case, you'll likely transition to Medicare Parts A & B plus supplemental coverage right as you turn 65.

Although you can continue on an Affordable Care Act (ACA) plan beyond age 65, once you've enrolled in any part of Medicare, you can no longer receive premium subsidies on your ACA plan. So the monthly cost for the ACA plan will likely end up being more than what it costs to move forward with Medicare.

And if you aren't receiving a subsidy on your ACA plan, you'll be eager to cancel that plan and go on Medicare, as the Medicare route will have lower overall premiums.

So this means you'll probably want to enroll in Medicare Parts A & B when first eligible, and obtain either a Medigap plan and Part D drug plan...or...a Medicare Advantage (Part C) plan.

If Your Coverage Ends at Age 65 (or you don't have insurance)

Here, you absolutely should enroll in Medicare Parts A & B when first eligible, and then consider obtaining supplemental insurance coverage...such as a Medigap plan and Part D plan...or...a Medicare Advantage (Part C) plan.

If You Have Access to a Retiree Medicare Plan

If your former employer offers a retiree Medicare plan for those age 65+, you'll need to enroll in Medicare Parts A & B. That's because A & B must be primary coverage in this situation. The retiree health plan will be secondary and act as a supplement to Medicare Parts A & B.

Note: Confirm with your former employer whether the retiree health plan includes creditable prescription drug coverage. If so, you won't have to enroll in a Part D drug plan. If it's not creditable, then you should obtain a Part D drug plan to avoid the penalty.

