CALIFORNIA HEALTH ADVOCATES

Supplementing Medicare: Coverage While You or Your Spouse Works

If you or your spouse still works, you become eligible for Medicare and you have health coverage from the employer, you may be faced with the decision whether to sign up for Medicare at that time. Certain rules apply to health coverage through your employer that may help guide your decision. These rules apply when you or your spouse is actively working. The rules do NOT apply when you or your spouse is no longer working but has retiree health benefits through the employer. Please read our fact sheet titled "Retiree Plans" or "Medicare and Other Health Insurance Coverage" for more information.

Note: If you have Medicare because you have permanent kidney failure known as End Stage Renal Disease or ESRD, please read our fact sheet specifically on ESRD. Many of the rules discussed in this fact sheet do NOT apply to you.

This fact sheet addresses 2 situations:
You are eligible for Medicare because you are 65 years old and you or your spouse continues to be actively employed and covered by the employer's group health plan (GHP).
You become eligible for Medicare due to a disability (not ESRD) before you are 65 years old, and your spouse or a designated family member continues to be actively employed and you are covered by their large group health plan (LGHP).

Note: There are special rules that may apply when domestic partners, other family members, or dependent adult children without Medicare are covered by another person's group health plan that are not addressed in this fact sheet. More information can be obtained from the Social Security Administration (SSA). Visit the SSA online at ssa.gov, or call 1-800-772-1213.

Employer Coverage at Age 65 or Older

Employers with 20 or more employees must offer their employees (and their spouses) who are 65 and eligible for Medicare, the same health coverage offered to other employees. If you are in this situation, the employer's group health plan (GHP) must provide you with primary coverage (meaning it pays first). The employer cannot require you to enroll in Medicare and provide coverage that is secondary to or supplements Medicare.

Many employer GHPs provide better benefits than Medicare, including some benefits that are not covered at all by Medicare, such as dental care, vision care, or hearing aids.

Employers with fewer than 20 employees are *not* required to provide an employee or covered spouse, who is 65 and becomes eligible for Medicare, with the same health coverage as other employees. Smaller employers may require you to enroll in Medicare. Some smaller employers may offer coverage that is supplemental to Medicare, such as paying the Medicare deductibles and cost-sharing.

Employer Coverage for Those Younger Than 65 with Medicare

Employers with 100 or more employees must offer an employee or covered family member younger than 65, who becomes eligible for Medicare due to a disability (but not end-stage renal disease), the same health coverage it offers to other employees. In this situation, the large group health plan (LGHP) must provide you with primary coverage (meaning it pays first). The employer cannot require you to enroll in

Medicare and provide coverage that is secondary to or supplements Medicare.

Employers with fewer than 100 employees are *not* required to provide an employee or covered family member, who is eligible for Medicare due to a disability (not ESRD), with the same health coverage as other employees. Smaller employers may require you to enroll in Medicare. Some smaller employers may offer coverage that is supplemental to Medicare, such as paying the Medicare deductibles and cost-sharing.

Delaying Enrollment in Part B and Part D and Employer Coverage

When you are covered by any employer-sponsored insurance plan that is primary, one option you have is to delay enrollment in Medicare Part B and/or Part D.

Note: Most people do not delay enrolling in Medicare Part A because they receive it for "free," and therefore cost is not an issue. (People who have worked full-time for at least 10 years and earned 40 quarters of Social Security credits, do not pay a premium for Part A. See our fact sheet "Medicare: An Overview" for more information.) However, people with a health savings account (HSA) may want to delay enrollment in Part A. (See below for details.)

You are allowed to delay enrollment in Medicare Part B if your health coverage is based upon your or your spouse's current, active employment. You have this right to delay enrollment in Part B regardless of the size of the employer.

Note: If you are younger than 65 and on Medicare, your LGHP benefits may be based on current, active employment of family members other than your spouse. See Social Security's website for more information at ssa.gov.

If you delay taking Part B when you are first eligible because you are covered by an employer GHP or LGHP, you have 8 months to apply for Part B starting when you, your spouse (or family member) stops working, or when the GHP or LGHP coverage terminates, whichever is *sooner*. This 8-month period is called a Special Enrollment Period (SEP). If you enroll in Medicare Part B during the SEP, you will *not* have to pay a late enrollment penalty.

If you do not enroll during this SEP, you won't be able to sign up for Part B until the next General Enrollment Period (GEP), which is from January 1 through March 31 of each year. If you wait to sign up during a GEP, your Medicare benefits will not begin until July 1 of that same year, and you may have to pay a late enrollment penalty. The late enrollment penalty is 10% of the current standard Part B premium for every 12-month delay. The late enrollment penalty is added to the monthly premium you pay for Part B for as long as you are enrolled in Part B.

Medicare Part D covers prescription drugs. If you are enrolled in either Medicare Part A or Part B, you are eligible to enroll in a Medicare Part D plan. If you have "creditable" prescription drug coverage (which means it is as good as or better than the standard Medicare Part D benefit) through an employer GHP or LGHP, you may delay enrolling in a Medicare Part D plan. When your prescription drug coverage ends, you have 2 months, after the month the coverage ends, to enroll in a Medicare Part D plan. Note that this time period is much shorter than the 8 months you have to enroll in Part B. If you are covered by COBRA, see our fact sheet "Medicare and Other Health Insurance Coverage."

If you miss the 2–month Special Enrollment Period, you can generally enroll in a Part D plan only during the Annual Election Period, November 15th through December 31st, and your benefits will begin the following January 1. If you have a gap in "creditable" prescription drug coverage for more than 63 days, you will be charged a late enrollment penalty when you enroll in a Part D plan. The penalty is 1% of the current average national premium for Part D plans for each month you delay enrolling in a Medicare Part D plan and didn't have "creditable" coverage. The penalty will be added to your monthly Part D premium for as long as you are covered by a Part D plan.

Other Options

Besides delaying enrollment in Medicare Part B and/or Part D, your other options are:
Choose both Medicare and the employer's GHP or LGHP (in which case the employer plan will be primary and Medicare secondary); or

Decline the employer's plan, enroll in Medicare and supplement your Medicare in other ways.

Choosing Both Medicare and Employer Coverage

If you choose to have both Medicare and an employer's GHP (20 or more employees) or LGHP (100 or more employees), the employer's plan will usually be your primary coverage (pay first), and Medicare will be your secondary coverage. Medicare pays second only after the Medicare deductible is met, and Medicare uses a methodology that finds the lowest possible amount due.

Note: Even though Medicare pays second to an employer GHP or LGHP, the premiums are the same as when Medicare pays primary. For this reason, many people who have employer coverage with better benefits than Medicare, choose to delay enrollment. If you choose to delay enrollment, make sure you sign up for Part B and Part D as soon as you know you will no longer be covered by the employer's plan. And make sure this is within the mentioned SEP timeframes. If you become eligible for COBRA coverage, see our fact sheet "Medicare and Other Health Insurance Coverage." Different rules, responsibilities, and choices apply to COBRA coverage if you have Medicare.

Declining Employer Coverage

Another option, if you have Medicare, is to decline the employer's GHP or LGHP. People in the following situations may find it more suitable to opt out of the employer coverage:
Employees are required to pay high premiums, deductibles and cost-sharing for benefits comparable to Medicare, and there may be cost savings with Medicare as primary. You have good retiree health benefits through a former employer. By declining your present employer's health plan, Medicare would be primary and the retiree plan secondary.

Types of Employer Coverage

Some common types of employer-sponsored group health plans are described below:

Fee-For-Service Employer-Sponsored Group Health Plans

If your employer's GHP or LGHP is a fee-for-service plan, you will receive a statement showing what the plan paid after a claim is processed. If you have both the employer plan and Medicare, the employer plan must pay its health benefits first and then Medicare will process your claim. If you or your provider bills Medicare for secondary benefits, you will receive a statement called the Medicare Summary Notice (MSN) showing what Medicare paid. To avoid delays in reimbursement, tell your doctor and other providers to send your bills to the employer plan before sending them to Medicare along with the appropriate documentation of what the plan paid. Medicare will only process a claim after it knows what the employer plan has paid.

Employer-Sponsored HMOs and PPOs

If your employer's GHP or LGHP is with an HMO (Health Maintenance Organization) or PPO (Preferred Provider Organization), there may be very little for Medicare to pay. If you have both employer coverage and Medicare, and you go outside of the HMO network for a medical service that is covered by the HMO, the HMO will not pay and neither will Medicare. However, if you use HMO network providers for services not covered by the HMO but are covered by Medicare, Medicare usually pays.

If your employer's GHP or LGHP is with an PPO, check with the benefits administrator of your plan before receiving any care outside your plan's network.

Employer-sponsored HSAs and HRAs

Increasingly more employers are offering Health Savings Accounts and Health Reimbursement Arrangements.

Health Savings Accounts (HSAs) can be opened by an individual or offered by an employer. You must have a high deductible health plan (HDHP) to open an HSA. Individuals (not yet enrolled in Medicare) and employers can fund or make contributions to an HSA.

If you have an HSA through an employer and later become eligible for Medicare when you turn 65, you have 2 options:

1. If you enroll in Medicare, even just Part A, you may no longer contribute to the HSA. However, you may draw funds from the HSA to pay for qualified medical expenses, as defined in the tax code, as well as Medicare premiums, deductibles and cost-sharing, but not premiums for Medigap policies.

2. If you delay enrollment in both Medicare Parts A and B, you may continue to contribute to the HSA. If you enroll in Medicare later, you will not have to pay the late enrollment penalty for Part B if you enroll during the 8-month Special Enrollment Period discussed above.

If you opened your own HSA and then become eligible for Medicare, you should enroll in Medicare if you do not have employer health coverage. Without an employer GHP, you do not have the 8-month Special Enrollment Period and may have to pay the late enrollment penalty if you enroll later in Part B. When you enroll in Medicare, you may no longer contribute to the HSA. However, as mentioned, you may draw funds from the HSA to pay for qualified medical expenses, as defined in the tax code, as well as Medicare premiums, deductibles and cost-sharing, but not premiums for Medigap policies. Health Reimbursement Arrangements (HRAs) can be established and funded only by an employer. Employer contributions into employees' HRAs are not counted as additional income for the employees. Eligible employees may draw from their HRA to pay for qualified medical expenses, as defined in the tax code, as well as premiums for health and long-term care (LTC) insurance.

If you have an HRA and become eligible for Medicare, you may enroll or delay enrollment in Medicare, as discussed above. If you enroll in Medicare, you may draw from the HRA to pay your Medicare premiums, deductibles and cost-sharing. If you delay enrollment, you will not have to pay the late enrollment penalty if you enroll during the 8-month Special Enrollment Period discussed above.

Note: A Voluntary Employees' Benefit Association (VEBA) is a tax-exempt trust created by a tax code different from the tax code that established HRAs. A VEBA can use an HRA to provide health coverage.

Retiree Coverage and Medicare

An employer group health plan (GHP) or large group health plan (LGHP) as described in this fact sheet only covers active employees and their dependents. These benefits should not be confused with retiree plans, which cover former employees and/or their spouses who are no longer actively employed. For more information on retiree benefits, please see our fact sheet "Retiree Plans."

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This fact sheet contains general information and should not be relied upon to make individual decisions. If you would like to discuss your specific situation, call the Health Insurance Counseling and Advocacy Program (HICAP). HICAP provides free and objective information and counseling on Medicare and can help you understand your specific rights and health care options. You can call **1-800-434-0222** to make an appointment at the HICAP office nearest you.