The Top 4 Questions Medicare-Aged Employees Ask About Their Employer Health Insurance

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Medicare can be extremely overwhelming, and if you have health coverage available through an employer, things get even messier. Over the past 27 years Seniormark has helped thousands of retirees navigate the dangerous waters of Medicare and brought them safe to shore. During that time we have found that most of the questions we get center around employer health insurance. So, for your convenience we have put together **The Top 4 Questions Medicare-Aged Employees Ask About Their Employer Health Insurance!** So here we go!

Medicare can be extremely overwhelming, and if you have health coverage available through an employer, things get even messier.

1 *Do I need to sign up for Medicare if I am on an employer health insurance plan?*

This is a really big question! And mistakes could cost you a lot down the road, so it is critical that you talk to a professional before making a decision.

Let's begin with Medicare. Medicare is made up of 2 parts, Part A & Part B. Part A of Medicare is for Inpatient Hospital services and Part B is for Outpatient Medical services. Part A is usually an easy decision because, for most individuals, there is no premium to pay for Part A. The only reason you wouldn't want to sign up for Part A when you turn 65 is if you have a Health Savings Account (HSA) which you are contributing to, either on your own or through your employer. The reason this is an issue is because once you sign up for Medicare Part A, you are no longer qualified to make contributions to an HSA account. So if you don't have an

HSA account, or you are OK with no longer being able to contribute to one and you qualify for free Part A, go ahead and sign up.

Part B is a little trickier, because there is a premium to pay. The 2024 premium for Part B for most individuals is $174.70/month. Because of this, many people don't want to pay this premium if it is not necessary. But how do you determine if it is necessary, or if you even qualify to delay Part B enrollment without incurring a future penalty?

Let's start with whether you are even able to delay Part B without penalty. This is important, because if you delay Part B and you didn't qualify to delay, the penalty is 10% per 12 month period that you go without Part B coverage. This means that if a person should have signed up for Part B on January 1, 2017 and didn't qualify to defer enrollment, they would have a 70% penalty if they sign up January 1, 2024. In other words, they would pay a Part B premium of $296.99/month instead of the base premium of $174.70, for the remainder of your life.

So how do you decide if you qualify to defer your Part B enrollment? The first question you need to ask is, "Do you have a group health plan based on current or active employment?" The key here is the term "current/active." This means that your health coverage must be through a company that you currently work for, or your spouse works for if you are covered under your spouse's plan. Remember that it has to be based on current/active employment, therefore retiree insurance or COBRA coverage does not qualify you to defer Part B without penalty.

But there is more! Just because you **CAN** defer Part B doesn't mean you should. There are 2 reasons why you wouldn't want to defer Part B. First reason is if you can get better coverage with lower premiums by going with Medicare. This determination can only be made by doing a cost /benefits analysis comparing your current employer health plan to what is available with Medicare. Once again, there are many things to consider when doing this comparison. You cannot just compare premiums and assume that a lower premium is better. You need to consider the benefits offered as well as the cost of your prescriptions. Seniormark can help you with this cost/benefits analysis to make sure you are considering all aspects of your coverage. **Click Here and Seniormark will provide**

<u>you with a no-cost consultation.</u> The second reason you wouldn't want to defer your Part B coverage brings us to our second question...

2 *Who pays my health claims first, my employer health plan or Medicare?*

*This answer assumes you are age 65 or older. The rules are different for those on Medicare under age 65

Your Medicare coverage can be either Primary (first payer) or Secondary (second payer) depending on the size of the employer and whether your health coverage is based on current/active employment. If your health coverage IS NOT based on current/active employment, then Medicare will be your Primary coverage and your employer health plan will be Secondary.

If your health coverage IS based on current/active employment, then it will depend on the size of the employer. If there are 20 or more employees at the company where you or your spouse works, then the employer health insurance is Primary and Medicare is Secondary. If there are less than 20 employees, then Medicare is Primary and the employer health insurance is Secondary.

Why is this so important? Because if you get it wrong, it could cost you greatly! **If Medicare is primary, you DO NOT want to delay enrolling in Part B of Medicare.** The reason is due to how employer health plans often coordinate benefits with Medicare. Here's an example: Let's assume your company has less than 20 employees, therefore Medicare is your Primary payer. You choose not to enroll in Part B because you figure that your employer plan will pay 80% of the bill as usual since you don't have Part B. You end up having an outpatient knee surgery that cost $10,000. A month later you are shocked when you get a bill for $8,000. Why did you get this bill? Because, as your Secondary payer, you employer health plan says that Medicare is your primary payer and they are responsible for 80% of the bill. They don't care that you chose not to sign up for Part B. They are only going to pay the 20% that should have been left over had you signed up for Part B. So you are stuck paying the $8,000 bill.

3 *I've heard that Medicare will affect my HSA contributions. Is this true?*

Yes, this is true. A health savings account (HSA) is a tax advantaged savings account that you are allowed to contribute to if you have a qualified high deductible health plan and no other insurance in addition to it. Therefore, if you sign up for either Medicare Part A or B you are considered to have other insurance and the IRS says you can no longer contribute to an HSA account. So if you want to continue to contribute to your HSA account, you will not want to sign up for Part A or B. But there is one instance where you don't have a choice. If you are already receiving Social Security benefits, Medicare will not let you opt out of Part A coverage. Therefore, you have no option but to stop contributions to your HSA. *However, if your spouse is on either your insurance or their own insurance that has an HSA, they would still be able to contribute to their own HSA, even up to the full family maximum (as long as it is a family high-deductible health insurance plan).*

4

Do I need to sign up for Part D if I'm still working?

Part D is the Medicare Prescription Drug plan. Whether you need to sign up for Part D has nothing to do with the fact that you are still working. It has to do with whether you currently have a Creditable drug plan. Creditable means that the drug coverage you have is at least as good as Medicare Part D. In other words, it's expected to pay, on average, at least as much as a Medicare Part D plan. If your plan is creditable, you can delay signing up for Part D for as long as you have creditable coverage. If you don't have creditable coverage, you will need to sign up for Part D as soon as you turn 65 or face a penalty for signing up later. The penalty amounts to 1% per month you go without a drug plan. So if you don't have creditable coverage, and you go 5 years without a drug plan, you will pay a 60% penalty if you do need to sign up for Part D later. Currently this would amount to a penalty of $20.52 per month added to the Part D plan premium. So how do you know if your employer plan is creditable? Ask your HR department. Once you turn 65 your company will send you a letter each year letting you know if your plan is creditable or not.

If your head is swimming by now, you are not alone! Medicare is extremely overwhelming and this whitepaper is only a snippet of all the rules and regulations. Seniormark has been helping retirees sort through the Medicare maze for over 27 years. And we do not charge to review your personal situation and answer any questions you may have.

And if a 40 year veteran of the healthcare industry needs help, don't feel bad...

“The entire retirement planning process is a huge undertaking. I thought with Sandy being a registered nurse and my administrative background, the healthcare component would not be too difficult. Boy was I wrong! Without your advice, direction, and assistance, I’m confident we would have made some bad decisions. You were able to navigate us through a very challenging process. I cannot tell you how many times I have mentioned that you take for granted your employer-sponsored health insurance. Because of your services, we are now positioned to continue to have good healthcare coverage. The process of acquiring this coverage was challenging, but manageable with your assistance and direction.”

Thomas J. Boecker
Retired President and CEO, Wilson Memorial Hospital