

Medicare Minute Teaching Materials – April 2017 How Medicare Works with Current Employee Insurance

1. How does current employee insurance coordinate with Medicare if I am eligible for Medicare because I am 65 or older?

Current employee insurance from your or your spouse's work **pays primary** to Medicare if the employer has **20 or more employees**.

Current employee insurance from your or your spouse's work **pays secondary** to Medicare if the employer has **fewer than 20 employees**.

2. How does current employee insurance coordinate with Medicare if I am eligible for Medicare because I am under 65 and have received Social Security Disability Insurance (SSDI) for 24 months or more?

Current employee insurance from your or your family member's work **pays primary** to Medicare if the employer has **100 or more employees**.

Current employee insurance from your or your family member's work **pays secondary** to Medicare if the employer has **fewer than 100 employees**.

Note that if you have Medicare due to disability, the insurance based on current employment can be from your or your spouse's current work **or** from your family member's current work (see question 9). For example, if you are eligible for Medicare because of a disability and currently have coverage through your brother's current employment at a company with 100 or more employees, his coverage will pay primary to Medicare. This is an important difference, because if you are eligible for Medicare due to age, the current employment-based coverage can only be from your or your spouse's current work.

3. How does Medicare pay secondary to my current employee insurance?

When your current employee insurance pays primary, Medicare pays secondary and may cover some or all of the remaining cost of a service. How much Medicare pays depends on the Medicare-approved amount for the service. Medicare does not supplement your current employee insurance, or pay secondary for services that are not Medicare-covered services. For example, if your employee plan covers routine dental check-ups, Medicare will not pay secondary for those services because they are not Medicare-covered services.

4. How does Medicare coordinate with current employee insurance if I have End-Stage Renal Disease (ESRD)?

If you have Medicare due to ESRD, the Medicare coordination rules are based on your 30-month coordination period. The 30-month coordination period begins the month you first become eligible for Medicare due to ESRD, **even if you do not enroll**.

Medicare **pays secondary** to your employee coverage if you are still within your 30-month coordination period. Medicare **pays primary** to your employee coverage after the 30-month coordination period.

Remember, if you have ESRD, how Medicare works with your employee coverage depends on the coordination period instead of how many employees there are.

5. How does Medicare coordinate with current employee insurance if I am self-employed?

If you are self-employed and provide coverage for yourself and at least one other person, Medicare considers you to have current employee insurance. (Medicare calls this a group health plan through current employment status.) If you have coverage through an association, such as the local Bar Association, you are also considered to have current employee insurance. It is important to have current employee insurance, because this allows you to use the Part B Special Enrollment Period (SEP) if you decide to delay Medicare enrollment (see questions 9 and 11). If you are self-employed and have insurance that only covers you, you will not be able to use the Part B SEP.

6. If I have a Health Savings Account (HSA), can I enroll in Medicare?

A health savings account works with a high deductible health plan. People usually have an HSA and high deductible health plan through their employer. You can contribute to the HSA without paying taxes on the contributions. Then you can use those funds to pay for qualified health expenses. Once you meet your insurance plan's high deductible, your plan will cover your care, and you will pay the plan's cost-sharing amounts for the services you receive. Since you can make tax-free contributions to your HSA, the IRS has special rules you need to follow when making contributions.

If you enroll in Medicare Part A and/or Part B, you can no longer contribute to your HSA. The month before your Medicare becomes effective, the account overseer should switch the amount you contribute to zero dollars per month. You can still use any funds in your HSA to pay for health care; you just cannot contribute any more money to it. If you enroll in Medicare and are covered by a spouse's high deductible plan with an HSA, your spouse can still contribute to the HSA as long as they are contributing to an individual HSA. None of the payments can be connected to you. Speak with a financial or tax counselor for more information about what to do if you or your spouse has an HSA and one of you becomes eligible for Medicare.

If you do not enroll in Medicare and Social Security when you are first eligible, you must take special precautions if you decide to collect Social Security benefits. This is because when you request Social Security retirement, you will usually be enrolled retroactively in Medicare Part A. Specifically, you will be enrolled in Part A six months before your retirement benefit begins or, if you became eligible for Medicare within the last six months, Part A will start the month you became eligible. If you do not stop contributing to the HSA before the month your Medicare becomes effective, you may have a tax penalty. As a result, you should stop all contributions to your HSA up to six months before you collect Social Security retirement benefits.

7. I work part of the year, but I am covered for the whole year by insurance from my employer. Am I considered currently employed? Does my coverage count as current employee insurance?

Even if you do not work throughout the year, you may still be considered currently employed. For instance, Medicare considers you a current employee if you are a seasonal worker or a teacher. If you have coverage that lasts throughout the year even when you are not working, your coverage is considered

to be current employee insurance, as long as you will be returning to work. This is important because if you have current employee insurance, you can delay Medicare enrollment and sign up later using the Part B SEP. Using the Part B SEP to enroll in Medicare means that you do not have to wait for the General Enrollment Period (GEP), and you will not have a late enrollment penalty (see question 10). The GEP lasts from January 1 through March 31 each year, and coverage becomes effective on July 1.

8. What protections do I have if my employer coverage pays primary?

If your current employee insurance is supposed to pay primary, there are certain things that the employer and the plan cannot do.

Once you are eligible for Medicare, **the employer** cannot

- Offer different coverage from the coverage offered to employees who are not eligible for Medicare
- Refuse to cover you
- Restrict your coverage

The **employer-based plan** cannot

- Charge you more for your premium, deductible, coinsurance charges, and/or copays
- Give you misleading information to get you to disenroll
- Pay providers less for services
- Require you to wait longer for your coverage to begin
- End your coverage because you become eligible for Medicare

9. What is the Part B Special Enrollment Period (SEP)?

The Part B SEP spans the time that you are covered by insurance from your, your spouse's, or in some circumstances, your family member's current work. You have this SEP while you are covered by insurance from current work, and it extends for eight months after the coverage or work ends, whichever is sooner. This SEP only applies to insurance from **current work**. If you use this SEP, you will not have a late enrollment penalty for delaying Part B enrollment.

There is one exception: If you are eligible for Medicare due to disability, and covered by insurance from a **family member's** current work at a company with **fewer than 100 employees**, you **will not have an SEP** to sign up for Medicare if you delay enrollment when you are first eligible. You will get an SEP if you are covered by a **spouse's** current employee insurance from a company with fewer than 100 employees, but you **will not** have an SEP if you are covered by insurance from another family member, such as a sibling. You **will** get an SEP if the family member's current employee coverage is from a company with **more than 100 employees**. If you are eligible for Medicare due to disability and covered by insurance from a spouse or family member's current work, make sure you understand SEP rules before making decisions about delaying Medicare enrollment.

Also note that you will not get this SEP if you delay Medicare enrollment while covered by retiree insurance, or if you are self-employed and covered by an individual plan (meaning your plan only covers you). If you delayed Medicare enrollment, you would have to wait for the General Enrollment Period to enroll in Medicare, and you would likely have a late enrollment penalty (see question 10). The General Enrollment Period (GEP) lasts from January 1 through March 31 each year, and coverage becomes effective on July 1.

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10. How are Medicare late enrollment penalties (LEPs) calculated?

The **Part A LEP** only applies if you do not qualify for premium-free Part A. In this case, if you delay Part A enrollment for over a year, you will have a late enrollment penalty of 10% of the annual Part A premium. This penalty lasts for twice the amount of time that you were eligible for Part A but did not enroll. For example, if you delayed Part A enrollment for two years, you would have the Part A LEP for four years.

The **Part B LEP** applies if you did not enroll in Part B when you were first eligible, and you did not have a Part B SEP to sign up later (see question 11). This penalty is 10% of the annual Part B premium for each 12-month period you were not enrolled in Part B and should have been. Remember, any months you were covered by current employee coverage (as discussed in question 9) will not count toward the penalty. If you are eligible for Medicare due to disability (meaning you are under 65 and received SSDI payments for 24 months or more), your Part B LEP will go away when you become eligible for Medicare due to age. If you are 65 or older when your LEP takes effect, you will usually have to pay the Part B LEP for the rest of your life.

The **Part D LEP** applies if you did not enroll in Part D when you were first eligible, and you did not have creditable coverage (see question 11). This penalty is 1% of the national average Part D premium for each month you were not enrolled in Part D and should have been. If you are eligible for Medicare due to disability (meaning you are under 65 and received SSDI for 24 months or more), your part D LEP will go away when you become eligible for Medicare due to age. If you are 65 or older, you will usually have to pay the Part D LEP for the rest of your life.

Note that some programs that help pay Medicare costs can eliminate your late enrollment penalties. If you qualify, a Medicare Savings Program (MSP) will eliminate your Part B LEP, and Extra Help drug subsidy will eliminate your Part D LEP. These programs have income and asset limits to qualify. Contact your State Health Insurance Assistance Program (SHIP) at www.shiptacenter.org to learn more about these programs.

Also note that if you have an LEP and have Medicare due to disability, your LEP will go away when you turn 65 and become eligible for Medicare due to age.

11. If I'm covered by current employee insurance, should I delay Medicare enrollment?

Decisions about delaying Medicare depend on which part you want to delay: Medicare Part A (hospital insurance), Part B (medical insurance), or Part D (prescription drug coverage).

Before delaying Part A enrollment, consider the following questions:

1. **Am I eligible for premium-free Part A?** If you are eligible for premium-free Part A because you or your spouse worked more than 10 years (40 working quarters) in the United States, you can sign up for Part A at any time and will not have a late enrollment penalty for delaying enrollment. Many people are eligible for premium-free Part A. Many also choose to enroll when they first become eligible, even if their employee coverage pays primary, because they do not have to pay a premium.

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2. I am not eligible for premium-free Part A. Will I have an SEP to sign up for Medicare later?

If you are not eligible for premium-free Part A, you should think carefully before delaying Part A enrollment because you will need a Special Enrollment Period to sign up for the first time without penalty. If you are covered by insurance based on current work, you can use this SEP to sign up for premium Part A without penalty. If you do not qualify for an SEP, you will likely have a late enrollment penalty (see question 10) for delaying premium Part A enrollment. In addition, you will have to wait for the General Enrollment Period to enroll in premium Part A (see question 9).

Before delaying Part B enrollment, consider the following questions:

- A. Will I have an SEP to sign up for Medicare later?** If you are entitled to an SEP, you will be able to enroll in Part B outside of your Initial Enrollment Period (three months before, the month of, and three months after your 65th birthday month) or the General Enrollment Period (see question 9). If you have a Part B SEP, you will not have a late enrollment penalty for delaying Part B enrollment (see question 10).
- B. Will my other coverage pay primary or secondary to Medicare?** If your other health insurance coverage will pay secondary to Medicare once you are eligible, it is usually not advisable to delay Medicare enrollment. Secondary insurance may take back any payments that it has made or refuse to make future payments on health care costs until you enroll in Medicare.

Before delaying Part D enrollment, consider the following questions:

- A. Is my current drug coverage creditable?** Creditable drug coverage is coverage whose value is at least the same as Medicare Part D's basic coverage. If your current drug coverage is creditable, you can delay Part D enrollment without penalty. You should receive a notice around each September informing you if your prescription drug coverage is creditable. If you have not received this notice, you should contact your human resources department. You should keep this notice for your records for each year that you have creditable drug coverage. You may need this paperwork to show that you had creditable coverage and should not have a Part D LEP.
- B. Will I have a Part D SEP to sign up for Medicare later?** You will have an SEP to sign up for Medicare later if you lose employer-based coverage (regardless of whether your employee drug coverage is creditable). You are also eligible for an SEP if you lose creditable drug coverage through no fault of your own. Both of these SEPs last for up to two months after the month that you lose your drug coverage. If your coverage was creditable, you will not have a Part D late enrollment penalty (see question 10).

12. How does Medicare coordinate with my retiree insurance?

Retiree insurance pays secondary to Medicare. Retiree insurance includes policies from a former employer or a union. If you have retiree insurance and become eligible for Medicare, you should sign up when you first become eligible. This is because you will not have an SEP (see question 9) to sign up for Medicare later, and you may face late enrollment penalties. Additionally, many retiree plans will not cover you until you enroll in Medicare, since Medicare pays first and the retiree plan pays second.

13. Who can I contact if I have questions?

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LOCAL HELP FOR PEOPLE WITH MEDICARE

Social Security Administration (SSA): Before delaying Medicare enrollment, speak with the Social Security Administration (800-772-1213) and consider your options carefully. Be sure to write down the date and time of the call, the name of the representative you spoke to, and the outcome of the call. It is important to have this information for your records. A representative can also answer questions you may have about whether or not you are considered currently employed or covered by current employee coverage.

Employer's human resources department: Speak with the human resources department of the employer that provides your coverage if you have questions about how your employee coverage works with Medicare. You can also contact the human resources department to learn if your drug coverage is creditable.

State Health Insurance Assistance Program (SHIP): Contact your local SHIP for personalized, one-on-one counseling and assistance with understanding how Medicare works with your other insurance, including how to avoid late enrollment penalties. The national SHIP mission is to empower, educate, and assist Medicare-eligible individuals, their families, and caregivers through objective outreach, counseling, and training, to make informed health insurance decisions that optimize access to care and benefits. See the last page for SHIP program contact information

Senior Medicare Patrol (SMP): If you receive bills for health care services that you think should have been covered by Medicare or your employee insurance, contact your local Senior Medicare Patrol (SMP) for education and assistance regarding suspected Medicare fraud, errors, or abuse. The national SMP mission is to empower and assist Medicare beneficiaries, their families, and caregivers to prevent, detect, and report health care fraud, errors, and abuse through outreach, counseling, and education. See the last page for SMP program contact information.

SHIP Case Study

Claire, who turned 65 seven months ago, is covered by her spouse's current employee insurance. She did not sign up for Medicare when she turned 65 because she already had coverage through her spouse's employer. A few weeks ago, Claire went to the doctor for the first time since becoming eligible for Medicare. Today she received a denial notice from the employee plan. The notice says that the plan will not pay for Claire's doctor's office visit because the plan is not the primary insurance.

What should Claire do?

- Claire should contact her State Health Insurance Assistance Program (SHIP).
 - If she doesn't know how to find her SHIP, she can go to www.shiptacenter.org or call 1-877-839-2675 for assistance.
- A SHIP counselor can help Claire understand her situation. The SHIP counselor will explain how current employee insurance works with Medicare for people eligible due to age. Medicare is primary if the company has fewer than 20 employees, and Medicare is secondary if the company has 20 or more employees.
- For Claire, her spouse's coverage is likely from a company with fewer than 20 employees. This is why Claire got a notice saying that her plan is not the primary insurance. The plan may not have realized until now that Claire was supposed to be enrolled in Medicare. Since Medicare is

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supposed to pay first for Claire’s health care, the employee plan will not make payment until Medicare does.

- The SHIP counselor can let Claire know that she has an SEP to enroll in Medicare. She has an SEP because she is covered by current employee insurance. Claire can enroll in Medicare by contacting the Social Security Administration at 800-772-1213.
- The counselor can also tell Claire that the employee plan may try to get back payments it made during the time that she was eligible for Medicare but not enrolled.

SMP Case Study

Landon has a Medicare Advantage Plan and current employee insurance that pays primary. Last month, Landon noticed charges for services on his Explanations of Benefits (EOB) statements from his employee plan and his Medicare Advantage Plan for services he doesn’t remember receiving. He also doesn’t recognize the provider’s names. All of the costs were covered by insurance, not billed to Landon. He hates paperwork and is tempted to just ignore it. Still, it bothers him, and he wonders what he should do.

What should Landon do?

- Landon can contact the Senior Medicare Patrol to discuss the situation.
 - If Landon doesn’t know how to find his local SMP, he can go to www.smpresource.org or call 1-877-808-2468 for assistance.
- The SMP representative will collect clarifying information.
- The SMP will assist Landon in bringing this to the attention of his plans and also the proper authorities over the Medicare program to determine whether an error or fraud occurred.
- The SMP will assist Landon through the process of working with his plans to ensure his statements are accurate, as needed.
- The SMP representative will also educate Landon about how to detect other forms of suspected fraud, errors, and abuse and how protect himself from becoming a victim.

Local SHIP Contact Information	Local SMP Contact Information
SHIP toll-free:	SMP toll-free:
SHIP email:	SMP email:
SHIP website:	SMP website:
To find a SHIP in another state: Call 877-839-2675 or visit www.shiptacenter.org .	To find an SMP in another state: Call 877-808-2468 or visit www.smpresource.org .

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