

## Turning 65 and Still Working or Retiring Soon

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### Do I need to Enroll in Medicare now?

If you are turning 65 and still working for a company with 20 full-time workers AND you are covered through their group health insurance, you may not need all parts of Medicare when you turn 65. You can delay Part B and/or Part D without incurring a penalty and get them later when you retire or if you lose your job-related insurance.

### Should I sign up for Part A?

- The monthly premium for Medicare Part A is usually free because you or your spouse, if you have not worked, have paid into it through payroll deductions while working. For this reason, if you are still working when you turn 65, most people should enroll in Medicare Part A, even if they have employer health insurance.
- If you have group coverage through you or your spouse's job, and sign up for Medicare Part A, it can coordinate with your group coverage and help limit your hospital costs.
- You have a 7-month window to enroll in Part A. The enrollment period begins three months before the month you turn 65 and ends three months after your birthday month. Enrolling 3 months before gives you a coverage date the first day of your birthday month. If you enroll during the month you turn 65, the coverage date is the following month. Enrollment in the last 3 months will cause a delayed start. After the 7th month, a late enrollment penalty may apply.
- An exception to signing up for Part A is if you contribute to a Health Savings Account (HSA). (See page 4)



## Should I delay Part B?

- One reason to consider waiting to enroll in Part B is if you have group coverage provided by an employer and you are still working. You can delay enrolling in Part B which covers doctor visits and other outpatient services and requires a monthly premium.
- If you or your spouse is still actively working for a company with 20 or more workers when you turn 65 (or 100 or more workers if you are under 65 and receiving Social Security Disability payments) your employer coverage would be primary to Medicare. When you leave your group coverage, you will be entitled to a special enrollment period of 8 months to sign up for Part B without incurring a late penalty.
- Exceptions:
  - If the company that you or your spouse works for has fewer than 20 employees, the employer may require you to sign up for Part B when you turn 65. Medicare would become primary and pay the bills first and the employer coverage would be secondary.
  - If you are in an unmarried domestic partnership (same sex or opposite sex) and receive health insurance under your partner's employer plan, you don't have the same right to delay Part B without penalty, except in two circumstances:
    - ✦ You live in one of the few states that recognize common law marriage and your relationship falls within your state's definition of common law marriage.
    - ✦ You are under 65 and have Medicare because of a disability, your partner's employer has 100 or more employees, and you're accepted on the employer's health plan as a "family member."

## What is the effect of delaying Part B?

- You may save money. There is a monthly premium for Part B. If you already get health coverage through your employer or your spouse's employer, you may not need Part B coverage. Check with your Benefit Plan Coordinator to find out or get professional advice from a licensed advisor/agent.
- You can delay your Medigap Open Enrollment Period. Many people without retiree coverage purchase supplements to Medicare that cover some or all of Medicare's deductibles and coinsurance. This is called Medigap insurance. When you first sign up for Part B, you are entitled to a six-month Open Enrollment Period to purchase Medigap insurance without any reference to your health status, including pre-existing conditions. After that Open Enrollment Period, Medigap insurers can charge you more or deny you coverage based on

your health status. If you delay Part B, you are still entitled to sign up for a Medigap policy as a guaranteed issue without answering health questions.

### How do I enroll in Part A and how do I eventually enroll in Part B?

If you are already collecting your social security benefits, you will be automatically enrolled in Medicare Part A and B. Otherwise, you will need to enroll on your own.

- **Automatic enrollment**

- Automatic enrollment in Part A and B will happen just before you turn 65 if you are already collecting Social Security benefits. The letter sent to you with your Medicare card explains your right to opt out of Part B if you have employer insurance. To opt out, follow the instructions included in that letter within the specified deadline.

- **Enrolling on your own-Part A**

- You can sign up for Part A online at [www.ssa.gov/benefits/medicare](http://www.ssa.gov/benefits/medicare) or by visiting or calling your local social security office to schedule an appointment for an interview, which can be done on the phone or at your local Social Security office. This interview gives you the opportunity to make sure that an official enters into your record the fact that you have declined Part B because you have health insurance through your current employer or your spouse's employer. You may be required to provide documents showing you have this coverage. If you enroll in Part A online, type in the remarks box that you are not enrolling in Part B because you have employer coverage.

- **Enrolling on your own-Part B**

- If you have delayed Part B and are now losing group coverage due to retirement or loss of employment, you will need to enroll yourself. You cannot sign up for Part B online if you have Part A and delayed Part B. There are two forms that you must fill out and take or mail to the Social Security office. One is Form CMS-40B to sign up for Part B and the other is Form CMS-L564 that your employer will need to fill out stating that you are losing coverage. Be sure to state your preferred Part B start date in the remarks section on the CMS-40B form.
  - ✦ The forms can be found on the Social Security website at [www.ssa.gov](http://www.ssa.gov) – Click on **MENU** at the top and choose **FORMS**. You can type in **CMS-40B** and also **CMS-L564** to download and print the forms.

### Will I get the same health benefits at work as I get now?

- By law, people who continue to work beyond age 65 must still be offered the same health insurance benefits (for themselves and their dependents) as younger people

working for the same employer. So, your employer cannot require you to take Medicare when you turn 65 or offer you a different kind of insurance — for example, by paying the premiums for Medicare supplemental insurance or a Medicare Advantage plan — as an inducement to enroll in Medicare and drop your employer plan. However, the law (known as ERISA) applies only to employers with 20 or more workers. If you work for a smaller business or organization, you may be required to enroll in Part B at age 65.

### What if I have a Health Savings Account (HSA) at work?

- You need to be careful if your employer insurance takes the form of a high deductible plan with a health savings account. Under IRS rules, you cannot continue to contribute to an HSA if you are enrolled in Medicare (even Part A) or if after age 65, you are receiving Social Security retirement or disability benefits. You can draw on funds already in your account, but you cannot add to them.
- If you are married to someone who has an HSA at work, and you are covered by that plan, it doesn't make any difference whether you are enrolled in Medicare or not — you can still use the HSA for your medical needs. The IRS rule applies only to the working employee who is contributing to the plan.
- If you decide to delay enrolling in Medicare, make sure to stop contributing to your HSA at least six months before you plan to enroll in Medicare. This is because when you enroll in Medicare Part A, you receive up to six months of retroactive coverage, not going back farther than your initial month of eligibility. If you do not stop HSA contributions at least six months before Medicare enrollment, you may incur a tax penalty.
- You'll be able to sign up for Part A without risking a late penalty during the same special enrollment period when you enroll in Part B, after you finally stop working.

### Will I need Part D prescription drug coverage?

- Probably not. If your employer plan offers prescription drug coverage that is "creditable" — meaning that Medicare considers it at least of equal value to Part D coverage — you don't need to enroll in a Part D drug plan at age 65. Instead, when your employer coverage ceases, you'll be entitled to a two-month special enrollment period to sign up with a Part D plan without penalty. Your employer plan will indicate whether it's creditable or not. Check with your Benefit Plan Coordinator. If it's not creditable coverage, you would need to enroll in Part D during your initial enrollment period at age 65 to avoid late penalties if and when you eventually sign up.

## What if my employer offers me COBRA or retiree health benefits?

- Different rules apply to Part B and Part D in either of these situations:
  - Part B: You can delay Part B enrollment without penalty only while you or your spouse is still actively working for the employer that provides your health insurance. But if you receive COBRA benefits — a temporary extension of your employer coverage that usually lasts 18 months — or retiree benefits, by definition, you are no longer working for this employer. So, if you wait until these benefits have expired before enrolling in Part B, you won't qualify for a special enrollment period. Instead, you'd likely pay late penalties, and you would be able to enroll only during the general enrollment period that runs from January 1<sup>st</sup> to March 31<sup>st</sup> each year, with coverage not beginning until the following July 1. Do not miss the window to sign up for Part B once you are no longer working for your employer and turning 65. Confirm when you should sign up to avoid a possible penalty and delay in Medicare coverage.
  - Part D: As long as your COBRA or retiree drug coverage is creditable, you do not need to enroll in Part D until these benefits end, as explained above.

## Am I eligible for Medicare if I retire before age 65?

- No one can become eligible for Medicare before age 65, unless he or she qualifies at an earlier age based on receiving Social Security disability benefits.
- If you retire at any time before 65, you may be able to get health insurance from any of the following sources:
  - Your spouse's current employer, if you're married and the employer provides health care that covers you
  - Your former employer, if you're eligible for retiree health benefits
  - COBRA coverage, which extends your former employer's coverage for a certain period— usually 18 months — but requires you to pay the full premiums, including what your employer used to pay
  - Private insurance purchased through marketplaces set up under the Affordable Care Act (Obamacare)
  - Private insurance purchased on the open market

## How Medicare works with other insurance

- If you have Medicare and other health insurance or coverage, each type of coverage is called a "payer." When there's more than one payer, "Coordination of benefits" rules decide which one pays first. The "primary payer" pays what it owes on your bills first, and then sends the rest to the "secondary payer" to pay. In some cases, there may also be a third payer.

### What it means to pay primary/secondary

- The insurance that pays first (primary payer) pays up to the limits of its coverage.
- The one that pays second (secondary payer) only pays if there are approved costs the primary insurer didn't cover.
- The secondary payer (which may be Medicare) may not pay all the uncovered costs.
- If your employer insurance is the secondary payer, you may need to enroll in Medicare Part B before your insurance will pay.

### Does my income affect my monthly premiums for Medicare?

- It can. If you are what Social Security considers a “higher-income beneficiary,” you pay more for Medicare Part B, the health-insurance portion of Medicare. (Most enrollees don't pay for Medicare Part A, which covers hospitalization.)
- Medicare premiums are based on your Modified Adjusted Gross Income, or MAGI. That's your total adjusted gross income plus tax-exempt interest, as gleaned from the most recent tax data Social Security has from the IRS. There is a two-year lookback to determine your Medicare Part B premium for the current year.
- When your income is above a certain limit, you'll pay an Income-Related Monthly Adjustment Amount (IRMAA) in addition to your plan premium.
  - You can refer to the chart on Medicare.gov to determine your Part B premium. <https://www.medicare.gov/your-medicare-costs/part-b-costs>
  - **\*These premiums are set by Medicare and change every year.**
- You can ask Social Security to adjust your premium if a “life-changing event” caused significant income reduction or financial disruption in the intervening tax year — for example, if your marital status changed, or you lost a job, pension or income-producing property.
- You'll find detailed information in the Social Security publication “Medicare Premiums: Rules for Higher-Income Beneficiaries.”
- Keep in mind- If you pay a higher premium, you are not covered by “hold harmless,” the rule that prevents most Social Security recipients from seeing their benefit payment go down if Medicare rates go up. “Hold harmless” only applies to people who pay the standard Part B premium and have it deducted from their Social Security benefit. **Premiums for Medicare Part D (prescription drug coverage), if you have it, also rise with higher incomes.**

## Suggested Timeline



Senior Financial Group suggests the following timeline to ensure that you meet important deadlines.

### **3 months prior to 65**

- Attend a seminar or review Medicare information to address any questions you may have
- If you are still working or retiring soon, determine if you should enroll in Medicare upon turning 65
- Go to Social Security online at [www.ssa.gov](http://www.ssa.gov) and sign up for Part A & B if applicable. You may only need to sign up for Part A if you are still working and are covered under your employer or spouse's employer
- The exception to signing up for Part A involves contributing to an HSA
- ✦ See page 4- What if I have a Health Savings Account (HSA) at work?

### **2 months prior to 65**

- Meet with an experienced, licensed advisor/agent to review coverage options and map out a plan

### **1 month prior to turning 65**

- Choose a Path and sign up for your plan(s) if you are not going to stay on employer's health insurance coverage
- Work with a knowledgeable, licensed advisor/agent who will be there before, during and after you enroll
- If you have any questions about the information provided in this document or would like to attend a free educational webinar/seminar please call us at Senior Financial Group 865-777-1053 or visit our website at: [www.sfgmedicare.com](http://www.sfgmedicare.com).