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Medicare Enrollment Maze Puts Older Americans at Risk for Financial Penalties and Coverage Gaps

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Historically, most Americans' eligibility for full Social Security retirement benefits and Medicare coverage dovetailed at age 65. Medicare enrollment kicked in automatically when 65-year-olds signed up for Social Security retirement benefits. However, since 2000, the age when citizens have been able to collect full Social Security retirement benefits has been increasing gradually from 65 to 67. People are remaining in the workforce longer for a variety of reasons, slowly fraying the decades-old enrollment link between Social Security and Medicare and increasing confusion for millions of older Americans. When people turn 65, and they (or a spouse) keep working and maintain employer health coverage instead of retiring and enrolling in Social Security, they must proactively sign up for Medicare or risk coverage gaps and expensive, lifelong Part B late-enrollment penalties. In 2014, an estimated 750,000 Medicare beneficiaries were paying lifetime Part B late-enrollment penalties,[1] with the average penalty adding more than $8,000 to the cost of their Medicare Part-B premiums over a lifetime. And the problem is likely to get worse as more and more older Americans opt to keep working as the full Social Security retirement age reaches 67 for those born in 1960 or later. Possible policy solutions include requiring the federal government to notify all people approaching age 65 of Medicare enrollment requirements—something no government agency now does—educating employers about transitioning older workers to Medicare coverage, streamlining and harmonizing Medicare enrollment periods, enhancing health insurance counseling services for older Americans, strengthening appeal rights for beneficiaries who face late-enrollment penalties, and changing the policy to reduce, limit, or eliminate penalties.

AIR researchers conducted semistructured phone interviews with 6 SHIP counselors, 4 independent Medicare brokers, 2 employer benefit managers, and 5 consumer advocates from August 2015 to January 2016. The research team used snowball sampling to identify potential participants who were located throughout the U.S. Independent brokers who represent a variety of insurance companies were recruited for the study rather than "captive" agents that sell only one company's products. The interviews focused on the following questions: (1) How do independent Medicare brokers and SHIP counselors assist beneficiaries? (2) How do brokers and SHIP counselors differ? (3) What types of enrollment problems do beneficiaries typically bring to counselors and brokers? and (4) How do these problems impact beneficiaries?

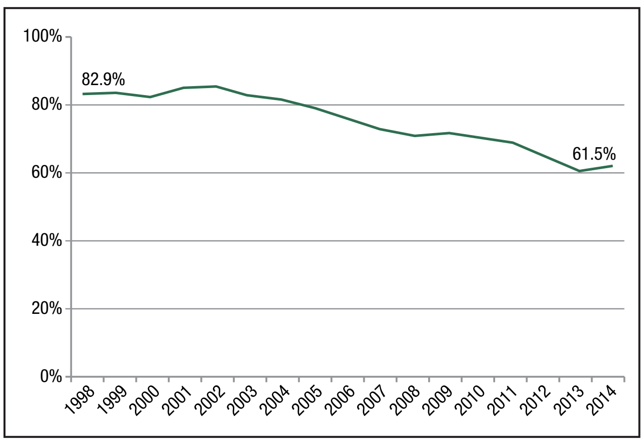
[1] Davis, P. A. (2015, September). *Medicare: Part B premiums.* Retrieved from https://www.fas.org/sgp/crs/misc/R40082.pdf

The Weakened Social Security–Medicare Link

In 2011, the oldest of the baby boomers began turning 65 and started becoming eligible for Medicare at a rate of about 10,000 people per day.[2] But unlike previous generations that typically received Social Security retirement benefits by age 65, coupled with automatic Medicare enrollment, the baby boomers and following generations face a disconnect between Medicare and Social Security eligibility.

Since 2000, the proportion of Americans enrolling in Social Security by age 65 has dropped by 20 percentage points, from 82.9% in 2000 to 61.5% in 2014 (Exhibit 1). More Americans are working beyond age 65[3] and maintaining health coverage through their employers. This delay in enrollment can pose problems if people do not understand how to coordinate employer benefits with Medicare enrollment and coverage.

Exhibit 1. Percent of New Social Security Beneficiaries Enrolling by Age 65



Data Source: Social Security Administration. (2016, April). *Annual statistical supplement to the Social Security Bulletin, 2015* (SSA Publication No. 13-11700). Washington, DC: Author. Retrieved from https://www.ssa.gov/policy/docs/statcomps/supplement/2015/supplement15.pdf

[2] Cohn, D., & Taylor, P. (2010, December). Baby boomers approach 65—glumly. Retrieved from http://www.pewsocialtrends.org/2010/12/20/baby-boomers-approach-65-glumly/

[3] Karp, F. (2007). Chapter 2. Work and retirement. In: *Growing older in America: The Health & Retirement Study* (pp. 39–54). Bethesda, MD: National Institute on Aging, National Institutes of Health, U.S. Department of Health and Human Services. Retrieved from https://www.nia.nih.gov/health/publication/growing-older-america-health-and-retirement-study/chapter-2-work-and-retirement

Transitioning from existing employer or other health coverage to Medicare was the number one problem cited by health insurance counselors, brokers, insurers, large employers, and consumer advocates who were interviewed for this qualitative study. Seniors who take a wrong turn through the Medicare enrollment maze can face coverage gaps, disrupted care, large out-of-pocket costs, and lifelong late-enrollment penalties.

Medicare Enrollment Is Not as Easy as A, B, C…

Medicare consists of four parts: A, B, C, and D.[4] Part A and Part B are known as original Medicare.[5] Part A covers inpatient hospital, limited skilled nursing facility,[6] and home health and hospice care. Part B covers a range of ambulatory medical care, including physician services, laboratory services, durable medical equipment, and outpatient hospital care. People with sufficient work history do not pay Part A premiums; they are automatically enrolled in Part A coverage when they begin collecting Social Security retirement benefits.[7] Most people must pay monthly Part B premiums of $104.90 or higher.[8] Enrollment in Part B is voluntary, but most beneficiaries with Part A—about 9 in 10—also enroll in Part B.

[4] Davis, 2015.

[5] Beneficiaries can choose between original Medicare and a second option: Medicare Advantage, also known as Part C. Under Medicare Advantage, private insurance companies offer preferred provider organization, health maintenance organization, fee for service, and other types of plans. Medicare Advantage plans provide the same benefits as Medicare Parts A and B with the exception of hospice care, a benefit covered under Part B for all beneficiaries. In 2016, 31% of beneficiaries enrolled in Medicare Advantage (Jacobson, G., Casillas, G., Damico, A., Newman, T., & Gold, M. (2016, May). Medicare Advantage 2016 spotlight. Medicare enrollment market update. Retrieved from http://kff.org/medicare/issue-brief/medicare-advantage-2016-spotlight-enrollment-market-update/).

[6] Medicare does not pay for long-term care services and provides limited coverage of skilled nursing facility care only after an inpatient hospital stay of at least 3 days (Centers for Medicare & Medicaid Services. (n.d.). Chapter 8. Coverage of extended care (SNF) services under hospital insurance (Rev. 211, 10-16-15). In: *Medicare Benefit Policy Manual*. Retrieved from https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/bp102c08.pdf).

[7] Although Part A is free, there can be a disadvantage to enrollment, because Medicare beneficiaries cannot contribute to a pretax health savings account.

[8] High-income earners pay a surcharge (Medicare.gov. (n.d.). Medicare Part B costs. Retrieved from https://www.medicare.gov/your-medicare-costs/part-b-costs/part-b-costs.html).

Beneficiaries can choose to supplement original Medicare with Part D—outpatient drug coverage—and a Medigap policy that covers a portion and, sometimes, all of the out-of-pocket costs not covered by Parts A and B, depending on the Medigap policy. Additionally, some employers provide retiree supplemental coverage, which is similar to Medigap.

For people or their spouses who work past age 65, correctly coordinating existing employer coverage with Medicare Part B coverage can mean the difference between few out-of-pocket medical costs and significant coverage gaps, out-of-pocket medical costs, and Part B late-enrollment penalties. The transition from employer coverage to Medicare can be extremely difficult to navigate because, as one insurer representative said, people "start from this place of darkness."

Transitioning From Other Coverage to Medicare

Today, people who delay Social Security retirement benefits until after age 65 receive no official government notice about how to avoid penalties or gaps in coverage when they choose to enroll in Medicare later.[9] In 2014, an estimated 750,000 Medicare beneficiaries were paying lifetime Part B late-enrollment penalties, resulting in average premium payments about 30% higher than if they had enrolled in Part B at the right time.[10]

According to an attorney who advocates for Medicare beneficiaries, "Moving from the employer coverage space into Medicare…remains I think one of the diciest areas for Medicare beneficiaries, and one of the places where folks encounter the most problems, particularly when it comes to how their employer-based coverage coordinates with Medicare, what's primary, what's secondary, when employer coverage is no longer primary, when someone should pick up Part B but sometimes does not pick up Part B, and sometimes the consequences that has for them, I think remains the thorniest issue that we continue to hear about."

Avoiding penalties when people continue to work past age 65 depends in large part on whether their employer coverage is primary or secondary to Medicare, which hinges on two main factors: whether coverage is based on current employment and the size of the employer. Depending on the circumstances, an individual must proactively enroll in Medicare during a special enrollment period (SEP) or face lifelong Part B late-enrollment penalties and go as long as 16 months without coverage.

Current employment and size of the employer. For an employee or spouse eligible for Medicare at age 65 when either continues current employment, the employer health plan is the primary payer if the employer has more than 20 employees. This means that the employer's plan pays for any medical claims first, then Medicare covers the remaining allowable costs. However, if Medicare eligibility is based on disability rather than age, then the employer plan is primary only if the employer has more than 100 workers.

Retiree coverage. Employer health benefits provided to a retiree always pay secondary to Medicare. If eligible people have not enrolled in Part B when they transition to retiree coverage, they will, in effect, have no coverage since the employer retiree coverage, which is secondary, is contingent on enrollment in Part B.

COBRA coverage. Known as continuation coverage, COBRA provides health benefits for specified periods when an eligible employee, including those 65 and older, loses group health coverage due to a layoff, reduction in hours, or other reason. COBRA coverage always pays secondary to Medicare, so if people do not enroll in Part B, they risk having no coverage for Part B services like physician or outpatient care, if they have COBRA coverage.

[9] The Social Security Administration notifies beneficiaries of Medicare eligibility when they reach age 65.

[10] Davis, 2015.

Marketplace coverage. Some early retirees or people nearing retirement get their individual health coverage through the Health Insurance Marketplace. However, when they turn 65, most should switch to Medicare coverage and end Marketplace coverage because they will no longer be eligible for federal premium subsidies. Recognizing that Marketplace enrollees face problems transitioning to Medicare coverage, federal officials recently announced that Marketplaces will start to notify enrollees as they near their 65th birthday about how to enroll in Medicare, if eligible.[11]

"People who are turning 65 but who are not receiving Social Security have no direct indication about what they need to do before they turn 65. They assume that because they have coverage from COBRA or a retiree policy, they don't have to take any action when they turn 65," said a consumer advocate interviewed for the study.

Bottom line: When a Medicare-eligible person's other coverage only pays secondary to Medicare, the person is essentially uninsured unless enrolled in both Medicare Parts A and B.

Medicare Enrollment Periods: No Size Fits All

Medicare provides three opportunities to enroll in Part B: an initial enrollment period (IEP) when people turn 65; an SEP when people lose employer coverage related to current employment; and a general enrollment period that runs from January 1 to March 31 each year. All of the enrollment periods have different time frames to apply and schedules for when coverage takes effect. To confuse matters more, all of these enrollment periods differ from the annual open enrollment period each fall when people can change their Medicare Part D, Medigap, and Medicare Advantage coverages.

The IEP is a 7-month window that includes the 3 months before people turn 65, the month they turn 65, and the 3 months after they turn 65. The timing of their enrollment determines when Medicare coverage begins. For example, if people sign up during the first 3 months of their IEP, coverage begins the first day of the month they turn 65. But if people enroll during months 4–7 of their IEP, their coverage will be delayed up to 3 months, resulting in potential coverage gaps and care disruptions.

An SEP is available only to people with employer-sponsored group health benefits tied to their or their spouse's current employment.[12] Once a Medicare-eligible person's insurance through current employment stops, the SEP provides an 8-month window to enroll in Part B without premium penalties. The SEP does not apply to any other type of health coverage, such as retiree or COBRA coverage.

An annual general enrollment period from January 1 to March 31, with coverage taking effect on July 1, is available to all Medicare-eligible people who missed their IEP, along with those without access to an SEP or who missed their SEP window. For example, a 66-year-old man's coverage tied to current employment ends, and he enrolls in COBRA coverage for 18 months. When the COBRA coverage ends, he tries to enroll in Part B only to find out he must wait until the annual general enrollment period that runs from January 1 to March 31. In such a case, the man will not only face a coverage gap but also lifetime Part B late-enrollment premium penalties.

"A lot of people who didn't pick [Part B] up the first time around, don't realize that they have to do anything when their employer-based coverage reverts to retiree or reverts to COBRA coverage. So that's where the gaps happen. If they miss that window, say they retire, but they have their same [insurance

[11] Centers for Medicare & Medicaid Services. (2016, June). Strengthening the marketplace—Actions to improve the risk pool. Retrieved from https://www.cms.gov/Newsroom/MediaReleaseDatabase/Fact-sheets/2016-Fact-sheets-items/2016-06-08.html

[12] The SEP for people 65 years of age and older and those who are new to Medicare is also triggered by life events, whereby health care coverage unrelated to employment is lost, or because of a move back to the United States after having lived outside of the country.

company name] plan through their employer, it's their retiree plan now. They have Medicare Part A, they don't have Part B, and they assume everything is going along the same," another consumer advocate explained.

"They don't incur health services, but after that 8-month SEP window, suddenly they do, and then you start to see coordination of benefit issues. Sometimes the employer plan will recognize someone is on Medicare, and they'll say, 'Wait a minute, you should–Medicare is primary, we're not going to pay primary.' Whatever triggers it, oftentimes the person in that situation will suddenly realize they needed Part B of Medicare, but they cannot pick it up, until certain times of year," he continued.

Failing to properly coordinate the transition from employer coverage to Medicare and understanding what coverage is primary can leave people exposed to significant financial liabilities, and many employers and insurance brokers do not understand the rules and do not correctly advise retiring workers, according to study respondents.

"I know of cases where people have actually had companies come back to recover two years of payments because the people didn't have their Part B, and the way the contract is written is they're supposed to have the B," according to an insurance broker interviewed for the study. "So many agents and many people are not aware of how the rules of who pays first come into play . . . so because the insurance administrators at companies are not aware of this . . . they very blithely put people on the COBRA plans, people turn 65 while they're on COBRA, they may stay the 18 months . . . all of a sudden you're subject to the late enrollment for the Part B because you didn't enroll when you were eligible."

Part B Lifetime Late-Enrollment Penalties

People who do not enroll in Part B during their IEP, or if eligible, during an SEP, must wait for the annual Part B general enrollment period to enroll. Along with possible coverage gaps and disruptions in care continuity, they face paying a lifetime late-enrollment penalty equal to 10% of the standard Part B premium for each full 12-month period they could have had Part B but were not enrolled. For example, someone whose IEP ended in December 2012 who waited until the 2016 general enrollment period to enroll in Part B would pay a 30% premium surcharge—forever. On a base monthly premium of $104.90 in 2016, this adds $36.54 per month.

MEDICARE LATE ENROLLMENT PENALTIES

Part B penalty: 10% of the Part B monthly premium for each full 12-month period coverage was delayed.

Part D penalty: 1% of the national base beneficiary premium multiplied by the number of full, uncovered months without Part D or creditable coverage.

Part B and D penalties are added to the monthly premiums.

This means a typical woman paying a 30% late-enrollment penalty can expect to pay an additional $9,769 for Part B coverage over her remaining lifetime. For a man, this estimate would be $8,641.

Over a lifetime, the penalties can really add up. According to estimates from the American Institutes for Research, a typical woman paying a 30% late-enrollment penalty can expect to pay an *additional* $9,769 for Part B coverage over her remaining lifetime, while a man can expect to pay an extra $8,641. (The difference is due to greater life expectancy for women.)

Exemptions to the penalty are limited and include people and their spouses with employer coverage tied to active employment; some military retirees;

some international volunteers; low-income people who are eligible for the Medicare Savings Program, which helps to pay Part B premiums; and people who can show they based their decision not to enroll in Part B on incorrect information from a federal representative.[13] People who can show they received incorrect information from a federal representative—but not employers, insurers, brokers, or anyone else—can petition for "equitable relief" from the Social Security Administration for immediate Part B enrollment without penalty. But no formal process exists for equitable relief, according to the Medicare Rights Center, leaving Medicare beneficiaries with little direction or recourse.[14]

As one Medicare advocate explained, "If someone gets bad information from a friend or an insurance agent, and oftentimes the plan, or HR folks, and they rely upon that bad information to their detriment, there will be no recourse for that person. However, if that person got bad information from, say, Social Security Administration or 1-800-MEDICARE, and they relied on that information, there is an avenue called equitable relief . . . that can allow someone to essentially petition to have the wrong righted."

The late-enrollment penalty provides an important safeguard to Medicare finances by discouraging people from waiting to enroll in Part B to avoid paying premiums until they get sick and need coverage. Such tactics can result in what's known as adverse selection, when only sick people enroll and then drive up costs and premiums for all enrollees instead of Medicare being able to spread risk over a diverse population that includes both healthy and sick people.

However, many advocates believe a lifetime penalty is too harsh, especially given the complexity of Medicare enrollment and coordination with other coverage, and recommend limiting the penalty to a reasonable period, such as several years. They also point out that there is no provision to recognize so-called "creditable coverage," such as retiree or COBRA coverage, which is comparable to Part B coverage—unlike Part D prescription drug coverage, where beneficiaries can avoid late-enrollment penalties if they can show that they have coverage comparable in value to Part D.

Medicare Resources

Study respondents generally applauded the efforts of the government to educate and inform people newly eligible to Medicare through the *Medicare and You Handbook,* the Medicare.gov website, outreach to employers, and assistance available through state health insurance assistance programs, known as SHIPs. However, respondents universally cited as a significant problem, the complexity of Part B enrollment and coordination of coverage transitions.

"For the most part, people are very confused and overwhelmed," said one former SHIP counselor, adding that transitioning from employer coverage is "a very complicated issue that would confuse just about everyone. . . . Very educated people would come in that were lost."

And despite greater familiarity with the Internet, even highly educated baby boomers may lack health insurance-related knowledge and skills—or health insurance literacy—hampering their ability to navigate the range of choices for and decisions they face whether enrolling in Medicare Parts A, B, C or D.[15]

[13] Davis, 2015.

[14] Sanders, S. (2014, November). *Medicare Part B enrollment: Pitfalls, problems and penalties—Recommendations to improve the Medicare enrollment system for consumers.* Retrieved from http://www.medicarerights.org/pdf/PartB-Enrollment-Pitfalls-Problems-and-Penalites.pdf

[15] Paez, K. A., & Mallery, C. J. (2014). *A little knowledge is a risky thing: Wide gap in what people think they know about health insurance and what they actually know.* Retrieved from http://www.air.org/resource/little-knowledge-risky-thing-wide-gap-what-people-think-they-know-about-health-insurance

"We are still trying to figure out how to engage boomers. Because they are different—they do have some computer knowledge and are on the Internet, but don't have a background in insurance," another SHIP counselor said. "But because it's so complicated, even though they have professional backgrounds, [they] don't understand insurance and insurance terms. I have the saddest story about an older couple that came to me to understand Part D. He looked at me and looked at his wife and said, 'I ran a bank, why can't I understand this?'"

Policy Implications and Possible Solutions

As the so-called "silver tsunami" of baby boomers continues to reach Medicare eligibility at a rate of about 10,000 people per day for the next decade or so, findings from this study indicate that the divergence between eligibility for full Social Security retirement benefits at age 67 and Medicare eligibility at age 65 may make managing the transition from other health coverage to Medicare a challenge for more and more Americans. And, the weakened link between simultaneous Social Security and Part A enrollment is compounded by complex Medicare enrollment requirements and rules governing coordination of benefits with other coverage.

Possible policy solutions range from requiring the government to notify all people approaching age 65 of Medicare enrollment requirements—something no government agency now does—to increasing efforts to educate employers about transitioning workers to Medicare coverage and streamlining and harmonizing Medicare enrollment periods, enhancing health insurance counseling services for older Americans, and strengthening appeal rights for beneficiaries who face late-enrollment penalties.

Over the years, federal legislation has been introduced to strengthen education and notification for people soon to be eligible for Medicare. One recent example is the proposed Beneficiary Enrollment Notification and Eligibility Simplification (BENES) Act of 2016 (H.R. 5772),[16] which would ensure people turning 65 receive a detailed notice from the government about Part B enrollment rules. The BENES Act also would align Part B enrollment periods with Part D and other Medicare enrollment periods and make the equitable relief process more accessible and transparent to beneficiaries who inadvertently did not enroll in Part B when eligible.

Another example is Section 303 of the proposed Helping Hospitals Improve Patient Care Act of 2016 (H.R. 5273), which would update the information people receive about Medicare enrollment.[17] Other proposals would streamline Medicare enrollment periods to ensure that coverage takes effect as soon as possible after people enroll in Medicare, instead of making people wait up to 3 months after enrollment for coverage to take effect.[18] Additional possible policy changes include establishing a formal process for people to seek equitable relief from late-enrollment penalties and re-examining whether lifetime penalties are too harsh and could be minimized while still deterring deliberate delay of enrollment in Part B by healthier people.

Advocates also have called for Congress to conduct a full review of the Medicare enrollment process, rules governing transition to Medicare from other health coverage, and the opaque equitable relief process to waive Part B late-enrollment penalties.

[16] U.S. House of Representatives. H.R.5772—114th Congress (2015–2016). Beneficiary Enrollment Notification and Eligibility Simplification Act of 2016. Retrieved from https://www.congress.gov/bill/114th-congress/house-bill/5772/titles

[17] Ibid.

[18] Sanders, 2014.

Navigating the Medicare Enrollment Maze: Typical Scenarios

Note: These scenarios provide only examples of typical Medicare enrollment decisions that people who don't receive subsidies face. Each person's situation is different, and people should always seek expert guidance if they are unclear or have questions about what makes the best sense for their individual situations.

Retire at 65

Jane turns 65 years old in 2016 and retires a year early in 2016 (her full Social Security retirement age is 66, since she was born in 1951). She applies for Social Security and receives notification of Medicare eligibility and enrolls in Medicare Parts A and B.

- Jane should consider enrolling in a Medicare supplement insurance policy (Medigap) to cover copayments, coinsurance, deductibles, and other care not covered by Medicare. The enrollment period is the 6-month period that begins on the first day of the month covered by Part B. If Jane does not enroll in Medigap during the initial enrollment period, Medigap may cost more, or plans may decline to cover her.[19]
- Jane should consider enrolling in Medicare Part D to get prescription drug coverage: she can sign up during the 3 months before turning 65, in the month she turns 65, or during the 3 months after turning 65. If Jane does not enroll in Part D during the initial enrollment period, Part D may cost more, or plans may decline to cover her.

Delayed Retirement

Jane turns 65 years old in 2016 and continues to work and get group health coverage through her employer. She must determine if her group coverage is primary or secondary to Medicare based on the size of her employer:

- If her employer has more than 20 workers, then the employer health coverage is primary.
  - Jane should enroll in Medicare Part A unless she wants to continue contributing to a health savings account through her employer, in which case she should not enroll in Medicare Part A, because Medicare beneficiaries are not allowed to contribute to a health savings account.
  - Jane does not yet need to enroll in Medicare Parts B or D because her employer health coverage is primary.
- If her employer has fewer than 20 workers, then the employer health coverage is secondary.
  - Jane should enroll in Medicare Parts A and B. If not, she will not have any primary coverage.
  - If Jane does not enroll in Part B during the 7-month initial enrollment period (i.e., during the 3 months before turning 65, in the month she turns 65, or during the 3 months after turning 65), she must wait for the annual general enrollment period (January 1 – March 31). If 12 months or more have passed since the initial enrollment period, Jane must pay a 10% lifetime Part B late-enrollment penalty for each full 12-month period during which coverage was delayed.

[19] Some states have additional open enrollment periods.

- Jane should weigh her options and decide whether to enroll in Part D for drug coverage or remain with her employer plan.[20] If the employer plan is "creditable,"[21] she will not have to pay a Part D late enrollment penalty as long as she enrolls in Part D within 63 days of losing drug coverage through her employer.
- If Jane loses creditable drug coverage through her employer and does not enroll in Part D during the 7-month initial enrollment period (i.e., during the 3 months before turning 65, in the month she turns 65, or during the 3 months after turning 65), her monthly Part D premium will be assessed a penalty of 1% of the national base beneficiary premium multiplied by the number of full, uncovered months without Part D or creditable coverage.[22]

Retiree Coverage

Jane is 69 years old, working and getting group health coverage through her employer (with more than 20 workers). She enrolled in Medicare Part A when she turned 65 but declined Part B coverage at that time. She is not retiring until later this year. Jane plans to opt for retiree health coverage through her employer:

- To avoid lifetime Part B late-enrollment penalties, Jane should enroll in Part B as soon as she stops working and begins getting retiree coverage or risk coverage gaps.
- Retiree coverage is always a secondary payer to Medicare. Once she stops working, Jane has 8 months to enroll in Part B during a special enrollment period. If Jane misses the special enrollment period, she must wait until the annual general enrollment period (January 1–March 31). If 12 months or more have passed, Jane must pay a 10% lifetime Part B late-enrollment penalty for each full 12-month period during which coverage was delayed.

COBRA Coverage

Jane is 69 years old, working and getting group health coverage through her employer (that employs more than 20 workers). She enrolled in Medicare Part A when she turned 65 but declined Part B coverage at that time. She is retiring later this year and plans to opt for COBRA continuation health coverage through her employer. When her COBRA coverage ends 18 months later, Jane tries to enroll in Part B only to find that she must wait until the general enrollment period (January 1–March 31) of the following year.

- Since Jane did not enroll in Part B during her special enrollment period after she retired, she now faces coverage gaps—COBRA is always secondary to Medicare—until she can get Part B during the next annual general enrollment period. She must also pay lifetime Part B late-enrollment penalties.
- Jane should weigh her options and decide whether to enroll in a Medigap policy or remain with her employer plan to cover costs not covered by Medicare. The Medigap enrollment period is the 6-month period that begins on the first day of the month covered by Part B. If Jane does not enroll in Medigap during this enrollment period, Medigap may cost more, or plans may decline to cover her.
- Jane should weigh her options and decide whether to enroll in Part D drug coverage. She will have to pay a Part D late enrollment penalty since she enrolled 63 days after losing drug coverage through her employer. The penalty is 1% of the national base beneficiary premium multiplied by the number of full uncovered months without Part D or creditable coverage.

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[20] In 2016, the national base beneficiary premium was $34.10.

[21] Creditable drug coverage means the coverage is expected to pay on average as much as the standard Medicare prescription drug plan coverage.

[22] In 2016, the national base beneficiary premium was $34.10.

Marketplace Coverage

Jane is insured through the Health Insurance Marketplace where she receives a subsidy to help cover the cost of her health insurance premium. She turns 65 years old this month but does not plan to apply for Social Security benefits until she turns 66—her full retirement age.

- Jane should sign up for Medicare Parts A and B during her 7-month initial enrollment period, which is 3 months before she turns 65, the month she turns 65, and 3 months after she turns 65. She will no longer be eligible for a Marketplace premium subsidy. If she does not sign up for Part B during the initial enrollment period when she turns 65, Jane may have to wait until the general enrollment period (January 1–March 31) of the following year to sign up and may face coverage gaps and lifetime Part B lateenrollment penalties.
- Jane should consider enrolling in a Medigap policy to cover copayments, coinsurance, deductibles, and other care not covered by Medicare. The enrollment period is the 6-month period that begins on the first day of the month covered by Part B.
- If Jane does not enroll in Medigap during this enrollment period, Medigap may cost more, or plans may decline to cover her.
- If Jane does not enroll in Part D during the 7-month initial enrollment period (i.e., during the 3 months before turning 65, in the month she turns 65, or during the 3 months after turning 65), her monthly Part D premium will be assessed a penalty of 1% of the national base beneficiary premium multiplied by the number of full, uncovered months without Part D or creditable coverage.[23]

[23] Ibid.

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