



CALIFORNIA HEALTH ADVOCATES

## Supplementing Medicare: Coverage While You or Your Spouse Works

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If you or your spouse still works and you become eligible for Medicare, you may be faced with the decision whether to sign up for Medicare at that time, or postpone enrollment in Medicare. There are certain rules that apply to health coverage through your employer that may help guide your decision. These rules apply when you or your spouse is actively working according to IRS rules. The rules do NOT apply when you or your spouse is no longer working but is still covered by an employer group health plan or one that is part of a retirement package. Please read our fact sheet titled “Retiree Plans” or “Medicare and Other Health Insurance Coverage” at [cahealthadvocates.org](http://cahealthadvocates.org).

**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 at [cahealthadvocates.org](http://cahealthadvocates.org). Many of the rules discussed in this fact sheet do NOT apply to you.

This fact sheet addresses two situations:

1. 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).
2. 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](http://ssa.gov), or call 1-800-772-1213.

### Employer Coverage at Age 65 or Older

If you or your spouse works for an employer with at least 20 employees, and you become eligible for Medicare at age 65, the employer must offer you the same health coverage it offers other employees. This is known as a Group Health Plan (GHP).

Employers with 20 or more employees must provide you with primary coverage (meaning it pays first and Medicare pays second). The employer cannot provide you with coverage that is secondary to Medicare or supplements Medicare’s benefits.

The employer’s group health plan can, and often does, provide better benefits than Medicare provides, 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 you with the same health coverage if you are eligible for Medicare as other employees. Employers usually require you to enroll in Medicare to reduce the amount of premium they pay for employee health benefits. They may, however, offer you secondary or supplemental coverage that acts like a Medigap policy if they choose to do so. The cost for this coverage is usually much less than the cost of primary coverage for an older employee.

### Employer Coverage for Those Younger Than 65 with Medicare

If you are eligible for Medicare because of a disability (not ESRD) before you are 65 years old,

and your spouse or a designated family member works for an employer with 100 or more employees, the employer must offer you the same health coverage as other workers, their spouses and dependents. This is known as a Large Group Health Plan (LGHP). Employers with fewer than 100 employees do not have this same requirement, but they can provide you with supplementary coverage.

## Delaying Enrollment in Part B and Part D and Employer Coverage

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

**Note:** Most people do not delay enrolling into Medicare Part A because they receive it ‘free’. 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 at [cahealthadvocates.org](http://cahealthadvocates.org).

You are allowed to delay enrollment in Part B if your health coverage is based upon your or your spouse’s current, active employment. This right to delay enrollment in Part B applies to employers of any size.

**Note:** If you are younger than 65 and on Medicare, your Large Group Health Plan (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](http://ssa.gov).

If you delay taking Part B of Medicare when you are first eligible because you are covered by an employer’s health plan, you have eight 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 earlier. 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 that will be added to the monthly premium you pay for Part B for as long as you are covered by Part B.

Medicare Part D covers prescription drugs. If you don’t buy a Part D plan when first eligible because your prescription drug coverage through your employer’s GHP or LGHP is “creditable coverage” (which means it is as good as or better than the standard Medicare Part D benefits), you will have only 2 months to enroll in a Part D plan after the month your employer group benefits end. Note that this time period is much shorter than the 8-month period you have to enroll in Part B. If you are covered by COBRA see our fact sheet “Medicare and Other Health Insurance Coverage” at [cahealthadvocates.org](http://cahealthadvocates.org).

If you miss the 2-month Special Enrollment Period, you can generally enroll in a Part D plan only during the Annual Election Period, which is from November 15th through December 31st each year, and your benefits will begin the following January 1. You will be charged a premium penalty of 1% of the 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.

## Your Coverage Choices

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, pay first, and Medicare will pay second); or
- Decline the employer’s plan, enroll in Medicare and supplement your Medicare in other ways.

## Having Both Medicare and an Employer Plan: Primary and Secondary Payment

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 and pay first, and Medicare will be your secondary coverage. When Medicare pays second, it uses a formula that finds the lowest possible amount due. Medicare may pay some of the coinsurance from the employer's plan. You will need written documentation from the plan of any expenses you are responsible for paying, and then you or the provider will need to bill the Medicare Secondary Payer program for those amounts.

**Note:** Something you should consider is whether the additional Medicare coverage as secondary insurance is worth the monthly Part B premium of \$96.40 (in 2008). If the coverage from the employer's plan has medical and prescription drug coverage that is better than Medicare benefits, you may decide to delay enrollment in Part B and Part D until you or your spouse (or family member) stops working or is no longer covered by the employer's plan, as discussed above. 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. If you become eligible for COBRA coverage, see our fact sheet "Medicare and Other Health Insurance Coverage" at [cahealthadvocates.org](http://cahealthadvocates.org). Different rules, responsibilities, and choices apply to COBRA coverage if you have Medicare.

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 Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs)**

If your employer's GHP or LGHP is with an HMO or PPO, there may be very little for Medicare to pay. If you go outside of the HMO network for a medical service that is covered by the HMO, Medicare will not pay for that service. If you use HMO network providers for services not covered by the HMO but are covered by Medicare, Medicare usually pays.

If you go outside the network of a PPO, Medicare may pay a small amount but it may not be as much as you would have received for care inside the network. You should check with the benefits administrator of your plan before receiving any care outside your plan's network.

### **Opting Out of the Employer's Plan**

The third option if you have Medicare is to decline an employer's GHP or LGHP. For example, if you are required to pay a high premium for a GHP that has benefits that are comparable to Medicare benefits, or if you have benefits through previous employment such as a retiree plan, or through a spouse working for a different employer.

### **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.

Some employers and unions offer retiree plans with health care benefits for retired employees, their spouses and even dependents. Retiree plans, unlike GHP or LGHP plans, pay only after Medicare pays. Retiree plans vary widely, and employers can periodically change the premiums, the benefits or the deductibles and co-payments

of these plans. For more information on these plans, please see our fact sheet “Retiree Plans” at [cahealthadvocates.org](http://cahealthadvocates.org).

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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.