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How Medicare Interacts With Your Health Offerings



It's becoming increasingly common for employees to work past 65, when they become eligible for Medicare. Knowing how your health offerings interact with Medicare can benefit you and your employees.

Let's examine how Medicare interacts with:

- Group health plans
- Retiree health plans
- Prescription drug coverage
- Health savings account (HSA) contributions

Group health plans

The coordination of benefit payments between Medicare and health plans is dependent on whether the employer has 20 or more full-time employees.

- If you have 20 or more full-time employees, your group health plan is the primary payer. Medicare is the secondary payer.
- If you have fewer than 20 full-time employees, Medicare is the primary payer and your plan is the secondary payer.

Retiree health plans

Not all employers offer retiree health plans. But if you do, you should know that the coordination of benefit payments between Medicare and retiree health coverage differs from group health plans because it is not dependent on employer size.

Instead, the payment coordination depends on the summary plan description in your retiree health plan. Most plans are written so that Medicare is the primary payer and the retiree health plan is secondary, but check the wording in your plan to make sure.

If your plan doesn't specify primary and secondary payers, check with your benefits adviser about amending your plan to make it the secondary payer.

Prescription drug coverage

Medicare-eligible employees can keep your prescription drug coverage or sign up for a Medicare Part D prescription drug plan.

By October 15 of each year, you are required to send a notice of creditable drug coverage to all employee plan members who are eligible for Medicare.

The notice must tell your qualifying members whether your prescription drug coverage is creditable. It is considered creditable if it is as good as or better than the coverage provided by Medicare Part D.

Though it is not a requirement, you may want to include a note about the special enrollment period for Medicare Part D, and how it differs from the special enrollment period for Medicare Parts A and B.

Once a Medicare-eligible employee ends their employer coverage, they have a special enrollment period to sign up:

- Eight months for Medicare Parts A and B
- 63 days for Medicare Part D

The shorter time frame for Part D catches many people by surprise. If they miss the special enrollment period, they will have to pay a late enrollment penalty every month for as long as they have Part D coverage. Providing this information could help retirees save money and help you generate goodwill.

HSA contributions

If an eligible employee is enrolled in any part of Medicare, including Part A, IRS rules forbid you and the employee from contributing funds to their HSA.

However, you and eligible employees can continue to contribute if:

- The employee delays Medicare enrollment
- Continues coverage under your HSA-qualified health plan

These rules apply solely to contributions. Your employees can continue to spend funds in their HSA accounts after they enroll in Medicare and throughout their retirement.

It pays to understand

Understanding the interaction between Medicare and your health offerings can help you and your employees get the most out of your plans. Talk to your broker or benefits adviser about opportunities and requirements regarding Medicare and employer health plans.

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