



■ Who Pays First? How Group Health Plans and Medicare Coordinate

If you are nearing retirement age or are already 65 or over and still working full-time, you may have questions about Medicare, and what you should know and do. Medicare is health insurance for individuals who are age 65 and older or in certain circumstances for individuals who are under 65 with certain disabilities or at any age for someone with End-Stage Renal Disease (kidney failure).

There are Four Types of Medicare

1. *Medicare Part A* - helps cover inpatient care in the hospital, skilled nursing facilities, hospice and home health care. There is no monthly premium for Part A as long as you qualify.
2. *Medicare Part B* - helps cover medical services such as doctors services, outpatient care and other medically necessary services that Part A does not cover. You need to elect to enroll in Part B and pay a monthly premium, which is determined based on your income prior to your effective date.
3. *Medicare Part C* - also known as Medicare Advantage Plans, which are combination plans managed by Medicare approved private insurers. They combine the coverage usually provided by Medicare Parts A, B & D.
4. *Medicare Part D* - helps cover prescription drug costs. Part D is available through Medicare approved private insurers and is available to anyone with Medicare. The cost of this plan is fully paid by the individual.

Medicare Eligibility Due to Age

If you are already receiving benefits from Social Security or the Railroad Retirement Board (RRB), you will automatically receive Medicare Parts A and B starting the first day of the month you turn 65. (If your birthday is on the first day of the month, Parts A and B will start the first day of the prior month.)



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If you are close to 65, but not receiving Social Security or RRB benefits, you will need to sign up for Medicare. You will need to contact the Social Security Administration 3 months before you turn 65.

You may receive a questionnaire from Medicare approximately three (3) months before your 65th Birthday (your entitlement date). The questions will help Medicare establish whether or not you have group health insurance in place through your employer or as a dependent on your spouse's plan so that your claims may be paid correctly.

Your enrollment in Medicare is two-fold. Do you have to enroll in Medicare Part B or can you push that election off to a date in the future and who pays medical claims as the Primary Payer, Medicare or the Group Health Plan? The Medicare Secondary Payer rules help to establish this answer:



Employers with less than 20 total employees:

- Employers with fewer than 20 total employees are not subject to Medicare Secondary Payer rules. That being the case, Medicare would become the primary coverage and a Group Health Plan becomes secondary.
- Any covered employee who reaches Age 65 and is covered by a group health plan must enroll in Medicare. Medicare begins on the first of the month in which you attain Age 65. You may need to enroll in Medicare Parts A, B & D, you will need to contact the Group Health Plan to see what parts of Medicare will be required.
- You have the option at that time to disenroll from your Group Health Plan since becoming eligible for Medicare is a Qualifying Event allowing you to drop your group coverage. This event will also give you the opportunity to enroll in a Medicare Supplement (Medigap plan) plan or a Medicare Advantage Plan (Part C) both of which are available through private insurance companies.
- Medicare Supplement plans help pay for some of the health care costs that Medicare Parts A & B do not cover such as co-payments, co-insurance and deductible. The full cost of these plans are paid for by the individual.



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- Medicare Advantage Plans (Medicare C) provides coverage for services normally covered by Parts A, B & D.
- Based on the cost difference of the Medicare Supplement or the Medicare Advantage Plan and the individual's cost for their Group Health Plan, the decision as to which plan to maintain alongside of Medicare is one of a personal nature.

Employers with 20 or more total employees:

- Employers with 20 or more total employees, are subject to the Medicare Secondary Payer rules. That means that Medicare only pays after a Group Health Plan or other primary health plan that is in force has already paid up to that plan's coverage limits.
- Medicare as a secondary payer will only pay if there are costs the primary Group Health Plan did not cover. For example; Medicare may pay \$8,000 of a \$10,000 inpatient claim but the primary Group Health Plan paid \$7,500. Medicare will only pay the \$500 difference as the secondary payer. Medicare usually will not pay 100% of a claim.
- Since there is no cost for Medicare Part A, we usually recommend Medicare eligible plan participants to enroll in Part A only and if necessary to use as secondary for inpatient hospital expenses that may not be covered by the primary Group Health Plan.
- With respect to Medicare Part D prescription coverage, if the primary Group Health Plan provides perscription coverage that is considered "Creditable" towards Medicare Part D, only one of the plans may be used for prescriptions. We would normally only recommend enrolling in Medicare Part D if there is an expensive medication that is either not covered by the Group Health Plan or subject to a high deductible or other cost share.



Medicare Eligibility Due to Disability

- If you are under 65 and disabled, you will automatically receive Parts A and B once you receive disability benefits from Social Security or certain disability benefits from the RRB for 24 months.
- Medicare due to a disability follows similar protocols as Medicare due to age but the threshold is based upon the Group Health Plan having 100 or more total employees.



Employers with less than 100 total employees:

- If you are under age 65 and disabled and have Group Health Plan coverage through your own employer or as a dependent on your spouse's plan, Medicare will be the primary payer of medical claims.
- Medicare begins on the first of the month in which you are approved for disability coverage. You may need to enroll in Medicare Parts A, B & D, you will need to contact the Group Health Plan to see what parts of Medicare will be required.
- You have the option at that time to disenroll from your Group Health Plan since becoming eligible for Medicare is a Qualifying Event allowing you to drop your group coverage. This event will also give you the opportunity to enroll in a Medicare Supplement (Medigap plan) plan or a Medicare Advantage Plan (Part C) both of which are available through private insurance companies.
- Medicare Supplement plans help pay for some of the health care costs that Medicare Parts A & B do not cover such as co-payments, co-insurance and deductible. The full cost of these plans are paid for by the individual.
- Medicare Advantage Plans (Medicare C) provides coverage for services normally covered by Parts A, B & D.
- Based on the cost difference of the Medicare Supplement or the Medicare Advantage Plan and the individual's cost for their Group Health Plan, the decision as to which plan to maintain alongside of Medicare is one of a personal nature.

Employers with 100 or more total employees:

- If you are under age 65 and disabled and have Group Health Plan coverage through your own employer or as a dependent on your spouse's plan, Medicare will be the secondary payer of medical claims. That means that Medicare only pays after a Group Health Plan or other primary health plan that is in force has already paid up to that plan's coverage limits.
- Medicare as a secondary payer will only pay if there are costs the primary Group Health Plan did not cover. For example; Medicare may pay \$8,000 of a \$10,000 inpatient claim but the primary Group Health Plan paid \$7,500. Medicare will only pay the \$500 difference as the secondary payer. Medicare usually will not pay 100% of a claim.
- With respect to Medicare Part D prescription coverage, if the primary Group Health Plan provides perscription coverage that is considered "Creditable" towards Medicare Part D, only one of the plans may be used for prescriptions. We would normally only recommend enrolling in Medicare Part D if there is an expensive medication that is either not covered by the Group Health Plan or subject to a high deductible or other cost share.



Medicare Eligibility Due To End-Stage Renal Disease (ESRD):

Medicare protocols for ESRD are the same for all size employers, who pays first will be based upon when you are first eligible to enroll in Medicare.

You will need to apply for Medicare benefits.

- The Group Health Plan will be the primary payer for the first 30 months.
- Medicare will become the primary payer after the first 30 months.

Special Note For Those With An HSA:

If you are enrolled in a High Deductible Health Plan (HDHP) with an associated Health Savings Account (HSA).

- Medicare Part A begins 6 months back from the date you apply for Medicare (or Social Security/RRB benefits), but no earlier than the first month you were eligible for Medicare.
- To avoid a tax penalty, you should stop contributing to your HSA at least 6 months before you apply for Medicare.



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