

MEDICARE UPDATE | NATIONAL

Medicare late enrollment penalties



Help your retirees avoid late fees

If your retiring employees miss their Medicare deadlines, they could end up facing ongoing monthly late fees assessed by the government.

Why? Because retirees only have a brief window to sign up for Medicare Parts B (outpatient medical coverage) and D (prescription drug coverage) or they'll be subject to late enrollment penalties for as long as they have Medicare.

When should retirees enroll?

- ▶ **Employees retiring at age 65** should sign up for Part B during their **initial enrollment period** – the seven-month stretch from age 64 years and 9 months to 65 years and 3 months.
- ▶ **Late retirees** should sign up for Part B during an eight-month **special enrollment period** that begins either when they retire or the month coverage from an employer ends.
- ▶ **Both** should enroll in Part D if they don't have creditable prescription drug coverage for any continuous period of 63 days or more.¹

If employees continue to work past retirement age, they don't have to enroll in Medicare if they have group health coverage through an employer.

What are the penalties?

- ▶ **Part B:** 10% multiplied by each full 12-month period the beneficiary delays enrollment.
- ▶ **Part D:** 1% multiplied by the number of full months without creditable coverage, then multiplied by the national base beneficiary premium²

Both penalties are assessed monthly for as long as the beneficiary has Part B and/or D coverage.



For more information, contact your Kaiser Permanente representative or retiree consultant.



When could the penalties start?

- **Part B:** Upon enrollment if the retired beneficiary has turned 65 years and 3 months, and a full 12-month period without coverage has lapsed.
- **Part D:** Upon enrollment if the retiree enrolls after the initial enrollment period and there has been at least a 63-day gap in creditable prescription coverage

How will your retirees know they need to enroll?

If they're already collecting Social Security benefits, retirees will be enrolled in Medicare Parts A and B automatically. If not, and they choose to enroll in Part B, they should sign up during the initial enrollment period to avoid a penalty.

Kaiser Permanente members begin receiving communications from us on their 64th birthday, and again at strategic points throughout the year. After the enrollment period, these members receive reminder communications until they enroll or let us know they're delaying enrollment.

For Part D, we send your retirees with Kaiser Permanente coverage a letter to attest that they have creditable coverage. They have 30 days to respond to this letter. A reminder letter is sent seven days before the deadline.

If a retiree doesn't respond, we notify the Centers for Medicare & Medicaid Services, which calculates any late penalties. If retirees disagree, they can appeal. For more details, see the frequently asked questions section at medicare.gov.

Sample scenarios

Part B penalty: Beneficiary 30 months late	Part D penalty: Beneficiary 30 months late
Initial enrollment period ended September 2012	Initial enrollment period ended September 2012
Waited until March 2015 to sign up	Waited until March 2015 to sign up
Result: 30 months late	Result: 30 months late
Assessment: 10% x 2 full 12-month late periods	Assessment: 30% (1% x 30 full months late) x \$34.10 (2016 base beneficiary premium)
Penalty: 20% increase in monthly premium	Penalty: \$10.20 increase in monthly premium ³

➤ For more details, go to medicare.gov.

¹ Coverage is considered creditable if it pays as much as the standard Medicare drug coverage. Most employer and trust fund groups' prescription drug coverage is creditable.

² \$34.10 in 2016.

³ Rounded to the nearest \$0.10.

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Information may have changed since publication.