



# Medicare Coordination for Employers & Employees

Understanding how Medicare coordinates with employer coverage is essential for both organizations and their employees. This presentation explores when Medicare acts as primary versus secondary coverage, enrollment timing considerations, and best practices for communication.

# When Is Medicare Primary?

1

## Small Employers (<20 employees)

For employees age 65 and older who work at companies with fewer than 20 employees, Medicare becomes the primary payer while the employer plan becomes secondary.

2

## COBRA Situations

When an employee becomes Medicare-eligible while on COBRA continuation coverage, Medicare automatically becomes the primary insurance, with COBRA acting as the secondary payer.

3

## End-Stage Renal Disease (ESRD)

COBRA remains primary for the first 30 months for those with ESRD. After this coordination period ends, Medicare takes over as the primary insurance provider.

Understanding these primary payment scenarios is crucial for proper claims processing and avoiding coverage gaps for employees.

# When Is Medicare Secondary?



Secondary payment status means Medicare only pays after the primary insurance has processed the claim.

## Larger Employers (20+ employees)

For Medicare-eligible employees (age 65+) at companies with 20 or more employees, the employer group health plan remains primary while Medicare acts as secondary coverage.

## Disability & Large Employers (100+)

When employees qualify for Medicare due to disability and work for employers with 100+ employees, the group health plan maintains primary status with Medicare as secondary.

# Real-World Example: Small vs. Large Employer



## Small Employer Scenario

Employee aged 67 at a 15-person company:

- Medicare processes claims first (primary)
- Employer plan covers remaining eligible expenses
- Employee must enroll in both Medicare Parts A & B



## Large Employer Scenario

Employee aged 67 at a 150-person company:

- Employer group plan processes claims first
- Medicare covers eligible remaining expenses
- Employee can delay Medicare Part B if desired



## Financial Impact

Incorrect claim processing order can result in:

- Denied claims
- Delayed reimbursements
- Higher out-of-pocket costs
- Administrative complications



# Delayed Medicare Enrollment: The Risks

## COBRA Misconception

Many employees incorrectly believe that having COBRA coverage means they can postpone Medicare Part B enrollment without penalty. This is not true - COBRA does NOT defer the need for Part B.

## Special Enrollment Period Limitations

Employees must enroll in Medicare Part B within 8 months after active employment or group health plan coverage ends (whichever comes first), not when COBRA ends.

## Permanent Penalties

Late enrollment in Medicare Part B results in a 10% premium increase for each 12-month period enrollment was delayed. This penalty continues for life.



# Organizational Impact of Delayed Enrollment

**10%**

## Annual Part B Penalty

Per year of delay, permanently  
increasing premiums

**\$50K+**

## Potential Claim Costs

That could be retroactively denied  
by Medicare

## Impact on Your Organization

- Retroactive claim denials can shift costs back to employer plans
- Unanticipated benefit expenses affect budgeting and forecasting
- HR teams face increased administrative burden resolving payment issues
- Employee relations challenges from unexpected coverage gaps
- Potential legal liability if Medicare coordination is mishandled

**8**

## Month Window

To enroll after active coverage  
ends



# COBRA and Medicare Interaction

1

## COBRA Eligibility

When an employee becomes eligible for COBRA after leaving employment or reducing hours, they have 60 days to elect coverage.

2

## Medicare Eligibility During COBRA

If an employee becomes eligible for Medicare while already on COBRA, their COBRA coverage can continue. However, Medicare becomes primary and COBRA secondary.

3

## COBRA After Medicare

If an employee is already eligible for Medicare before becoming eligible for COBRA, employers may terminate COBRA coverage. This is permitted under federal law.

4

## ESRD Exception

For end-stage renal disease cases, COBRA remains the primary payer for the first 30 months, after which Medicare takes over as primary.

# HSA and Medicare Enrollment



## Critical HSA Considerations

- Enrollment in **any** part of Medicare (Parts A, B, C, or D) makes an individual ineligible to contribute to a Health Savings Account.
- The 6-month lookback rule means HSA contributions must stop 6 months before Medicare Part A enrollment if retroactive coverage applies.
- Employees can continue to **use** existing HSA funds after Medicare enrollment, but cannot add new contributions.
- Excess contributions due to Medicare enrollment can result in tax penalties if not withdrawn before tax filing.



# Retiree Coverage Coordination



## Medicare Primary

Medicare becomes the primary payer once an employee retires and enrolls in a retiree health plan.



## Retiree Plan Secondary

The employer's retiree health plan typically becomes secondary to Medicare, covering only what Medicare doesn't.



## Enrollment Requirements

Most retiree plans require Medicare enrollment as a condition of coverage. Without Medicare Parts A and B, the retiree plan may deny claims entirely.



## Payment Calculations

Retiree plans often calculate benefits as if Medicare paid its portion even if the retiree hasn't enrolled, leaving significant coverage gaps.

Organizations should clearly document Medicare enrollment requirements in retiree benefit materials to avoid costly surprises for retirees.

# Effective Communication with Employees

## Proactive Timing

Begin Medicare education well before employees reach age 65 (typically at age 63-64) to allow sufficient time for research and decision-making.

## Multiple Resources

Offer information in various formats (digital, print, in-person sessions) to accommodate different learning preferences and accessibility needs.



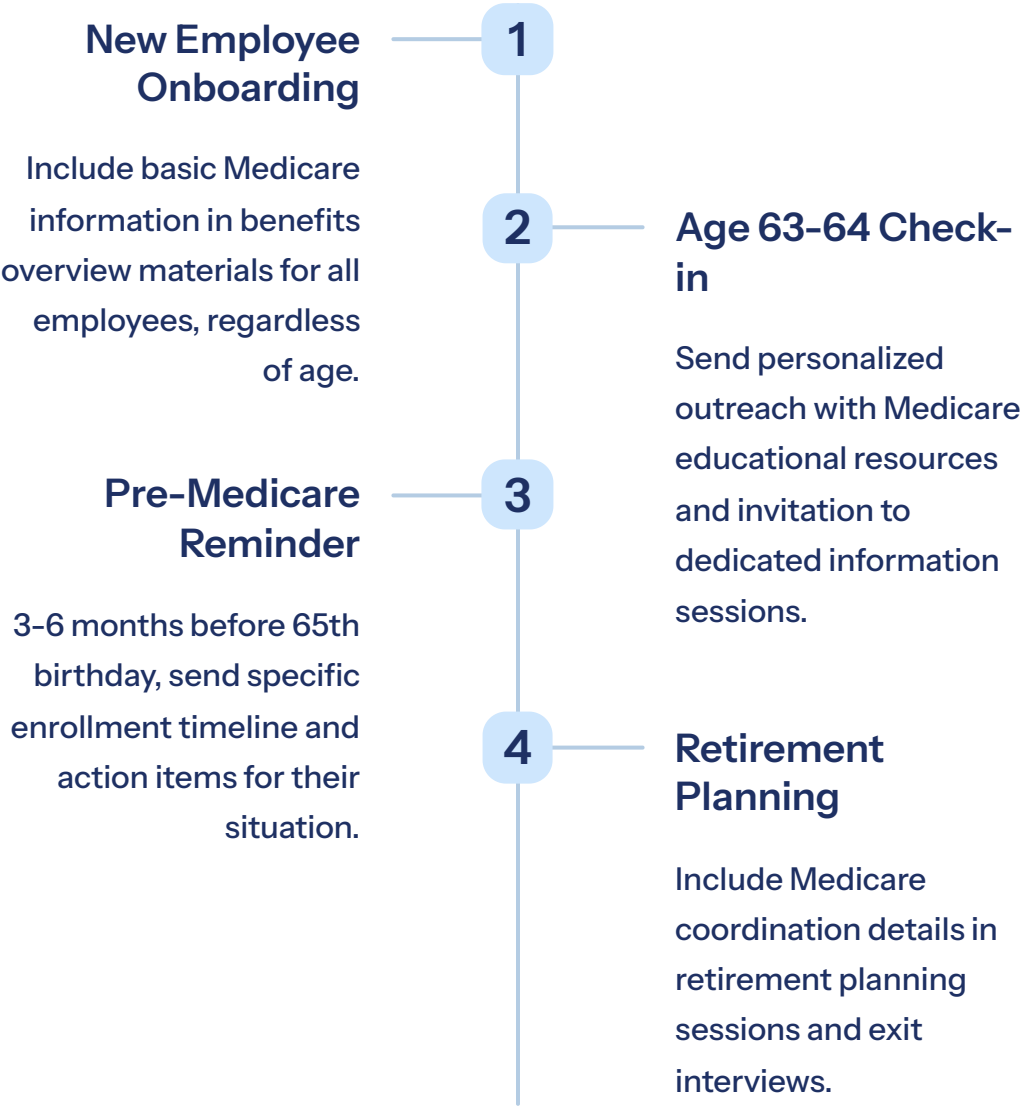
## Practical Examples

Use concrete scenarios relevant to your workforce demographics to illustrate how Medicare coordination works in different situations.

## Simple Language

Avoid technical jargon and complex insurance terminology. Provide clear, accessible information about timelines and consequences.

# Communication Best Practices



## Content Essentials

- Clear explanation of when Medicare is primary vs. secondary
- HSA contribution rules and Medicare enrollment impact
- Special enrollment period deadlines and late enrollment penalties
- COBRA and Medicare interaction guidelines
- Company-specific policies on retiree coverage
- Contact information for Medicare resources and benefit specialists

# Key Takeaways for Organizations

1

## Know the Primary/Secondary Rules

Understand when Medicare pays first versus when employer coverage pays first based on company size, employment status, and specific conditions like ESRD.

2

## Implement Proactive Education

Develop a comprehensive communication strategy that engages employees well before Medicare decisions need to be made. Don't wait until problems arise.

3

## Document Coverage Policies

Clearly document Medicare coordination rules in all relevant benefit materials, including enrollment guides, plan documents, and COBRA notifications.

4

## Recognize Financial Stakes

Delayed or incorrect Medicare enrollment decisions can have costly consequences for employees and create unexpected liability for organizations.

By mastering Medicare coordination rules and communicating them effectively, organizations can help ensure seamless healthcare coverage for employees while minimizing administrative complications and financial risks.