Medicare Late Enrollment Penalties: The Importance of Enrolling on Time

Description

Joining Medicare Part B is not required, but enrolling at the wrong time can be very costly in the long run due to Medicare late enrollment penalties. If you donâ??t enroll on time, Medicare late enrollment penalties will be assessed (see below) and it is a mistake you will be paying for, for the entire time you have Medicare Part B or Part D prescription drug coverage. I know that signing up for Medicare can be overwhelming and confusing, but there are certain rules that must be followed regarding the timing of your enrollment. Once you understand how the Medicare late enrollment penalties work, you will have a better idea of how to stay clear of them.

Who Gets Part A and Part B Automatically?

- If you are already receiving Social Security benefits (starting the first day of the month you reach age 65; unless your birthday is on the 1st of the month, in which case they will start on the 1st of the prior month;
- If you are already getting Railroad Retirement Board (RRB) benefits;
- If you have ALS (Amyotrophic Lateral Sclerosis, Lou Gehrigâ??s disease)(starting the month your Social Security benefits begin);
- If you are disabled and under 65 or receive certain disability benefits from the RRB. These benefits must have been received for a period of at least 24 months. You will get your Medicare card three months prior to your 25th month of getting disability benefits;

Your red, white and blue Medicare card will indicate whether you have Part A (hospital insurance) or Part B (medical insurance), and the effective date. You will receive it three months prior to your 65th birthday or on the 25th month of disability benefits (see above). If you want to keep Part B, you do not have to do anything. However, if you choose to waive your right to Part B, you may have to wait to enroll at a later date, and in addition, pay a late penalty for the duration of time you have

Part B (see below).

Who needs to sign up for Part A and Part B?

- If you are not presently collecting Social Security benefits or Railroad Retirement Board benefits. â?? You will need to sign up for Medicare three months prior to your 65th birthday.
- If you have end-stage renal disease (ESRD)
    - Contact Social Security for more information, or online at Medicare.gov/publications and search for the booklet entitled, â??Medicare Coverage of Kidney Dialysis & Kidney Transplant Services.â?•

Note: If you live in Puerto Rico, you are not automatically enrolled in Part B. You will have to complete form CMS-40B to enroll. Contact Social Security or RRB for more information.

When can I enroll in Part A and Part B?

- Initial Enrollment Period â?? during the 7-month period that begins 3 months prior to the month you turn 65, including the month you turn 65, and ending 3 months after the month in which you turn 65; If your birthday falls on the 1st day of the month, your coverage will begin on the 1st day of the prior month.
- Special Enrollment Period â?? if you are still working and covered under a group plan (your own, your spouseâ??s or a family memberâ??s)
    - Anytime you are still covered by a group health plan

- During the 8-month period starting the month following the end of employment or coverage, whichever occurs first

Note: If you are disabled, your employer must have 100 or more employees to get a Special Enrollment Period.

Also, if you are on **Cobra**, there is no Special Enrollment Period when it ends.

- General Enrollment Period: If you did not enroll during your Initial Enrollment Period, and you do not qualify for a Special Enrollment Period, you can sign up from January 1 â?? March 31 each year. In that case, your coverage will begin on July 1 of that year. Please see below for late enrollment penalties.

What are the Medicare late enrollment penalties for not getting Medicare Part B?

It is very important that you enroll in Medicare Part B when you first become eligible, otherwise you will incur a penalty. The penalty is 10% for each 12-month period that you didnâ??t sign up for Part B, but could have done so (excluding a Special Enrollment Period).

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Example:

Mr. Banks Initial Enrollment Period ended October 25, 2014. He waited to enroll in Part B until April 2017, during the General Enrollment Period. In this case, Mr. Banks waited a total of 30 months to sign up. This included two full 12-month periods).

What are the Medicare late enrollment penalties for not getting Medicare Part D?

A late enrollment penalty is incurred any time there is a lapse of 63 or more consecutive days when you do not have Part D, or other creditable drug coverage. Creditable drug coverage can include drug coverage from your current or former employer or union, TRICARE, Indian Health Service, the Dept. of Veterans Affairs, or health coverage. Your plan is obligated to tell you each year whether your drug coverage is creditable.

Note: You will not have to pay a late enrollment penalty if you get Extra Help.

This late penalty is 1% of the â??national base beneficiary premiumâ?• ($34.10 in 2016), then multiplying that by the number of months that you were eligible but did not sign up for Medicare Part D, and you were without other creditable prescription drug coverage. This amount, which is rounded to the nearest $.10, is added to your monthly premium.

Note: This amount may increase each year, since it is based upon the â??national base beneficiary premium,â?• which may increase yearly.

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Example:

Mrs. Johnson was eligible to enroll in Medicare Part D by June 2013. She does not have prescription drug coverage from another source. She enrolled in a Medicare prescription drug plan during the Open Enrollment Period in 2015. Her coverage started on January 1, 2016. Since Mrs. Johnson did not have creditable prescription drug coverage from July 2013 to December 2015, her penalty in 2016 is 30% (30 months x 1%) of $34.10 (the national base beneficiary premium for 2016), which is $10.23. As mentioned, the monthly penalty is rounded to the nearest $.10, which will result in a penalty of $10.20. This amount will be added to her planâ??s monthly premium as long as she has Part D, and this amount may increase each year.

Can Medicare late enrollment penalties be disputed if I donâ??t agree?

Yes. You may request reconsideration or a review of your Medicare late enrollment penalties. To do this, you must complete a reconsideration request (your drug plan will send it to you) by the date indicated in the letter. You will then be able to provide information, i.e. creditable prescription drug coverage, that will support your case.

As you can see, there may be monetary consequences to not signing up during the appropriate enrollment periods. In addition, these penalties are for the entire duration that you have Medicare Part B or Part D, not only a one-time charge. So, it is very important that you know when you are eligible and how much time you have to sign up in your particular situation. For further information about enrollment periods and late penalties, call 1-800-MEDICARE (1-800-633-4227). TTY users can call 1-877-486-2048.

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