

# Working after 65? Avoid 5 Medicare pitfalls

Learn how Medicare works if you are still employed after 65.

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## Key takeaways

Your health insurance generally terminates when you leave your job. Apply for Medicare 2 to 3 months before you end employment to avoid a gap in coverage.

If you enrolled in Social Security before your 65th birthday, you will be enrolled automatically in Medicare Parts A and B. However, if you are still covered by an employer's health plan, you could be paying for 2 plans.

Speak with your HR department to coordinate the timing and coverage options between your employer plan and Medicare as you approach age 65.

As you turn age 65, your mailbox will likely be full of birthday cards, well wishes, and a deluge of information packets on Medicare, the government health care program for people age 65 and over. But what if you're not ready to retire? Do you keep your employer-sponsored health care coverage or go for Medicare?

Today, more than 23% of baby boomers\* are choosing to continue to work, either part-time or full-time, beyond age 65. Although most retirees enroll in Medicare at age 65, if you're still working, you have more options to consider for quality health care coverage—and the information in the Medicare brochure you receive from Uncle Sam may not be suitable for your situation because Medicare does not know whether you are still working.

There's a lot to keep track of: enrollment deadlines, health care coverage options, and possible penalties to avoid. But with some planning and homework, you can avoid the common pitfalls if you continue to work beyond age 65.

## Medicare basics

Because Medicare works very differently from employer health insurance, there are lots of things to learn. If you continue to work after reaching age 65, you technically become eligible for Medicare, but you may or may not want to enroll right away.

Here's the dilemma: Your employer must continue to cover all eligible workers, regardless of age, under its group health insurance—yet, Medicare is telling you to sign up now.

It may not be clear that you only need to sign up for Medicare once—at the point when your employer group coverage is ending—so here's the 2-part general rule for when to join Medicare:

1. Enroll during your Initial Enrollment Period (IEP)—3 months before to 3 months after the month you turn age 65; but only if
2. You also lose access to your employer group health insurance coverage.

If you don't enroll during your IEP because you have employer group health insurance coverage, you can enroll at any time you still have employer group coverage or within 8 months after the month your employment or group coverage ends—whichever happens first. You'll need to know what your coverage options will be at age 65 and adjust your Medicare enrollment to meet your needs.

One other situation that can cause confusion occurs if you leave your job with a "retiree" health care plan or coverage under COBRA (the Consolidated Omnibus Budget Reconciliation Act of 1985). Neither of these health insurance options is considered employer group health insurance coverage, so you would be classified as a "former worker." In this case, you would need to enroll in Medicare during your IEP.

## Who pays first?

As with many laws and regulations, the devil is in the details. In the case of health insurance, you need to know who the "primary payer" is—the party responsible for paying your medical bills first and covering the majority of the costs.

Medicare becomes the primary payer for your health care expenses once you reach age 65 and lose your employer group coverage (assuming you work for an employer with more than 20 employees)

If you continue to work, your employer's insurance pays first

And, if you've already left the company and have a retiree plan or COBRA, those plans typically become the secondary payer the month you turn age 65. So, if you don't have Medicare in place already, you become the primary payer.

If you work for an employer with fewer than 20 employees, you need to enroll in Medicare at age 65, during your IEP. Medicare becomes the primary payer and your employer's insurance becomes secondary.

## 5 pitfalls to avoid when working past age 65


**1. Not doing your homework:** If you plan to work past age 65, or if your spouse or partner continues to work and covers you, you've got some research to do to make sure you know your options, the costs, and any restrictions.

Your employer is required to offer you coverage, but is that your best option?

Is it more expensive to stay in your employer plan or join Medicare?

Which plan offers you the best coverage for your health needs?

Can your spouse or partner remain in your employer's plan if you decide to leave?

**Tip:** Review your health benefits documents and schedule a call with your company's HR or benefits group to discuss your insurance options. Read the information on [Medicare.gov](https://www.medicare.gov)  about working after age 65 and the coordination of benefits.

**2. Failing to notify Social Security that you want to delay Medicare:** If you enrolled in Social Security before your 65th birthday, you will be enrolled automatically in Medicare Parts A and B. However, if you are still covered by an employer's health plan, you could be paying for 2 plans.

If you signed up for Medicare as part of your Social Security application process (online, in person, or over the phone), you'll need to contact the Social Security Administration by phone or by visiting your local office to explain that you do not want Part B at this time—that's because Social Security manages the administration of Medicare.

If you automatically receive your Medicare card, you'll need to follow the instructions that came with the card to cancel your Part B coverage. Generally, there is a short time frame of several weeks to return your Medicare card and cancel enrollment.

If you haven't enrolled in Social Security by age 65, there is no automatic turn on of your Medicare benefit—you just continue as an active employee, and you can enroll in Social Security at a later date.

Read *Viewpoints* on Fidelity.com: [Social Security tips for working retirees](#).

**3. Enrolling in Medicare Part A, but losing the ability to contribute to your health savings account (HSA):** Many employees with access to HSAs have funded their accounts hoping that they could use their HSA dollars to pay for qualified medical expenses in their retirement.

But here's the glitch: If you enroll in any part of Medicare, you lose the ability to continue contributions to your HSA. Some people who continue to work after age 65 decide to enroll only in Medicare Part A because they think it's free and that it may provide some secondary insurance coverage in the event of hospitalization; however, this move may have unintended consequences.

"If you have both employer health insurance and Medicare Part A, Medicare becomes the secondary payer," explains Steven Feinschreiber, senior vice president of Fidelity's Financial Solutions Group. "Medicare coverage typically kicks in after the employer's insurance and covers unpaid expenses up to Medicare's cost limit." He continues, "In general, employer insurance pays more to health care providers and hospitals than Medicare, so you may not get any cost savings benefit by having both plans—and you've lost the ability to contribute to your HSA."

**Tip:** Decide which option is more important to you: the ability to continue to contribute to your HSA or enrolling in Medicare at age 65, because you cannot do both. When you enroll in Medicare after turning age 65, your actual coverage becomes effective up to 6 months earlier. Therefore, you'll want to end contributions to your HSA at least 6 months prior to leaving your job. This will help you avoid a possible tax penalty for making ineligible contributions to your HSA after your Medicare coverage has kicked in.

**4. Not coordinating the timing of your Part B with losing your employer group health plan coverage.** As you leave your job, your health insurance generally terminates at the end of that month. It's important to apply for Medicare a couple of months before you end employment so that your coverage will be in place on the first month of your retirement. Otherwise, you may have a gap in health insurance coverage leaving you fully responsible for paying any medical expenses you incur during this period.

For example, say you are age 68 and retire on March 15. The last day of your employer health coverage would be March 31. If you enrolled in Medicare in advance of your retirement, Medicare coverage would begin on April 1. If you wait until after you retire to enroll in Medicare, you will have a coverage gap. Your Medicare coverage could begin on May 1 or as late as December 1, and you would be responsible for paying any medical bills that you incur during those months without health care coverage.

**Tip:** Fill out the appropriate Medicare forms to enroll in Part B as your employer coverage is ending (Forms CMS-40B and CMS-L564). Do so about 3 months before your last day on the job.

**5. Missing the "open enrollment period" to buy a Medigap plan after employer health insurance ends.** The timing for buying supplemental insurance such as a Medigap policy is different from enrolling in Medicare. If you decide to do so, you'll have 6 months to buy a Medigap plan without underwriting once you have enrolled in Part B and have been assigned your Part B plan number. You may be able buy a Medigap plan after the open enrollment period, but, generally, you then become subject to medical underwriting, and the insurance company can decline to sell you a policy or can charge you more. For more on Medigap options, read *Viewpoints* on Fidelity.com: [Medigap 101](#).

### Medicare and working after age 65 checklist

Read your employer health care benefits information specifically for employees or spouses/partners who are reaching age 65

Talk to your company's human resources or benefits group to confirm the status of your employment and access to health insurance

Explore the [Medicare.gov](#) website and order your *Medicare and You* book to give you the latest information

If you are already receiving Social Security before turning age 65, make sure to follow the instructions to decline Part B when you receive your Medicare card

When you are ready to retire or are losing your employer group coverage, sign up for Medicare 3 months before your last day of coverage

Need help? Talk to your local State Health Insurance Technical Assistance Program (SHIP) representative for specific help with your personal situation. You can find your local SHIP contact information at <https://shiptacenter.org/>