



McGriff Employee Benefits

Medicare Tips For Natus Employees

Jenny Vonderwerth, SPHR, PHRca, SHRM-SCP
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HSA and Reaching Age 65 (Medicare)

You Do Not Lose HSA Eligibility Automatically Upon Reaching Age 65!

- Only Medicare **enrollment** causes an individual to lose HSA eligibility
- Many employees age 65 and older do not enroll in Medicare
- ***Note that anyone who is receiving Social Security retirement benefits is automatically enrolled in Medicare Part A (no opt-out permitted), and therefore automatically loses HSA eligibility***

You Are No Longer Subject to the 20% Additional Tax

- Individuals who reach age 65 do not pay the 20% additional tax on distributions from the HSA for non-medical expenses
- This is why HSAs are also frequently used as a retirement savings vehicle (IRA-like)
- Remember that you will need to pay the ordinary income tax on any non-medical distribution even once you reach age 65 (like a traditional 401(k)/IRA)

Example

- **Jose reaches age 65 in August 2022 but does not enroll in Medicare**
- He is covered by an HDHP with no disqualifying coverage for all of 2022
- In December 2022, Jose decides to purchase a \$2,500 75" Ultra HD 4K TV with HSA funds

Result

- Jose is HSA eligible for all of 2022 (and therefore can contribute the max plus catch-up)
- The \$2,500 HSA distribution for the 4K UHD TV is subject only to ordinary income taxes

HSAs Post-Age 65 (Medicare)

Delayed Medicare Enrollment Causes Six-Month Retroactive Enrollment

- No retroactive enrollment issue for individuals who enroll in Medicare at age 65 (or begin Social Security prior to age 65, and therefore have Part A coverage automatically at 65)
- However, if you delay enrolling in Medicare until after first becoming eligible (including later application for Social Security benefits), the later Part A enrollment will be retroactive for up to six months
- **The six-month retroactive enrollment in Part A will block HSA eligibility retroactive to the start of the Medicare coverage**

How to Address the Retroactive Enrollment

1. **Plan Ahead:** Stop making or receiving HSA contributions at least six months before applying for Medicare; or
2. **Correct Mistake:** Make a corrective distribution of the excess contributions by the due date (including extensions) for filing the individual tax return (generally April 15, without extension)

Example

- Jose reaches age 65 in August 2021 but does not enroll in Medicare
- **Jose signs up for Social Security benefits in on October 1, 2022, which automatically enrolls him in Medicare Part A retroactive to April 1, 2022**

Result

- Jose retroactively loses HSA eligibility as of April 2022—and therefore can contribute only 3/12 of the HSA statutory limit for 2022 (plus 3/12 of the catch-up contribution)
- If he already contributed in excess of that limit, he must make a corrective distribution of the excess contributions by April 15, 2023 (assuming no extensions to his individual return)

HSA and Reaching Age 65 (Medicare)

CMS Fact Sheet: [“Deciding Whether to Enroll in Medicare Part A and Part B When You Turn 65”](#)



“Deciding Whether to Enroll in Medicare Part A and Part B When You Turn 65”

<https://www.cms.gov/Outreach-and-Education/Find-Your-Provider-Type/Employers-and-Unions/FS3-Enroll-in-Part-A-and-B.pdf>

Do I have a health savings account?

Health savings accounts (HSAs) are a special kind of tax-deferred account available only to people who have a high-deductible health plan. HSAs are not the same as a flexible spending account (FSA) or health reimbursement account (HRA). If you aren't sure if you have an HSA, ask your benefits administrator or plan.

- I have an HSA
- I do not have an HSA

- I have health insurance based on my (or my spouse's) current employment, from an employer with 20 or more employees (this includes those with Federal Employees Health Benefits (FEHB))

NOTE: If you have COBRA or retiree coverage, or if your employer gives you an amount of money to purchase health insurance, you do NOT have health insurance based on “current employment.” If you have one of these types of insurance, you should find that situation in the fact sheet.

Your decision to enroll in Part A and Part B depends on whether you have a high-deductible health plan with a health savings account (HSA):

I do NOT have a Health Savings Account (HSA)

Part A: If you qualify for premium-free Part A, you should enroll in Part A when you turn 65. However, if you have to pay a premium for Part A, you can delay Part A until you (or your spouse) stop working or lose that employer coverage. You will NOT pay a penalty for delaying Part A, as long as you enroll within 8 months of losing your coverage or stopping work (whichever happens first).

Part B: You can delay Part B until you (or your spouse) stop working or lose that employer coverage. This allows you to save the cost of your Part B premium. It also allows you to postpone your one-time “Medigap open enrollment period” until a later time, when you may want to purchase this type of coverage.

You will NOT pay a penalty for delaying Medicare, as long as you enroll within 8 months of losing your coverage or stopping work (whichever happens first). You'll want to plan ahead and enroll in Part B at least a month before you stop working or your employer coverage ends, so you don't have a gap in coverage.

▶▶ You have completed TASK 2. Go to TASK 3 on page 7.

HSA and Reaching Age 65 (Medicare)

CMS Fact Sheet: [“Deciding Whether to Enroll in Medicare Part A and Part B When You Turn 65”](#)



Deciding Whether to Enroll in Medicare Part A and Part B When You Turn 65

<https://www.cms.gov/Outreach-and-Education/Find-Your-Provider-Type/Employers-and-Unions/FS3-Enroll-in-Part-A-and-B.pdf>

▶▶ You have completed TASK 2. Go to TASK 3 on page 7.

○ I have a High-Deductible Health Plan AND a Health Savings Account (HSA)

Once you enroll in any part of Medicare, you won't be able to contribute to your HSA. If you would like to continue making contributions to your HSA, you can delay both Part A and Part B until you (or your spouse) stop working or lose that employer coverage. You will NOT pay a penalty for delaying Medicare, as long as you enroll within 8 months of losing your coverage or stopping work (whichever happens first).

You should talk with your employer benefits manager about whether it makes sense to delay Part A and Part B.

NOTE: If you qualify for premium-free Part A, your coverage will go back (retroactively) up to 6 months from when you sign up. So, you should stop making contributions to your HSA 6 months before you enroll in Part A and Part B (or apply for Social Security benefits, if you want to collect retirement benefits before you stop working).

▶▶ You have completed TASK 2. Go to TASK 3 on page 7.

Question: Can I enroll in original Medicare and also enroll in a Natus medical plan, or is it one or the other?

Answer: If you are enrolled in a Natus medical plan, you should delay enrolling in original Medicare A/B as the group health plan will be primary.

You should enroll in original Medicare when you decide to come off the group health plan. Then you can enroll in individual Medicare Plans like a Medicare Supplement/Part D plan or a Medicare Advantage/Part D (MAPD)

Question: I thought you got penalized if you did not sign up for Medicare even if you stay on your employer's insurance?

Answer: You are only penalized if do not enroll in Medicare Part B during the time you should have.

For example, if you dropped off your employer sponsored health plan and did not enroll within the 8 month special enrollment period from the group health plan termination date, you may be subject to a penalty.

Question: Do you recommend that employees who turn 65 enroll in Part A as soon as possible? Does this need to happen if you stay on your employer's plan?

Answer: It is entirely up to the individual. You are entitled to Premium Free Part A and have the option to activate anytime while on the group health plan but it is not required.

If you want to take advantage of the HSA, then you would need to defer participating in Medicare Part A since it is considered “other healthcare” and is HSA disqualifying coverage.

Question: My spouse and I are over 65 and have Medicare Part A. How does this affect my enrollment at Natus?

- **Answer:** If you or your spouse are covered by Medicare Part A, then you may enroll in the HDHP and use it as a general medical plan. Since Medicare Part A is considered "other medical coverage" it is not a HSA qualified plan so you may not make an HSA contribution.
- If you only have Part A and want to take advantage of the HSA contributions, while you are still working, you could withdraw from Part A as a qualifying event and then contribute to the HSA.
- If you want to withdraw from Medicare, see the instructions posted on the [Medicare.gov website - How to disenroll from Medicare Part A and Part B.](#) If you pay a premium for Part A and wish to disenroll from Medicare Part A, visit your local Social Security office or by call 1-800-772-1213 (TTY 1-800-325-0778).
 - You will need to fill out a CMS Form 1763 (Request for Termination of Premium Hospital and Medical Insurance).

Question: Can I make or receive HSAs contributions if I am on Medicare?

Answer: No, HSA eligibility has two key requirements. You must satisfy both to be eligible to make or receive HSA contributions (and cannot be claimed as a tax dependent by someone else).

Covered by an HDHP

The most fundamental HSA eligibility rule is its link to HDHPs. Only individuals covered by a HDHP can be HSA eligible.

Specifics:

- Must be covered by an HDHP (and have no disqualifying coverage) as of the first day of the calendar month to be HSA eligible for that calendar month
- Mid-month enrollment would mean not HSA eligible until the following month
- Mid-month loss of HDHP coverage does not affect HSA eligibility for that calendar month

No Disqualifying Coverage

Generally requires that the employee not be covered by any other medical coverage that pays before the minimum HDHP deductible.

Specifics:

- Includes coverage under a general purpose health FSA or HRA (whether through your employer or the employer of a spouse/parent)
- **Includes Medicare Parts A, B, C, or D**
- Includes Military Coverage, TriCare, MediCal, Medicaid

Question: If I have other health coverage, how does it work with Medicare?

- Natus has 20+ employees so if you are enrolled in one of the Natus medical plans, it will most likely be your primary coverage
- The Medicare Secondary Payer Rules define the order for who pays 1st, 2nd, etc.
- Talk to Medicare to determine the coordination of benefit rules in your specific situation if you are not sure

How does my other insurance work with Medicare?

When you have other insurance (like group health plan, retiree health, or Medicaid coverage) and Medicare, there are rules for whether Medicare or your other coverage pays first.

If you have retiree health coverage (like insurance from your or your spouse's former employment)...	Medicare pays first.
If you're 65 or older, have group health plan coverage based on your or your spouse's current employment, and the employer has 20 or more employees ...	Your group health plan pays first.
If you're 65 or older, have group health plan coverage based on your or your spouse's current employment, and the employer has fewer than 20 employees ...	Medicare pays first.
If you're under 65 and have a disability, have group health plan coverage based on your or a family member's current employment, and the employer has 100 or more employees ...	Your group health plan pays first.
If you're under 65 and have a disability, have group health plan coverage based on your or a family member's current employment, and the employer has fewer than 100 employees ...	Medicare pays first.
If you have group health plan coverage based on your or a family member's employment or former employment, and you're eligible for Medicare because of End-Stage Renal Disease (ESRD)...	Your group health plan pays first for the first 30 months after you become eligible for Medicare. Medicare pays first after this 30-month period.
If you have TRICARE...	Medicare pays first, unless you're on active duty, or get items or services from a military hospital or clinic, or other federal health care provider.
If you have Medicaid...	Medicare pays first.

Important! If you're still working and have employer coverage through work, contact your employer to find out how your employer's coverage works with Medicare.

Question: Any special situations when spouse younger/older than 1st person?

Answer: If the spouse is younger than the employee and is not at least 65, then consider staying on the group plan to retain coverage for the spouse.

Employer group plans generally do not permit “dependent only” coverage. If the spouse is older than the employee and is 65 years of age or older, it would be wise to consider Medicare coverage but it may still be less expensive to keep the spouse covered through the group plan. There are lots of variables, such as the overall cost could be less due to the employer subsidy of the premium (cost sharing), the medical plan may have better benefits, etc.

Question: If I am automatically enrolled in Medicare Part A – can I defer or waive it after it has started?

Answer: See the instructions posted on the [Medicare.gov](https://www.medicare.gov) website - [How to disenroll from Medicare Part A and Part B.](#)

If you pay a premium for Part A and wish to disenroll from Medicare Part A, visit your local Social Security office or by call 1-800-772-1213 (TTY 1-800-325-0778).

You will need to fill out a CMS Form 1763 (Request for Termination of Premium Hospital and Medical Insurance).

Question: Why would someone decide to enroll in Medicare instead of staying on an employer's group insurance?

Answer: It is a different outcome for every individual based on their situation. The group health premiums may be very high, so for some it makes sense to move off and enroll in Medicare Part A and B and the appropriate Individual Medicare plans.

For others the decision may be based on other family members on the group plan. It's an individual assessment in terms of how to determine what makes the most sense for your situation.

Question: Medicare and all various Medicare Parts A, B, C, & D options are so confusing. Is there an easy way to break it all down?

Answer: Yes, understanding Medicare can be challenging. It is important to work with a qualified “Certified” Medicare Consultant, someone that specializes in Medicare planning is strongly suggested.

You don't pay more when you ask for the help from an expert. The carriers pay the Medicare Consultant a small fee to act as your advisor so why not take advantage of the help, it does not cost you anything!

Contact: Brina Campbell, Medicare Sales Consultant


- Brina.Campbell@warnerpacific.com
- Phone: (800) 801-2300, ext. 5756

For More Information



- [Medicare Open Enrollment](#)
- 1-800-MEDICARE (1-800-633-4227)
 - TTY users call 1-877-486-2048
 - [Medicare & You handbook](#)
 - CMS Fact Sheet: [“Deciding Whether to Enroll in Medicare Part A and Part B When You Turn 65”](#)
- [Medicare](#)
- [Center for Medicare and Medicaid Services](#)
- [State Health Insurance Assistance Program \(SHIP\)](#)
- [Health Insurance Counseling & Advocacy Program \(HICAP\)](#)
 - Santa Clara County: 408-296-8290
 - Toll Free: 800-434-0222
 - Lumetra: 800-841-1602
- [MySourceWise.com \(formerly Council on Aging Santa Clara\)](#)

Questions?

	Jenny Vonderwerth, SPHR, PHRca, SHRM-SCP Senior Vice President, Employee Benefits Consulting
	C: 408-218-6177 E: jvonderwerth@McGriff.com eFax: 866-943-5888 900 E. Hamilton Avenue, Suite 350 Campbell, CA 95008 McGriffinsurance.com CA License #0E54998 Connect with me on LinkedIn

Question: How do I determine what Medicare options I should consider when determining the cost of each “Part”?

Answer: When looking at the different parts of Medicare, start by considering the difference sources for Medicare coverage and estimated cost. There are basically 3 different variations or options, as shown below:

Option #1 - Medicare Plans - Billed by Social Security (Medicare Parts A, B, and D)

Option #2 - Medicare Plans - Billed by the Insurance Carrier (known as a Medicare Supplemental Plans)

Option #3 - Medicare Plans - Billed by the Insurance Carrier (known as Medicare Advantage or Part C +D)

Option #1 - Medicare Plans - Billed by Social Security (Medicare Parts A, B, and D)

- **Medicare Part A (hospital):** \$0 Premium
- **Medicare Part B (non-hospital Medical):** \$164.90 for 2023. This is billed by social security. You may be subject to a higher premium amount referred to as IRMAA – Income Related Monthly Adjustment Amounts. Social security will determine if you must pay a higher amount based on your income looking back 2 years. This is the link to the table to determine where you fall: <https://www.medicare.gov/your-medicare-costs/part-b-costs> When you click the link go down to “**Part B (Medical Insurance) costs**” and click the link “**Who pays a higher Part B premium because of income?**” This will show you the Income IRMAA table.
- **Medicare Part D IRMAA** – (if applicable to you) If your modified adjusted gross income is above a certain amount, you may pay a Part D income-related monthly adjustment amount (Part D IRMAA). This is billed by social security and is separate from the premiums for this plan. To see if you may pay additional amounts to social security, please review the income table here: <https://www.medicare.gov/drug-coverage-part-d/costs-for-medicare-drug-coverage/monthly-premium-for-drug-plans>

Option #2 - Medicare Plans - Billed by the Insurance Carrier (known as a Medicare Supplemental Plans or Medigap)

Medicare Supplement: The average premium depending on the carrier you select is under \$200 per month. This is billed by the insurance carrier we select. A supplement picks up where Medicare leaves off resulting in minimal out of pocket expenses. In other words, a Medicare Supplement fills the gaps in Original Medicare. You can see any doctor/specialist/hospital in the country that accepts Medicare assignment. If you see a provider that does not accept assignment, your supplement plan will also pick up the 15% excess charges from that provider. You can check doctors, specialist and hospitals in your area here: <https://www.medicare.gov/care-compare>. This plan does not have prescription drug coverage but should be paired with Medicare Part D Prescription Drug plan, see below.

Medicare Part D Prescription drug plan: A standalone Prescription Drug coverage plan because Medicare and a Medicare Supplement does not cover prescription drugs. Monthly premium billed amount can range from under \$10 per month to an average of \$40 per month depending on the carrier we select based on your list of prescription drug list. This is billed by the insurance carrier we select.

Option #3 - Medicare Plans - Billed by the Insurance Carrier (known as Medicare Advantage)

Medicare Part C - This is also known as MAPD – Medicare Advantage Part D plan and is usually an HMO but there may be a PPO available depending on your county.

The premium can be as low as \$0 for HMO and up to \$100 for PPO. This plan includes the Part D drug benefits.

The Medicare Advantage (MAPD) Program combines coverage for Parts A & B benefits and is administered by private health plans. Private health plans contract with CMS to administer benefits on behalf of CMS. These plan types require you to see providers that are part of the insurance carriers plan network.

Question: If I am enrolled in an HMO, can you have Medicare Part A and the employer insurance, does it matter?

Answer: Yes, but it depends. You may have dual coverage, both the Medicare Part A and the HMO (or any other group insurance), but you are not required carry both. An employer's group insurance is likely primary and there may not be any additional benefits to having Medicare. See [Medicare Secondary Payer \(MSP\)](#) rules.

If the HMO plan is also a “qualified medical plan” with a Health Savings Account (HSA), then you would not want to have both because the employer's group plan is considered "other medical coverage" and you may not make an HSA contribution.

Question: Are Medicare benefits geographic? Meaning services have to be rendered in home location? Or, are they national?

Answer: With original Medicare and a Medicare Supplement the coverage is portable and you can access any doctor in the country that accepts Medicare assignment.

If enrolled in a Medicare Advantage MAPD (Part C) those plans are regional and services should be rendered in your area with providers that are part of the plan network.

You do not have coverage outside your state unless an emergency. If you move out of county or state, this opens a special enrollment period due to moving out of the service area to enroll in that states Medicare Advantage or a Medicare Supplement plan.

Question: I keep getting all these letters and emails warning me to sign up for Medicare, what do I need to do?

- It depends...if you are still working and are covered by an Natus medical plan, then you don't have to do anything
 - You may want to “defer Medicare Part A” since it is considered “automatic”
 - If you enrolled in the HSAs, then you may want to defer Medicare Part A if you plan to continue to make contributions
 - If you have dependents who are < age 65 and need health insurance, you may to continue coverage through Natus so they have coverage (or secure individual insurance)
 - If you are enrolled in a traditional health plan, then it makes sense to activate Medicare Part A
- Contact Brina Campbell, Medicare Specialist with Warner Pacific
 - 800-801-2300 x453
 - Brina.Campbell@WarnerPacific.com
 - Tell her you attended the Medicare 101 Training at Natus

HSAs & Medicare Don't Mix

Health Savings Account (HSA)

You aren't eligible to make contributions to an HSA after you have Medicare. To avoid a tax penalty, you should make your last HSA contribution the month before your Part A coverage begins. Premium-free Part A coverage will go back (retroactively) 6 months from when you sign up for Part A or apply for benefits from Social Security or the Railroad Retirement Board, but no earlier than the first month you're eligible for Medicare. Depending on how you become eligible for Part A, the retroactive period may be different. See the chart below to help decide when it's best to stop your HSA contributions.

If you sign up for Medicare:	During your Initial Enrollment Period	You can avoid a tax penalty by making your last HSA contribution the month before you turn 65.
	2 months after your Initial Enrollment Period ends	
If you wait to sign up for Medicare:	Less than 6 months after you turn 65	You can avoid a tax penalty by stopping HSA contributions the month before you turn 65.
	6 or more months after you turn 65	You can avoid a tax penalty by stopping HSA contributions 6 months before the month you apply for Medicare.

Question: Can I be on COBRA and Medicare at the same time?

- **If you have Medicare first and then become eligible for COBRA, you can have both Medicare and COBRA.** It is important to remember that Medicare pays first and COBRA pays second.
- If you have COBRA before signing up for Medicare, your COBRA will probably end once you sign up. You have 8 months to sign up for [Part B without a penalty](#), whether or not you choose COBRA. If you miss [this period](#), you'll have to wait until January 1 - March 31 to sign up, and your coverage will start July 1. This may cause a gap in your coverage, and you may have to pay a lifetime Part B late enrollment penalty.